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Daniel Hjelmås
Storebrand

Annual report 2015
Storebrand Boligkreditt AS

Company information

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Content

Key figures

NOK million	2015	2014
Profit and loss account: (as % of avg. total assets) [1]		
Net interest income	1.16%	1.56%
Main balance sheet figures:		
Total assets	14 855.0	14 993.8
Average total assets	14 573.2	15 488.8
Gross lending to customers	14 291.6	14 325.4
Equity	974.6	1 036.8
Other key figures:		
Loan losses and provisions as % of average total lending	0.01%	0.00%
Individual loan loss provisions as % of gross loss-exposed loans [3]	10.3 %	9.3 %
Cost/income ratio	16.3 %	6.9 %
Return on equity before tax [2]	14.3 %	21.7 %
Core (tier 1) capital ratio	16.2 %	14.4 %

Definitions:

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

2) Profit before tax as % of average equity.

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

Annual report

HIGHLIGHTS

Storebrand Boligkreditt AS is a wholly-owned subsidiary of Storebrand Bank ASA (parent bank). The company is connected to Storebrand Bank ASA's head office at Lysaker in the municipality of Bærum.

The company has a concession from the Financial Supervisory Authority of Norway to issue covered bonds (OMFs). The purpose of the company is to provide or purchase mortgage loans. The loans are bought from Storebrand Bank ASA, and it is Storebrand Bank ASA that manages the mortgages of Storebrand Boligkreditt AS. The established loan programme has an Aaa rating from the rating bureau Moody's. At the end of 2015, the company had issued covered bonds to the value of approximately NOK 11.6 billion with remaining maturities ranging from 6 months to 5 years The issued volume is partly invested in the market and partly placed in the parent bank's balance.

At the end of 2015, the lending volume was on par with the volume at the end of 2014 and represented 8,705 mortgages and secured loans corresponding to NOK 14.3 billion (14.3 billion). The quality of the portfolio is very good. At year end there were 9 loans in default, corresponding to NOK 27 million. This represents 0.19 per cent of the portfolio. The average loan-to-value ratio is approximately 50 per cent.

FINANCIAL PERFORMANCE

The company's operating profit before losses for 2015 was NOK 141 million (216 million). Net losses on lending represented costs of NOK 1.9 million (income of NOK 0.3 million), in which group write-downs increased by NOK 0.2 million (cost of NOK 0.9 million). Annual profit after tax for Storebrand Boligkreditt was NOK 102 million, compared with NOK 158 million for 2014.

NET INTEREST INCOME

Net interest income was NOK 169 million for the year (NOK 242 million), which is a reduction compared with the previous year and in line with general market trends. Lending margins are under pressure as a result of greater competition. Higher financing costs in combination with lower mortgage margins have reduced net interest income as a percentage of average total assets to 1.16 per cent in 2015, compared with 1.56 per cent for the previous year.

OTHER INCOME

Other income was marginally negative in 2015, compared with negative NOK 10 million in 2014. Other income in 2015 is related primarily to gains/losses on the buyback of issued bonds and the associated derivatives and net commission income from lending.

OPERATING EXPENSES

Operating expenses increased to NOK 27 million in 2015, compared with NOK 16 million in 2014. The higher expenses are attributed to increased fees paid to Storebrand Bank ASA for management of the company's lending portfolio as of the 4th quarter of 2015. The company has no employees and buys services, primarily from Storebrand Bank ASA and Storebrand Livsforsikring AS. Purchased services are based on market terms.

LOSSES AND DEFAULTS

Losses on lending accounted for a cost of NOK 2 million in 2015, compared with NOK 0.3 million in 2014. At the end of 2015, default volume amounted to NOK 27 million (23 million). This volume corresponds to 0.19 per cent (0.16 per cent) of gross lending. All the loans have a loan-to-value ratio within 75 per cent of market value or are generally written down.

BALANCE SHEET

The company's total assets under management at the end of 2015 were NOK 14.9 billion compared with NOK 15.0 billion at the end of 2014.

Borrowing is in the form of covered bonds in Norwegian kroner and drawing facilities with Storebrand Bank ASA. The financing structure is balanced and adapted to the credit company. At the end of 2015, covered bonds issued amounted to approximately NOK 11.6 billion, with a remaining period to maturity of 6 months to 5 years. NOK 9.3 billion of these bonds have been placed in the market, while the remaining NOK 2.3 billion is being held in the parent bank..

RISK MANAGEMENT

A credit company's core activity is credit exposure with low risk. Storebrand Boligkreditt has a conscious attitude to risks in the activities and works continuously to refine systems and processes for risk management. Overall, the present risk profile is considered to be satisfactory.

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 stating 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, compliance risk and to a lesser extent market risk.

CREDIT RISK

Storebrand Boligkreditt AS has lending totalling NOK 14.3 billion, in addition to unused credit facilities of NOK 1.7 billion as at 31 December 2015. Non-performing and impaired loans accounted for 0.19 per cent of gross lending.

Even though the non-performing volume is low, the default volume is closely monitored. Storebrand Bank ASA, which manages the loans of Storebrand Boligkreditt AS, has a conservative lending practice with regard to the customers' ability to pay. Security is assessed as being extremely good, since most loans are less than 60 per cent of collateral value. Average loan-to-value ratio in Storebrand Boligkreditt's portfolio is 50 per cent (49 per cent), and at the date of transfer the maximum loan-to-value ratio is 75 per cent. Loan-to-value ratio is calculated based on amounts drawn in the case of flexible secured loans. The risk in the lending portfolio is therefore considered to be very low. Approximately 98 per cent of mortgages have a loan-to-value ratio within 80 per cent.

The company has not issued any guarantees. Storebrand Boligkreditt has not deposited securities with Norges Bank as collateral.

LIQUIDITY RISK

Liquidity risk is the risk of Storebrand Boligkreditt not being able to fulfil all its financial obligations as they become due. Liquidity in a credit company must at all times be sufficient to support balance sheet growth and to redeem loans that fall due for payment. The company controls its liquidity position based on minimum liquid holdings and maximum volume per issue within a 6 month period.

Storebrand Boligkreditt 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 must have a sufficient ceiling at all times to be able to cover interest and repayment on covered bonds and associated derivatives for the next 12 months. This drawing right may not be terminated by Storebrand Bank until at least 3 months after the maturity date of the covered bond and the associated derivatives with the longest period to maturity. Standard covenant requirements are linked to the loan agreements entered into. All the terms and conditions have been satisfied for all signed loan agreements in 2015. In accordance with the loan programme, the company's over-collateralisation requirement is satisfied at 109.5 per cent.

The liquidity targets of Storebrand Boligkreditt AS are within the internally determined limits.

MARKET RISK

The company's aggregate interest and foreign currency exposure is limited by means of low exposure limits in the risk policies. At the end of 2015, the company had no liquidity portfolio in fixed-income securities, only bank deposits.

Storebrand Boligkreditt has limited ceilings for interest risk, and this is assessed to be low, since all lending has administration-determined interest rates and borrowing is either on variable rates or swapped to three month floating NIBOR.

At the end of 2015, Storebrand Boligkreditt had no interest rate risk, since all the company's lending and borrowing is in NOK.

OPERATIONAL RISK
In order to manage operational risk, the company's administration prioritises the establishment of good work and control routines. Systematic risk reviews are performed every six months, as well as with special transactions or unexpected events. The most recent risk review was performed in autumn 2015.

COMPLIANCE RISK
Storebrand Boligkreditt AS uses and is included in the Storebrand Bank group's routines and processes for controlling operational risk and compliance risk.

CAPITAL MANAGEMENT

CAPITAL ADEQUACY
Equity in the company at the end of the year amounted to NOK 975 million. The net primary capital at year-end after group contributions paid/received amounted to NOK 975 million (873 million). The company's capital and core (tier 1) capital adequacy was 16.2 per cent (14.4 per cent). The company has adjusted to the new capital requirements and aims to comply with the applicable buffer capital requirements at all times.

Storebrand Boligkreditt AS has satisfactory solvency and liquidity based on the company's business activities.

PERSONNEL, ORGANISATION, GOVERNING BODIES AND THE ENVIRONMENT

SUSTAINABILITY
The Storebrand Group has worked on sustainability in a systematic and goal-oriented manner for almost 20 years.
Our sustainability work originated in asset management, where sustainability is currently part of the fundamental pillar of Storebrand's investment strategy. Sustainability is one of Storebrand's six customer promises and one of the Group's three principal messages. During the course of 2015, Storebrand has further strengthened these efforts.

Sustainability is integrated into Storebrand's values, vision, core values and promise to its customers, and the company has prepared clear guidelines as a foundation for this work. See also the discussion in a separate article in the Storebrand Group's annual report for 2015.

ETHICS AND CONFIDENCE
Storebrand lives by confidence. The company sets a requirement that the Group's employees must have high ethical standards. Storebrand also has ethical rules, which are an important tool in our daily operations, and are followed up every year through training and monitoring. Management teams at all levels of the Group discuss ethical dilemmas and review the rules at least annually. The Group's rules relating to anti-corruption, notification and work against internal fraud are included in the ethical rules and apply to all employees and consultants that work for Storebrand.

THE ENVIRONMENT
The company makes a focused effort to reduce the impact of its business activities on the environment, through their own operations, investments, purchasing and property management. The Storebrand Group places strict environmental demands on its suppliers and companies in which it invests. The company's head office is a low-emission building that uses renewable energy sources such as solar energy and district heating. The building is also Eco-Lighthouse certified.

PERSONNEL AND ORGANISATION
At the end of 2015 there were no employees in the company. For this reason, no special working environment measures have been taken.

The company has entered into an agreement with Storebrand Bank ASA regarding terms and conditions for the purchase, transfer and management of loans. The company's tasks are performed by employees of Storebrand Bank ASA and other companies in the Storebrand Group. The services purchased are regulated through service agreements and price agreements that are updated annually.

DIVERSITY

The Board of Storebrand Boligkreditt AS consists of three men and one woman. The CEO is a woman.

CORPORATE GOVERNANCE

Storebrand Boligkreditt's systems for internal control and risk management in relation to the accounting process follow the Storebrand Group's guidelines. These guidelines are determined annually by the Board. Storebrand Boligkreditt AS has established service agreements with Storebrand Livsforsikring AS that include purchase of all accounting competence, accounting and reporting from Storebrand Livsforsikring AS.

The management and Board of Storebrand ASA consider the principles for corporate governance every year. Storebrand ASA established principles for corporate governance in 1998. In accordance with Section 3-3b of the Accounting Act and the Norwegian recommendation for corporate governance (most recently revised on 30 October 2014), Storebrand ASA presents a report on its principles and practices for corporate governance. For a more detailed report on Storebrand's corporate governance in accordance with Section 3-3b of the Accounting Act, see the specific article on this in the Storebrand Group's annual report for 2015.

Storebrand Boligkreditt AS publishes four quarterly financial statements in addition to the ordinary annual financial statement. The financial reports must satisfy the requirements of laws and regulations and must be presented in accordance with adopted accounting principles, as well as following the deadlines determined by the Board of Storebrand ASA. The company accounts for Storebrand Boligkreditt AS are prepared by the Group Accounts department of Storebrand Livsforsikring AS, which is under the Storebrand Group's CFO. Key managers in Group Accounts have a fixed annual remuneration that is not affected by the Group's financial results. A number of risk assessment and control measures have been established in connection with the presentation of the financial reports. Internal meetings are held, as well as meetings in which external auditors participate, to identify risk conditions and measures in connection with significant accounting items or other circumstances. Corresponding quarterly meetings are also held with various professional centres in the Group that are key to the assessment and valuation of lending and financial instruments, as well as other items for assessment. These meetings have a particular focus on any market changes, specific conditions relating to default trends, individual loans and investments, transactions and operational conditions etc. Assessments relating to significant accounting items and any changes in principles etc. are described in a separate document (assessment item memo). The external auditor participates in board meetings as needed, as well as in meetings of the audit committee of Storebrand ASA. Monthly and quarterly operating reports are prepared in which results by business area and product area are analysed and assessed against predetermined budgets. The operating reports are reconciled against other financial reporting. Otherwise, there is ongoing reconciliation of technical systems etc. against the accounting system.

The Board's method of working is regulated by specific instructions to the Board. The Board of Storebrand ASA has also established a general "Governing Document for Risk Management and Internal Control in Storebrand 2014" as well as instructions to the boards of subsidiaries. These documents describe how guidelines, plans and strategies adopted by the Group's Board of Directors are expected to be followed, as well as how risk management and control is to be performed in the Group. The Board of Storebrand ASA has three advisory sub-committees that are common to the Storebrand Group: The Compensation Committee, Audit Committee and Risk Committee.

The company has no articles or authorities that enable the Board to decide that the company may buy back or issue own shares or capital certificates.

CHANGES TO THE COMPOSITION OF THE BOARD

The Board consists of two internal and two external members, as well as an internal deputy member. There have been no changes to the composition of the Board in 2015.

CONTROL COMMITTEE AND BOARD OF REPRESENTATIVES DISBANDED

Storebrand Boligkreditt's Control Committee and Board of Representatives were disbanded effective 1 January 2016 pursuant to the new Act on Financial Undertakings and Financial Groups.

SOCIAL RESPONSIBILITY

Refer to the detailed description regarding sustainability, included in the 2015 annual report of the Storebrand Group.

GOING CONCERN

The Board confirms that the basis for continued operation as a going concern is in place and the annual financial report has been presented on this assumption.

EVENTS AFTER THE BALANCE DATE

The Board is not aware of any events that have occurred after the end of the financial year that have any significant effect on the annual financial statements that have been presented.

ALLOCATION OF PROFIT

The company's profit for the year amounted to NOK 101.6 million. The Board proposes to pay a group contribution of NOK 144.4 million before tax (NOK 101.5 million after tax) to Storebrand Bank ASA. The Board considers the company's capital situation to be good in relation to the risk profile and proposes the following allocation of the profit for the year to the company's general meeting:

NOK million	Amount
Transferred to/from other equity	3.8
Group contribution paid to parent company (after tax)	-105.4
Total allocation	**-101.6**

The company received a group contribution (tax-exempt) of NOK 101.5 million from Storebrand Bank ASA.

STRATEGY AND OUTLOOK FOR 2016

In 2016, Storebrand Boligkreditt AS will continue its core activity, which is the acquisition and management of home mortgages from Storebrand Bank ASA. The company is only aiming for limited growth in the cover pool throughout 2016.

The countercyclical capital buffer requirement will increase from 1 per cent to 1.5 per cent of pure core capital from 30 June 2016. From this date the combined pure core capital and primary capital requirements will be 11.5 per cent and 15 per cent, respectively. The company has adjusted to the new capital requirements and aims to comply with the applicable buffer capital requirements at all times. The company has satisfactory solvency and liquidity based on the company's business activities.

The housing market and developments in total non-performing loans will be 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 in 2016.

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 AS will continue to contribute to Storebrand Bank ASA having diversified financing.

Lysaker, 16 February 2016

The Board of Directors of Storebrand Boligkreditt AS

Translation – not to be signed

Heidi Skaaret - Chairman of the Board -	Geir Holmgren - Deputy Chairman -
Leif Helmich Pedersen - Board Member -	Thor Bendik Weider - Board Member -
	Åse Jonassen - CEO -

Profit and Loss
1 January - 31 December

NOK million	Note	2015	2014
Interest income		416.9	567.7
Interest expense		-248.3	-325.9
Net interest income	10	**168.6**	**241.8**
Net gains on financial instruments	10	-2.5	-10.3
Other income		2.3	0.6
Total other operating income		**-0.2**	**-9.7**
Staff expenses	12, 27	-0.2	-0.2
General administration expenses	12	-0.3	-0.5
Other operating costs	11, 12	-26.9	-15.4
Total operating costs		**-27.4**	**-16.1**
Operating profit before losses and other items		**141.0**	**216.0**
Loan losses	13	-1.9	0.3
Profit before tax		**139.2**	**216.3**
Tax	14	-37.6	-58.4
Profit for the year		**101.6**	**157.9**

Statement of comprehensive income

NOK million	Note	2015	2014
Profit for the year		101.6	157.9
Other comprehensive income			
Total comprehensive income for the period		**101.6**	**157.9**
Allocations:			
Transferred to other equity		-101.6	-157.9
Total allocations		**-101.6**	**-157.9**

Statement of financial position - Balance sheet
31 December

ASSETS

NOK million	Note	2015	2014
Loans to and deposits with credit institutions	4, 8, 15, 16, 17	382.0	412.3
Financial assets designated at fair value through profit and loss account:			
Derivatives	4, 5, 8, 15, 18, 23	173.2	230.4
Other current assets	15, 16, 22	12.2	28.4
Gross lending	4, 15, 16, 19, 20	14 291.6	14 325.4
Loan loss provisions	4, 15, 16, 19, 21	-4.0	-2.6
Net lending to customers		14 287.6	14 322.8
Total assets		**14 855.0**	**14 993.8**

LIABILITIES AND EQUITY

NOK million	Note	2015	2014
Liabilities to credit institutions	5, 15, 16	2 043.6	2 746.9
Other financial liabilities:			
Commercial papers and bonds issued	5, 15, 16	11 782.6	11 106.7
Other liabilities	5, 14, 15, 16, 24	54.0	101.7
Deferred tax	14	0.3	1.7
Total liabilities		**13 880.4**	**13 957.0**
Share capital		455.0	455.0
Share premium		270.1	270.1
Other paid-in equity		118.9	118.9
Other equity		130.6	192.7
Total equity	**26**	**974.6**	**1 036.8**
Total liabilities and equity		**14 855.0**	**14 993.8**

Lysaker, 16 February 2016
The Board of Directors of Storebrand Boligkreditt AS

Translation – not to be signed

Heidi Skaaret
- Chairman of the Board -

Geir Holmgren
- Deputy Chairman -

Leif Helmich Pedersen
- Board Member -

Thor Bendik Weider
- Board Member -

Åse Jonassen
- CEO -

Reconciliation of equity

NOK million	Paid in equity				Other equity		
	Share capital	Share premium	Other paid-in capital	Total paid-in capital	Other equity	Total other equity	Total equity
Equity at 31.12.2013	455.0	270.1	118.9	844.0	204.3	204.3	1 048.3
Profit for the period					157.9	157.9	157.9
Other comprehensive income							
Total other comprehensive income	**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**	**157.9**	**157.9**	**157.9**
Equity transactions with the owner:							
Group contribution paid					-169.5	-169.5	-169.5
Equity at 31.12.2014	**455.0**	**270.1**	**118.9**	**844.0**	**192.8**	**192.8**	**1 036.8**
Profit for the period					101.6	101.6	101.6
Other comprehensive income							
Total other comprehensive income	**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**	**101.6**	**101.6**	**101.6**
Equity transactions with the owner:							
Group contribution paid					-163.8	-163.8	-163.8
Equity at 31.12.2015	**455.0**	**270.1**	**118.9**	**844.0**	**130.6**	**130.6**	**974.6**

Storebrand Boligkreditt AS is 100% owned by Storebrand Bank ASA. Number of shares are 35.000.000 at 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 may be used to cover a loss, and other equity may be used in accordance with the provisions of the Company Act.

Storebrand Boligkreditt AS 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 AS 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 26.

Cash flow statement
1 January - 31 December

NOK million	2015	2014
Cash flow from operations		
Net receipts/payments of interest, commissions and fees from customers	423.1	541.7
Net disbursement/payments on customer loans	31.4	554.4
Net receipts/payments - securities at fair value	-0.1	-15.5
Payments of operating costs	-39.6	-16.1
Net cash flow from operating activities	**414.8**	**1 064.6**
Cash flow from investment activities		
Net cash flow from investment activities	**0.0**	**0.0**
Cash flow from financing activities		
Payments - repayments of loans and issuing of bond debt	-1 946.8	-1 084.6
Receipts - new loans and issuing of bond debt	2 000.0	598.4
Payments - interest on loans	-274.0	-334.5
Payments - group contribution	-224.4	-235.4
Net cash flow from financing activities	**-445.2**	**-1 056.1**
Net cash flow in period	**-30.3**	**8.6**
Net movement in cash and bank deposits	-30.3	8.6
Cash and bank deposits at the start of the period	412.3	403.7
Cash and bank deposits at the end of the period	**382.0**	**412.3**

The company has a credit arrangement (drawing facility) with Storebrand Bank ASA that is included in the item "Liabilities to credit institutions" as at 31.12.2015. See also Note 5.

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 ccontribution are financial activities.

Cash/cash equivalents
Cash/cash equivalents are defined as claims on central banks and lending to and claims on financial institutions.

Notes
Storebrand Boligkreditt AS

Note 01 Company information and accounting policies

1. COMPANY INFORMATION

Storebrand Boligkreditt AS is a Norwegian limited company with bonds listed on the Oslo Stock Exchange. The company's financial statements for 2015 were approved by the Board of Directors on 16 February 2016.

Storebrand Boligkreditt offers home mortgages to the retail market. Storebrand Boligkreditt consists of the retail market business area. Storebrand Boligkreditt AS is headquartered at Professor Kohts vei 9, Lysaker.

2. BASIS FOR PREPARATION OF THE FINANCIAL STATEMENTS

The accounting policies applied in the company accounts are described below. The policies are applied consistently to similar transactions and to other events involving similar circumstances.

The financial statements of Storebrand Boligkreditt AS have been prepared in accordance with the International Financial Reporting Standards (IFRS) approved by the EU and appurtenant interpretations, as well as other Norwegian disclosure requirements laid down in legislation and regulations.

USE OF ESTIMATES IN PREPARING THE ANNUAL FINANCIAL STATEMENTS.

The preparation of the annual financial statements in accordance with IFRS requires the management to make judgements, estimates and assumptions that affect assets, liabilities, revenue, expenses, the notes to the financial statements and information on potential liabilities. Actual amounts may differ from these estimates. See note 2 for further information.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR MATERIAL STATEMENT OF FINANCIAL POSITION ITEMS

The asset side of the company's statement of financial position primarily consists of financial instruments. The majority of the financial instruments fall within the category Loans and Receivables and are stated at amortised cost. Capitalised intangible assets are also included on the statement of financial position. The liabilities side of the company's statement of financial position primarily consists of financial instruments (liabilities). With the exception of derivatives that are stated at fair value, the majority of the financial liabilities are stated at amortised cost.

The accounting policies are described in more detail below.

4. CHANGES IN ACCOUNTING POLICIES

New accounting standards that have a significant impact on the company's financial statements have not been implemented in 2015.

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

IFRS 9 Financial Instruments will be an important standard for Storebrand Boligkreditt's financial statements. Among other things, the standard deals with classification of financial instruments (use of fair value and amortised cost) and rules for the measurement and write-down of financial instruments. It can be expected that this standard will enter into force as of 2018, but it is also possible that this standard will not apply to the insurance-dominated group until IFRS 4 Phase 2 enters into force, which is not expected until 2020 at the earliest.

No new accounting standards that will have a significant impact on Storebrand Boligkreditt's financial statements are expected to be implemented in 2016.

5. INCOME RECOGNITION

NET INTEREST INCOME - BANKING

Interest income is recognised in the income statement using the effective interest method.

INCOME FROM FINANCIAL ASSETS

Income from financial assets is described in Section 6.

OTHER INCOME

Fees are recognised when the income can be measured reliably and earned, fixed fees are recognised as income in line with delivery of the service, and performance fees are recognised as income once the success criteria have been met.

6. FINANCIAL INSTRUMENTS

6-1. GENERAL POLICIES AND DEFINITIONS

Recognition and derecognition

Financial assets and liabilities are recognised in the statement of financial position from such time Storebrand becomes party to the instrument's contractual terms and conditions. Ordinary purchases and sales of financial assets are booked on the transaction date and financial liabilities are booked on the settlement date. When a financial asset or a financial liability is initially recognised, it is valued at fair value. Initial recognition includes transaction costs directly related to the acquisition or issue of the financial asset or the financial liability if it is not a financial asset or a financial liability at fair value through profit or loss.

Financial assets are derecognised when the contractual right to the cash flows from the financial asset expires, or when the company transfers the financial asset to another party in a transaction by which all, or virtually all, the risk and reward associated with ownership of the asset is transferred.

Financial liabilities are derecognised in the statement of financial position when they cease to exist, i.e once the contractual liability has been fulfilled, cancelled or has expired.

Definition of amortised cost

Subsequent to initial recognition, loans and receivables, as well as financial liabilities not at fair value through profit or loss, are measured at amortised cost using the effective interest method. The calculation of the effective interest rate involves estimating all cash flows and all contractual terms of the financial instruments (for example, early repayment, call options and equivalent options). The calculation includes all fees and margins paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Definition of fair value

Fair value is the amount for which an asset could be exchanged between well-informed, willing parties in an arm's length transaction. The fair value of financial assets listed on a stock exchange or on another regulated market in which regular trading takes place is determined as the bid price on the last trading day up to and including the reporting date.

If a market for a financial instrument is not active, fair value is determined by using recognised valuation techniques. Such valuation techniques make use of recent arm's length market transactions between knowledgeable and independent parties, where available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis, and options pricing models. If a valuation technique is in common use by participants in the market for pricing the instrument and this method has proved to provide reliable estimates of prices actually achieved in market transactions, this method is used.

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

Impairment of doubtful financial assets

For financial assets carried at amortised cost, an assessment is made on each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

If there is objective evidence that impairment has occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not occurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate calculated at initial recognition). The amount of the loss is recognised through profit or loss.

Losses expected as a result of future events, no matter how likely, are not recognised.

6-2. CLASSIFICATION AND MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES

Financial assets are classified into one of the following categories:

- Financial assets held for trading
- Financial assets at fair value through profit or loss in accordance with the fair value option
- Financial assets, loans and receivables

Held for trading

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling or repurchasing it in the near term, is part of a portfolio of identified financial instruments that are managed together and there is evidence of a recent actual pattern of short-term profit-taking, or
- it is a derivative that is not designated and effective as a hedging instrument.

With the exception of derivatives, only a limited proportion of the company's financial instruments fall into this category.

Financial assets held for trading are measured at fair value on the reporting date. Changes in the fair value are recognised through profit or loss.

At fair value through profit or loss account in accordance with the fair value option

Any liquidity portfolio of Storebrand Boligkreditt certificates and bonds will be classified at fair value through profit or loss because:

- such classification reduces the mismatch in the measurement or recognition that would otherwise arise as a result of the different rules for measuring assets and liabilities, or that
- the financial assets form part of a portfolio that is measured and reported at fair value on an ongoing basis

The accounting is equivalent to that of the held for trading category (the instruments are assessed at fair value and changes in value are recognised in the income statement).

Loans and receivables

A significant proportion of Storebrand Boligkreditt's financial instruments are classified in the category Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, with the exception of assets that the company intends to sell immediately or in the near term that are classified as held for trading and those that the company upon initial recognition designates at fair value through profit or loss.

Loans and receivables are carried at amortised cost using the effective interest method.

6-3. DERIVATES

Definition of a derivative

A derivative is a financial instrument or other contract within the scope of IAS 39, with all three of the following characteristics:

- its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable (sometimes called the 'underlying')
- it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors
- it is settled at a future date.

Accounting treatment of derivatives that are not hedging

Derivatives that do not meet the criteria for hedge accounting are treated as financial instruments held for trading. The fair value of such derivatives is classified as either an asset or a liability with changes in fair value through profit or loss.

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

6-4. HEDGE ACCOUNTING

Fair value hedging

Storebrand Boligkreditt uses fair value hedging, where the items hedged are financial assets and financial liabilities measured at amortised cost. Derivatives are recognised at fair value through profit or loss. Changes in the value of the hedged item that are attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognised through profit or loss.

6-5. FINANCIAL LIABILITIES

Subsequent to initial recognition, all financial liabilities are measured at amortised cost using an effective interest method, or at fair value in accordance with the fair value option.

7. TAX

The tax expense in the income statement comprises current tax and changes to deferred tax and is based on the accounting standard IAS 12 Income Taxes. Tax is recognised in the income statement, except to the extent that it relates to items recognised in the statement of total comprehensive income. Deferred tax and deferred tax assets are calculated on the differences between accounting and tax values of assets and liabilities.

Deferred tax is calculated on the basis of the company's tax loss carryforwards, deductible temporary differences and taxable temporary differences.

8. PROVISION FOR GROUP CONTRIBUTIONS

In accordance with IAS 10 on events after the statement of financial position date, proposed group contributions are to be classified as equity until approved by the general meeting.

9. LEASING

A lease is classified as a finance lease if it essentially transfers the risk and rewards incident to ownership. Other leases are classified as operating leases. Storebrand has no finance leases.

10. STATEMENT OF CASH FLOWS

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

Note 02 Important accounting estimates and judgements

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

The company's critical estimates and judgements that could result in material adjustment of recognised amounts are discussed below.

LOAN WRITE-DOWNS

Loans valued at amortised cost are assessed on the reporting date to see whether there is any objective evidence that a loan or group of loans is impaired. A certain degree of judgement must be used in assessing whether impairment has occurred and the amount of the impairment loss. Uncertainty grows when there is turmoil in the financial markets. The assessments include credit, market and liquidity risk. Changes in assumptions for these factors will affect an assessment of whether impairment is indicated. There will thus be uncertainty concerning the recognised amounts of individual and group write-downs.

INDIVIDUAL WRITE-DOWNS

When write-downs for individual customers are estimated, both their current and expected future financial positions and relevant security must be assessed. When it comes to the corporate market, one must also assess the market situation of the customer and the security, market conditions within the relevant industry, and general market conditions of significance for the commitment. Opportunities for restructuring, refinancing and recapitalisation also have to be assessed. The overall assessment of these factors provides a basis for estimating future cash flows and repayment capacity. The discounting period is estimated individually or based on historical data about the period up to a solution to the circumstances that caused the commitment to be exposed to impairment.

GROUP WRITE-DOWNS

On the statement of financial position date, one estimates the impairment of commitments not identified by the individual assessments. Group write-downs are carried out when objective impairment criteria have been met. These criteria are i) change in risk class and ii) change in macroeconomic conditions.

i. If the risk classification significantly changes in a negative direction, then a group write-down has to be made based on the portfolio's probable future cash flow. Such assessments are made at an account level and the customer's current classification is assessed in relation to the classification when the individual commitment was granted. It is the negative changes in classification from the date the commitments were established to the current classification that determine whether or not a commitment falls into a group that is the subject of write-downs. These write-downs are based on the write-down rates that are set on the basis of the bank's best judgement and the assumption that there will be a delay between when the loss incident occurs and when it is discovered.

ii. Groups write-downs based on macro factors are made in light of objective macroeconomic events. Examples of such events include higher unemployment, higher interest rates, poorer economic cycle forecasts, falling house prices, etc. Groups write-downs are calculated by multiplying the total commitment amount for a group of commitments that are assumed to be affected by such macroeconomic incidents by a write-down rate for macro factors.

CONTINGENT LIABILITIES

The company can be a party in legal disputes. Contingent liabilities are assessed in each case and will be based on legal considerations.

Note 03 Risk Management

Continuous monitoring and active management of risk is a core area of the company's activities. The basis of risk management follows from the board's annual discussion of the planning process and determination of general risk ceilings for the activities. Responsibility for risk management and internal control is an integral part of management responsibility in the Storebrand group.

ORGANISATION OF RISK MANAGEMENT IN STOREBRAND BANK

The Storebrand group's organisation of risk management responsibility follows a model based on 3 lines of defence. The model must safeguard risk management responsibility at company and group level.

The board of Storebrand Boligkreditt AS has ultimate responsibility for limiting and monitoring the company's risks. The board annually determines ceilings and guidelines for the risks taken by the operation, receives reports of actual risk levels and gives a forward assessment of risks.

The CEO is responsible for risk management in the company. In areas where the company buys services from Storebrand Bank ASA it is the bank that is responsible for risk management. Good risk management relies on working with targets, strategies and action plans, identifying and evaluating risks, documentation of processes and routines, prioritising and implementation of improvement measures and communication, information and reporting. All employees must be familiar with the concept that awareness of risks and risk management are vital elements of the company's culture.

The CEO submits an annual confirmation that documents how risk management has functioned during the period.

INDEPENDENT CONTROL FUNCTION
Storebrand Boligkreditt AS has an independent control function for the company's risk management (Chief Risk Officer) who is responsible directly to the CEO in Storebrand Bank and reports to the company's board. This function has the independent control function under the authority of the group CRO, who is in turn responsible to the group CEO and reports to the board of Storebrand ASA.

Internal auditing is under the direct authority of the board and is intended to give the board a confirmation of the appropriateness and effectiveness of the company's risk management, including how the lines of defence are functioning.

Note 04 Credit risk

Credit risk is the risk of loss if a counterparty does not fulfil its debt obligations.

All loans of Storebrand Boligkreditt AS are granted in Storebrand Bank ASA. Loan are given on the basis of a credit score combined with an individual assessment of ability to repay.

The bank's routines for credit processing are laid down in the credit manual for Private Market. The credit manual is directed primarily at customer contacts and others who participate in the case handling process. The credit manual contains common guidelines for credit activities in the bank and is intended to ensure the uniform and consistent processing of credit.

Counterparty risk in connection with trade in financial derivatives with customers as the counterparty is included under credit risk and is managed according to a specific policy on the basis of rating and amount under management.

The CRO reports to the board on credit risk trends on an ongoing basis.

ANALYSIS OF CREDIT RISK BY TYPE OF FINANCIAL INSTRUMENT

The maximum credit exposure is the sum of gross loans, guarantees, amounts drawn from credit lines and undrawn amounts of credit lines. The decrease in the maximum credit exposure from the end of 2014 is mainly related to lower engagement amount.

	Maximum credit exposure	
NOK million	2015	2014
Loans to and deposits with credit institutions	382.0	412.3
Total commitments customers *)	15 987.1	16 066.3
Interest rate swaps	173.2	230.4
Total	**16 542.3**	**16 709.0**
*) Of which net loans to and amounts due from customers measured at fair value:	0.0	0.0

The amounts stated for the various financial instruments constitute the value recognised in the balance sheet, with the exception of net lending to and receivables from customers, which also includes unused credit facility and guarantees (see "Credit exposure for lending activities" below).

CREDIT RISK LOANS TO AND DEPOSITS WITH CREDIT INSTITUTIONS

CREDIT RISK PER COUNTERPARTY

	AAA	AA	A	BBB	Non rated	Total 2015	Total 2014
NOK million	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value
Norway		71.4		310.6		382.0	412.3
Total loans to and deposits with credit institutions	**0.0**	**71.4**	**0.0**	**310.6**	**0.0**	**382.0**	**412.3**

CREDIT EXPOSURE FOR LENDING ACTIVITIES

Mortgage customers are assessed in relation to their ability and willingness to repay the loan. Ability to pay is calculated and a risk assessment of customers is made at the time of application. The loan-to-value ratio for customers of Storebrand Boligkreditt is maximum 75% at the time of transfer from Storebrand Bank.

Storebrand Boligkreditt provides loans with residential property as security. There is some volume where some or all of the security is in holiday and leisure property. For this type of security, the maximum loan-to-value ratio at the time of transfer is 60%.

When loans are entered into, information of significance to the value of the home is obtained. Updated, independent valuations of homes are obtained every quarter from the property valuation company Eiendomsverdi AS. For homes where Eiendomsverdi AS does not have an up-to-date valuation (such as housing cooperative apartments, owner-tenant apartments and some leisure properties) the most recent updated market value is used until further notice. Where Eiendomsverdi cannot determine the market value of a property with a high degree of certainty, a "haircut" is used so as to reduce the risk of giving an inflated estimate of market value. If Eiendomsverdi has never had information about the home's market value, the value registered on entering into the contract will be used. A list of collateral that has had no value update in the last three years is regularly reviewed so as to initiate measures to reduce the number of items on the list.

The average weighted loan-to-value ratio in the mortgage business is approximately 50%, and approximately 97% of the mortgages have a loan-to-value ratio of less than 80%. Approximately 63% of the company's mortgages have a loan-to-value ratio of less than 60%. The credit quality of unmatured loans is good.

The security in Storebrand Boligkreditt is security on residential property. Security for the portfolio is assessed as being extremely good. Security for matured loans is also considered good.

Security for private-customer defaulted loans without value loss is good. Average weighted loan-to-value ratio for these loans is approximately 39%, and the largest observed loan-to-value ratio for loans in default at the end of December 2015 is 79.8%. Security pledged in the retail market is sold. It is not taken over by the bank.

COMMITMENTS PER CUSTOMER GROUP

NOK million	2015 Loans to and due from customers	Guarantees	Undrawn credit limits	Total commitments
Wage-earners	14 210.5		1 686.4	15 896.9
Other	4.5		0.2	4.7
Rest of world	76.6		12.9	89.5
Total	**14 291.6**	**0.0**	**1 699.5**	**15 991.1**
Loan loss provisions on individual loans	-2.2			-2.2
Loan loss provisions on groups of loans	-1.8			-1.8
Total loans to and due from customers	**14 287.6**	**0.0**	**1 699.5**	**15 987.1**

NOK million	2014 Loans to and due from customers	Guarantees	Undrawn credit limits	Total commitments
Wage-earners	14 230.0		1 761.1	15 991.1
Other	6.7		0.3	7.0
Rest of world	88.6			88.6
Total	**14 325.4**	**0.0**	**1 761.4**	**16 086.8**
Loan loss provisions on individual loans	-1.0			-1.0
Loan loss provisions on groups of loans	-1.6			-1.6
Total loans to and due from customers	**14 322.8**	**0.0**	**1 761.4**	**16 084.2**

The classification into customer groups is based on Statistics Norway's standard for sector and business classification. The individual customer's classification is determined by the customer's primary activity.

AVERAGE VOLUME ENGAGEMENT PER CUSTOMER GROUP

NOK million	2015 Average volume loans to and deposits from customers	Average volume guarantees	Average volume undrawn credit limits	Total average engagements
Wage-earners	14 211.4		1 713.4	15 924.9
Other	5.6		0.2	5.9
Rest of world	82.5		16.7	99.3
Total	**14 299.6**	**0.0**	**1 730.4**	**16 030.0**

NOK million	2014 Average volume loans to and deposits from customers	Average volume guarantees	Average volume undrawn credit limits	Total average engagements
Wage-earners	14 549.8		1 746.5	16 296.3
Other	8.4		0.5	8.9
Total	**14 558.2**	**0.0**	**1 747.0**	**16 305.2**

ENGAGEMENT PER GEOGRAPHICAL AREA

2015

NOK million	Loans to and due from customers	Guarantees	Undrawn credit limits	Total commit-ments	Non-performing loans without evidence of impairment	Non-performing and loss-exposed loans with evidence of impairment	Gross defaulted and loss-exposed loans	Provisions for individual loan losses	Net defaulted and loss-exposed loans
Eastern Norway	11 160.3		1 304.6	12 464.9	5.1	15.6	20.7	2.0	18.7
Western Norway	2 147.7		281.1	2 428.8	2.0	1.2	3.2	0.2	3.0
Southern Norway	222.9		31.3	254.2			0.0		0.0
Mid-Norway	384.6		44.1	428.7	2.6		2.6		2.6
Northern Norway	309.6		22.8	332.5			0.0		0.0
Rest of world	66.5		15.6	82.0	0.1		0.1		0.1
Total	**14 291.6**	**0.0**	**1 699.5**	**15 991.1**	**9.8**	**16.7**	**26.5**	**2.2**	**24.3**

2014

NOK million	Loans to and due from customers	Guarantees	Undrawn credit limits	Total commit-ments	Non-performing loans without evidence of impairment	Non-performing and loss-exposed loans with evidence of impairment	Gross defaulted and loss-exposed loans	Provisions for individual loan losses	Net defaulted and loss-exposed loans
Eastern Norway	11 346.8		1 373.9	12 720.7	8.1	12.1	20.2	0.9	19.3
Western Norway	2 042.1		268.1	2 310.2	2.6	0.4	3.0	0.1	3.0
Southern Norway	229.5		38.1	267.6			0.0		0.0
Mid-Norway	362.9		39.9	402.8			0.0		0.0
Northern Norway	283.4		25.1	308.5			0.0		0.0
Rest of world	60.8		16.2	77.0	0.1		0.1		0.1
Total	**14 325.4**	**0.0**	**1 761.4**	**16 086.8**	**10.8**	**12.5**	**23.3**	**1.0**	**22.3**

TOTAL ENGAGEMENT AMOUNT BY REMAINING TERM TO MATURITY

	2015			
NOK million	Loans to and due from customers	Guarantees	Undrawn credit limits	Total commitments
Up to 1 month	0.5			0.5
1 - 3 months	2.0			2.0
3 months - 1 year	36.0		20.5	56.5
1 - 5 years	1 351.8		688.5	2 040.3
More than 5 years	12 901.4		990.5	13 891.8
Total	**14 291.6**	**0.0**	**1 699.5**	**15 991.1**

	2014			
NOK million	Loans to and due from customers	Guarantees	Undrawn credit limits	Total commitments
Up to 1 month	0.1			0.1
1 - 3 months	0.8			0.8
3 months - 1 year	13.1		0.4	13.5
1 - 5 years	1 483.6		710.8	2 194.4
More than 5 years	12 827.8		1 050.1	13 878.0
Total	**14 325.4**	**0.0**	**1 761.4**	**16 086.8**

AGE DISTRIBUTION OF OVERDUE ENGAGEMENTS WITHOUT IMPAIRMENTS

	2015			
NOK million	Loans to and due from customers	Guarantees	Undrawn credit limits	Total commitments
Overdue 1 - 30 days	55.5			55.5
Overdue 31 - 60 days	42.5			42.5
Ovedue 61- 90 days	10.2			10.2
Overdue more than 90 days	9.8			9.8
Total	**118.1**	**0.0**	**0.0**	**118.1**
Engagements overdue more than 90 days by geographical area:				
Eastern Norway	5.1			5.1
Western Norway	2.0			2.0
Southern Norway	0.0			0.0
Mid-Norway	2.6			2.6
Northern Norway				0.0
Rest of world	0.1			0.1
Total	**9.8**	**0.0**	**0.0**	**9.8**

NOK million	Loans to and due from customers	Guarantees	Undrawn credit limits	Total commitments
	2014			
Overdue 1 - 30 days	104.1			104.1
Overdue 31 - 60 days	11.6			11.6
Ovedue 61- 90 days	13.0			13.0
Overdue more than 90 days	10.8			10.8
Total	**139.5**	**0.0**	**0.0**	**139.5**
Engagements overdue more than 90 days by geographical area:				
Eastern Norway	8.1			8.1
Western Norway	2.6			2.6
Southern Norway				0.0
Mid-Norway				0.0
Northern Norway				0.0
Rest of world	0.1			0.1
Total	**10.8**	**0.0**	**0.0**	**10.8**

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.

CREDIT RISK BY CUSTOMER GROUP

NOK million	Non-performing and loss-exposed loans with evidence of impairment	Non-performing loans without evidence of impairment	Gross defaulted and loss-exposed loans	Total provisions for individual loan losses	Net defaulted and loss-exposed loans	Total value changes	Total value change recognised in the profit and loss account during period
				2015			
Wage-earners	16.7	9.7	26.4	2.2	24.2		1.2
Rest of world		0.1	0.1		0.1		
Total	**16.7**	**9.8**	**26.5**	**2.2**	**24.3**	**0.0**	**1.2**

NOK million	Non-performing and loss-exposed loans with evidence of impairment	Non-performing loans without evidence of impairment	Gross defaulted and loss-exposed loans	Total provisions for individual loan losses	Net defaulted and loss-exposed loans	Total value changes	Total value change recognised in the profit and loss account during period
				2014			
Wage-earners	12.5	10.7	23.2	1.0	22.2		-1.1
Rest of world		0.1	0.1		0.1		
Total	**12.5**	**10.8**	**23.3**	**1.0**	**22.3**	**0.0**	**-1.1**

CREDIT RISK DERIVATIVES

The purpose of the use of financial derivatives is to identify and reduce currency and interest rate risk. Counterparty risk in connection with the trading of financial derivatives is included in credit risk. The Storebrand Boligkreditt's risk strategy establishes overall limits for how much credit risk the company is willing to accept. The summary shows the gross exposure, the company has no collateral for the credit risk.

NOK million	AAA Fair value	AA Fair value	A Fair value	BBB Fair value	Non-rated fair value	Total 2015 Fair value	Total 2014 Fair value
Norway			173.2			173.2	230.4
Total	**0.0**	**0.0**	**173.2**	**0.0**	**0.0**	**173.2**	**230.4**

Rating classes are based on Standard & Poors.

Change in value:							
Total change in value on the balance sheet			173.2			173.2	230.4
Change in value recognised in the profit and loss during period			-57.1			-57.1	-17.3

INTEREST RATE SWAPS AND BASIS SWAPS

Derivatives are entered into for hedging purposes. Derivative transactions are entered into with counterparties that are ”investment grade” rated.

Note 05 Liquidity risk

Liquidity risk is the risk that the company is unable to fulfil its obligations without significant extra expenses arising in the form of price reduction on properties that must be realised or in the form of unusually expensive finance.
The company's policy for liquidity risk describes principles for liquidity management and specifies stress testing, minimum liquidity holdings and indicators for measuring liquidity risk. Stress tests are used to identify anticipated effects of various scenarios in the balance sheet and cash flows.

The company's liquidity is affected by relatively few large amounts falling due for payment on bonds. In order to ensure a sound liquidity situation, the company will as far as possible take up so-called soft bullet bonds, on which the due date can be extended by up to a year. There will also be limits to how large each amount due for payment can be. Due dates for new borrowing by Storebrand Boligkreditt AS must always be planned in such a way that no breach of any of the liquidity targets in any future period may be anticipated.

Storebrand Boligkreditt's funding requirement will almost certainly be greater than that which is financed via covered bonds. This funding requirement will be covered by the parent bank on an ongoing basis. The company will draw on the loan facility from the parent bank as required for liquidity, including in connection with repayment of borrowing. 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 must have a sufficient ceiling at all times to be able to cover interest and repayment on covered bonds for the next 12 months. This drawing right may not be terminated by Storebrand Bank ASA until at least 3 months after the maturity date of the covered bond with the longest period to maturity.

The Treasury function at Storebrand Bank ASA is responsible for the bank group's liquidity management and the bank's Middle Office in Risk and Administration monitors utilisation of the ceilings in accordance with liquidity policy, while the CRO reports to the board of Storebrand Boligkreditt AS.

NON-DISCOUNTED CASH FLOWS - FINANCIAL OBLIGATIONS

NOK million	0 - 6 months	6 months - 12 months	1 - 3 years	3 - 5 years	More than 5 years	Total	Book value
Liabilities to credit institutions	2 043.6					2 043.6	2 043.6
Commercial paper and bonds issued	2 737.4	125.9	5 443.6	3 878.7		12 185.5	11 782.6
Other liabilities	54.0					54.0	54.0
Undrawn credit limits	1 699.5					1 699.5	
Total financial liabilities 2015	**6 534.4**	**125.9**	**5 443.6**	**3 878.7**	**0.0**	**15 982.5**	**13 880.1**
Derivatives related to liabilites 31.12.2015	**10.4**	**-52.9**	**-91.0**	**-44.8**		**-178.3**	**173.2**
Total financial liabilities 2014	6 493.7	140.4	5 613.9	3 941.0		16 189.1	13 955.3

The amounts includes accrued interest.

The overview of non-discounted cash flows includes interest. Implicit forward interest rates based on the yield curve on 31 December 2015 are used to calculate interest for lending with FRN conditions. The maturity overview does not take account of the fact that the loans are soft bullet, i.e. the original maturity date is used.

LOANS TO AND DEPOSITS WITH CREDIT INSTITUTIONS

NOK million	2015	2014
Total loans to and deposits with credit institutions without fixed maturity at amortised cost	2 043.6	2 746.9
Total loans to and deposits with credit institutions at amortised cost	**2 043.6**	**2 746.9**

Loans to and deposits with credit institutions consist of drawn amount on the credit facility in Storebrand Bank ASA.

COVERED BONDS

NOK million

ISIN CODE	Nominal value	Currency	Maturity	Book value
NO0010575913	646.5	NOK	3.6.2016	647.4
NO0010612294	2 000.0	NOK	15.6.2016	2 000.7
NO0010635071	2 650.0	NOK	21.6.2017	2 658.5
NO0010660822	2 540.0	NOK	20.6.2018	2 557.6
NO0010548373	1 250.0	NOK	28.10.2019	1 425.4
NO0010736903	2 500.0	NOK	17.6.2020	2 493.0
Total commercial papers and bonds issued 2015				**11 782.6**
Total commercial papers and bonds issued 2014				11 106.7

The loan agreements contain standard covenants. Under the loan programme the company's overcollateralisation requirement was 109.5 per cent fulfilled. In 2015, Storebrand Boligkreditt AS met all terms and conditions with respect to the loan agreements.

Note 06

Market risk

Market risk is risk of a change in value due to financial market prices or volatility differing from what was expected.

Risk policies for interest rate and currency risk set ceilings for market risk. The policies refer mainly to the company's fixed-income securities. The company may be exposed to currency risk to a minor extent. Storebrand Boligkreditt AS has no obligations or property in any foreign currency as at 31.12.2015.

The company's market risk is mainly managed and controlled through daily monitoring of risk exposure with regard to the policies and ongoing analyses of outstanding positions.

The ceilings for exposure are reviewed and renewed by the board at least once per year. The positioning of the ceilings is determined on the basis of stress tests and analyses of market movements.

Middle Office in the bankk is responsible for the ongoing, independent monitoring of market risk. Risk control of market risk is performed, among other things, by monthly reports on indicators of market risk.

Market risk indicators that are followed are described in the interest rate risk policy and currency risk policy and are included in the CRO's ongoing reporting to the board.

For changes in market risk that occur during the first year, the effect on the result and equity will be as shown below based on the balance sheet as of 31 December 2015:

Effect on accounting income

NOK million	Amount
Interest -1,0%	6.4
Interest +1,0%	-6.4

Effect on accounting profit/equity [1)]

NOK million	Amount
Interest -1,0%	6.4
Interest +1,0%	-6.4

1) Before taxes

Financial interest rate risk

NOK million	Amount
Interest -1,0%	-2.7
Interest +1,0%	2.7

The note presents the accounting effect over a 12-month period and the direct financial effect of an immediate parallel change in interest rates of +1.0% and -1.0% respectively. In calculating the accounting effect, consideration has been given to the one-time effect such an immediate interest rate change has on the items recognised at fair value and hedging value, and to the effects the interest rate change has on the result for the remainder of the interest rate duration before the interest rate change has income and costs-related effects. Items that would be affected by the one-time effects and which are recorded at fair value are derivatives. Items that would be affected by the one-time effects and which are recorded using hedging accounting are borrowings with fixed interest rate. When calculating the financial effect, consideration has been given to the effect such an immediate change in interest rates would have on the market value of all items recorded in the statement of financial position.

Note 07 Operational risk

Operational risk is the risk of financial loss as a result of ineffective, insufficient or defective internal processes or systems, human error, external events or internal guidelines not being followed. Breach of laws and rules may prevent goal fulfilment and this part of compliance risk is therefore included in the definition of operational risk.

In the Storebrand group, management of operational risk and compliance with laws, regulations and internal rules are an integral part of the management responsibility of all managers. Risk assessment is continuously recorded and documented in Easy Risk Manager (ERM, a risk management system provided by Det Norske Veritas).

The CRO supports the CEO and the management group of the bank in the process and is responsible for compiling and reporting the area's risk scenario, following up on improvement measures and checking that risk registration is up to date in ERM. The results of the risk assessment process are reported to the board of the company.

In order to be able to identify problem areas internally, the Storebrand group has implemented routines for ongoing reporting of events to the CRO, who is responsible for logging and follow-up of reported events. The CRO reviews significant events with the board of the company.

In connection with monthly, quarterly and annual accounts, the Middle Office in the bank performs various checks and reconciliations so as to control and reduce operational risk. The compliance function and internal auditor also make spot checks in a number of the bank's most important work processes. The results of these are reported to the company's board.

COMPLIANCE RISK

Compliance risk is the risk of the company incurring public sanctions or financial loss as a result of non-compliance with external or internal rules.

Compliance with the relevant laws and regulations is ensured by the CEO, who assesses at all times whether internal or external competence should be brought in to ensure compliance.

Note 08 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. Publicly listed financial instruments are valued on the basis of the official closing price on stock exchanges, supplied by Reuters and Bloomberg. Bonds are generally valued based on prices collected from Reuters and Bloomberg. Bonds that are not regularly quoted will normally be valued using recognised theoretical models. The latter is particularly applicable to bonds denominated in Norwegian kroner. Discount rates composed of the swap rates plus a credit premium are used as a basis for these types of valuations. The credit premium will often be specific to the issuer, and will normally be based on a consensus of credit spreads quoted by a selected brokerage firm.

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

Storebrand 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 below. The levels express the differing degrees of liquidity and different measurement methods used. The company has established valuation models to gather information from a wide range of well-informed sources with a view to minimising the uncertainty of valuations.

LEVEL 1: FINANCIAL INSTRUMENTS VALUED ON THE BASIS OF QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS

Bonds, certificates or equivalent instruments issued by nation states are generally classified as level 1. Storebrand Boligkreditt AS did not have any investments that were classified at this level at year-end.

LEVEL 2: FINANCIAL INSTRUMENTS VALUED ON THE BASIS OF OBSERVABLE MARKET INFORMATION NOT COVERED BY LEVEL 1

This category encompasses financial instruments that are valued based on market information that can be directly observable or indirectly observable. Market information that is indirectly observable means that the prices can be derived from observable related markets. Level 2 covers bonds and equivalent instruments. Moreover, interest rate and foreign exchange swaps, non-standardised interest rate and foreign exchange derivatives are classified as level 2.

LEVEL 3: FINANCIAL INSTRUMENTS VALUED ON THE BASIS OF INFORMATION THAT IS NOT OBSERVABLE ACCORDING TO THE DEFINITION FOR LEVEL 2 FINANCIAL INSTRUMENTS

Investments classified as level 3 largely include investments in unlisted/private companies. The company did not have any investments that were classified at this level at year-end.

SPECIFICATION OF FINANCIAL ASSETS AND LIABILITIES AT AMORTISED COST

NOK million	Level 1 Quoted prices	Level 2 Observable assumptions	Level 3 Non-observable assumptions	Fair value 31.12.2015	Fair value 31.12.2014	Book value 31.12.2015	Book value 31.12.2014
Financial assets							
Loans to and deposits with credit institutions, amortised cost		382.0		382.0	412.3	382.0	412.3
Lending to customers, amortised cost		14 287.6		14 287.6	14 322.8	14 287.6	14 322.8
Total fair value at 31.12.2015		**14 669.6**		**14 669.6**			
Total fair value at 31.12.2014		14 735.1			14 735.1		
Financial liabilities							
Deposits from and due to credit institutions, amortised cost		2 043.6		2 043.6	2 746.9	2 043.6	2 746.9
Commercial papers and bonds issued, amortised cost		11 740.8		11 740.8	11 211.2	11 782.6	11 106.7
Total fair value at 31.12.2015		**13 784.3**		**13 784.3**			
Total fair value at 31.12.2014		13 958.1			13 958.1		

See also note 16

SPECIFICATION OF FINANCIAL ASSETS AND LIABILITES AT FAIR VALUE

NOK million	Level 1 Quoted prices	Level 2 Observable assumptions	Level 3 Non-observable assumptions	Book value 31.12.2015	Book value 31.12.2014
Interest rate swaps		173.2		173.2	230.4
Total derivatives	**0.0**	**173.2**	**0.0**	**173.2**	
Derivatives with a positive fair value		173.2		173.2	230.4
Derivatives with a negative fair value					
Total derivatives 31.12.2014		230.4			230.4

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

Note 09 Segment

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 2015 therefore relate entirely to the Retail Lending segment. Geographic segments form the company's secondary reporting segments. The company does not have any activities outside Norway. Customers from abroad are classified as part of the Norwegian activities. All operating income and the company's earnings therefore relate solely to its Norwegian activities.

Note 10 Net income from financial instruments

NOK million	2015	2014
Net interest income		
Interest and other income on loans to and deposits with credit institutions	6.8	8.7
Interest and other income on loans to and due from customers	410.1	559.0
Interest on commercial paper, bonds and other interest-bearing securities		
Other interest income and related income		
Total interest income *)	**416.9**	**567.7**
Interest and other expenses on debt to credit institutions	-39.5	-66.2
Interest and other expenss on deposits from and due to customers		
Interest and other expenses on securities issued	-208.8	-259.7
Interest and expenses on subordinated loan capital		
Other interest expenses and related expenses		
Total interest expenses **)	**-248.3**	**-325.9**
Net interest income	**168.6**	**241.8**
*) Of which total interest income on financial assets that are not at fair value through profit and loss account	416.9	567.7
**) Of which total interest expenses on financial liabilities that are not at fair value through profit and loss account	-248.3	-325.9

NOK million	2015	2014
Net income and gains from financial assets and liabilities		
Financial derivatives and foreign exchange		
Realised gain/loss on financial derivatives, held for trading	1.0	
Total financial derivatives and foreign exchange, held for trading	**1.0**	**0.0**
Fair value hedging		
Realised gain/loss on derivatives and bonds issued, fair value hedging	0.7	-2.7
Unrealised gain/loss on derivatives and bonds issued, fair value hedging	-4.2	1.2
Net gain/loss on fair value hedging	**-3.5**	**-1.5**
Bonds issued		
Realised gain/loss on bonds issued at amortised cost		-8.8
Total gain/loss on bonds issued at amortised cost	**0.0**	**-8.8**
Net income and gains from financial assets and liabilities	**-2.5**	**-10.3**
Net gain/loss on financial assets at fair value through profit and loss account:		
Financial assets designated at fair value upon initial recognition	-3.5	-1.5
Financial assets classified as held for trading	1.0	
Changes in fair value on assets due to changes i credit risk		
Net gain/loss on financial liabilities at fair value through profit and loss account:		
Financial liabilities designated at fair value upon initial recognition		
Financial liabilities classified as held for trading		

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

Note 11 Remuneration paid to auditor

Remuneration excl. valued added tax

(NOK 1000)	2015	2014
Statutory audit	305	176
Other reporting duties [1)]	84	200
Total	**389**	**376**

1) Includes remuneration to Deloitte AS in their role as an independent investigator according to Norwegian covered bonds regulation.

Note 12 Operating expenses

NOK million	2015	2014
Ordinary wages and salaries		
Employer's social security contributions		
Other staff expenses	-0.2	-0.2
Pension cost		
Total staff expenses	**-0.2**	**-0.2**
IT costs	-0.2	-0.4
Printing, postage etc.		
Travel, entertainment, courses, meetings		
Other sales and marketing costs	-0.1	
Total general administration expenses	**-0.3**	**-0.5**
Contract personnel		-0.5
Operating expenses on rented premises		
Inter-company charges for services	-24.7	-13.4
Other operating expenses	-2.3	-1.5
Total other operating expenses	**-26.9**	**-15.4**
Total operating expenses	**-27.4**	**-16.1**

Note 13 Loan losses

NOK million	2015	2014
Change in loan loss provisions on individual loans for the period	-1.7	1.4
Change in loan loss provisions on groups of loans for the period	-0.2	-0.9
Other corrections to loan loss provisions		
Realised losses in period on commitments specifically provided for previously		-0.1
Realised losses on commitments not specifically provided for previously		
Recoveries on previously realised losses		
Total loan losses for the period	**-1.9**	**0.3**

Note 14 Tax

TAX CHARGE FOR THE YEAR

NOK million	2015	2014
Tax payable for the period	-39.0	-60.6
Changes in deferred tax/deferred tax asset	1.4	2.2
Total tax charge	**-37.6**	**-58.4**

TAX BASE FOR THE YEAR

NOK million	2015	2014
Ordinary pre-tax profit	139.2	216.3
Change in temporary differences	5.2	8.1
Tax base for the year	**144.4**	**224.4**

RECONCILIATION OF EXPECTED AND ACTUAL TAX CHARGE

NOK million	2015	2014
Ordinary pre-tax profit	139.2	216.3
Expected tax on income at nominal rate	-37.6	-58.4
Tax charge	**-37.6**	**-58.4**
Effective tax rate	27%	27%
Tax payable		
Tax payable	-39.0	-60.6
- tax effect of group contribution paid		
Tax payable in the balance sheet (note 24)	**-39.0**	**-60.6**

ANALYSIS OF THE TAX EFFECT OF TEMPORARY DIFFERENCES AND TAX LOSSES CARRIED FORWARD

NOK million	2015	2014
Tax-increasing temporary differences		
Derivatives	156.8	191.7
Total tax increasing temporary differences	**156.8**	**191.7**
Tax-reducing temporary differences		
Bonds issued	-155.7	-185.4
Total tax-reducing temporary differences	**-155.7**	**-185.4**
Losses/allowances carried forward		
Net base for deferred tax/tax assets	**1.1**	**6.3**
Net deferred tax/defferd tax asset in the balance sheet	**-0.3**	**-1.7**
Booked in the balance sheet:		
Deferred tax asset		
Deferred tax	-0.3	-1.7

In December 2015, the Storting agreed to reduce the company tax rate from 27 to 25 percent with effect from 1 January 2016. When deferred tax / tax assets are recognised on the balance sheet, 25 per cent is therefore used.

Note 15 Classification of financial assets and liabilities

NOK million	Loans and receivables	Fair value, trading	Liabilities at amortised cost	Total book value
Financial assets				
Loans to and deposits with credit institutions	382.0			382.0
Derivatives		173.2		173.2
Net lending to customers	14 287.6			14 287.6
Other assets	12.2			12.2
Total financial assets 2015	**14 681.8**	**173.2**	**0.0**	**14 855.0**
Total financial assets 2014	14 763.4	230.4	0.0	14 993.8
Financial liabilities				
Liabilities to credit institutions			2 043.6	2 043.6
Commercial papers and bonds issued			11 782.6	11 782.6
Other liabilities			54.0	54.0
Total financial assets 2015	**0.0**	**0.0**	**13 880.1**	**13 880.1**
Total financial assets 2014	0.0	0.0	13 955.3	13 955.3

Note 16 Fair value on financial assets and liabilities at amortised cost

The fair value of lending to customers with variable interest is stated at amortised cost. 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 financial institutions and commercial papers and bonds issued, is based on valuation techniques. The valuation techniques use interest rate curves and credit spreads from external providers.

	2015		2014	
NOK million	Book value	Fair value	Book value	Fair value
Assets				
Loans to and deposits with credit institutions, amortised cost	382.0	382.0	412.3	412.3
Lending to customers, amortised cost, net	14 287.6	14 287.6	14 322.8	14 322.8
Other current assets	12.2	12.2	28.4	28.4
Liabilities				
Liabilities to credit institutions, amortised cost	2 043.6	2 043.6	2 746.9	2 746.9
Commercial papers and bonds issued, amortised cost	11 782.6	11 740.8	11 106.7	11 211.2
Other liabilities	54.0	54.0	101.7	101.7

Note 17 Loans to and deposits with credit institutions

	2015	2014
NOK million	Book value	Book value
Total loans to and deposits with credit institutions without fixed maturity at amortised cost	382.0	412.3
Total loans to and deposits with credit institutions at amortised cost	**382.0**	**412.3**

Note 18 Financial derivatives

Financial derivatives are linked to underlying amounts which are not recognised in the statement of financial position. In order to quantify the volume of derivatives, reference is made to underlying amounts like underlying principal, nominal volume, etc. Different calculation methods are applied to nominal volume for different types of financial derivatives, and this figure gives some expression of the scope and risk of the positions of financial derivatives.

Gross nominal volume primarily provides information on the scope, while net nominal volume provides a certain expression of risk positions. However, the nominal volume for different instruments is not necessarily comparable, considering the risk exposure. As opposed to gross nominal volume, the calculation of net nominal volume also takes into account the sign for the instrument's market risk exposure, by differing between so-called asset positions and liability positions.

An asset position in a share derivative implies a positive increase in value if share prices rise. For interest derivatives, an asset position implies a positive increase in value if interest rates are reduced - as is the case with bonds. An asset position in a currency derivative generates a positive change in value if the exchange rate against the NOK sees an increase. The average gross nominal volume is based on daily calculations of gross nominal volume.

NOK million	Gross nom. volume [1]	Gross recognised fin. assets	Gross recognised debt	Net fin. assets/ debt in the statement of financial position	Net amounts taken into account netting agreements: Fin. assets	Fin. debt	Net amount
Interest derivatives [2]	1 250.0	173.2					173.2
Total derivatives 31.12.2015	**1 250.0**	**173.2**	**0.0**	**0.0**	**0.0**	**0.0**	**173.2**
Total derivatives 31.12.2014	2 178.5	230.4					230.4

1) Values as at 31.12:

2) Interest derivatives include accrued, not due, interest.

INVESTMENTS SUBJECT TO NETTING AGREEMENTS /CSA

NOK million	Recognised assets	Recognised liabilities	Net assets	Collateral: Cash (+/-)	Securities (+/-)	Net exposure
Total 2015	**173.2**		**173.2**			**173.2**

Note 19 Analysis of loan portfolio and guarantees

NOK million	2015 Book value	2014 Book value
Lending to customers at amortised cost	14 291.6	14 325.4
Lending to customers at fair value		
Total gross lending to customers	**14 291.6**	**14 325.4**
Loan loss provisions on individual loans (see note 21)	-2.2	-1.0
Loan loss provisions on groups of loans (ses note 21)	-1.8	-1.6
Net lending to customers	**14 287.6**	**14 322.8**

See note 4 for specification of lending to customers per customer group .

Note 20 Loan to value ratios and collateral

NOK million	2015	2014
Gross lending [1]	14 291.6	14 325.4
Average loan balance	1.6	1.6
No. of loans	8 705	9 184
Weighted average seasoning (months)	39	40
Weighted average remaning term (months)	219	191
Average loan to value ratio	50%	49%
Over-collateralisation [2]	126%	135%
Cover pool:		
Residential mortgages [1]	14 188.9	14 260.4
Supplementary security	380.3	410.0
Total	**14 569.2**	**14 670.4**

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 2015 the company had NOK 63.1 million that exceeds the loan to value limit and has therefore not been included in the cover pool. As per 31 December 2015, the company has 9 non-performing loans without evidence of impairment, equivalent to NOK 9.8 million. There are 8 non-performing loans with evidence of impairment of NOK 16.7 million where the impairment is assessed to be NOK 2.2 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 11.6 billion (nominal value).

Note 21 Loan loss provisions

	2015	2014
NOK million	Book value	Book value
Loan loss provisions on individual loans 1.1.	1.0	2.4
Losses realised in the period on individual loans previously written down	-0.5	-0.1
Loan losses of individual loans for the period	1.8	0.3
Reversals of loan loss provisions of individual loans for the period	-0.1	-1.6
Other corrections to loan loss provisions		
Loan loss provisions on individual loans at 31.12.	**2.2**	**1.0**
Loan loss provisions on groups of loans and guarantees 1.1.	1.6	0.7
Grouped loan losses for the period	0.2	0.9
Loan loss provisions on groups of loans and guarantees etc. 31.12.	**1.8**	**1.6**
Total loan loss provisions	**4.0**	**2.6**

Note 22 Other current assets

NOK million	2015 Book value	2014 Book value
Due from Storebrand group companies	12.0	28.4
Other current assets	0.2	
Total other current assets	**12.2**	**28.4**

Note 23 Hedge accounting

Storebrand uses fair value hedging for interest risk. The hedging items are financial liabilities measured at amortised cost. Derivatives are recognised at fair value through the profit or loss (FVO). Changes in the value of the hedged item that relate to the hedged risk are applied to the book value on the item and are recognised in the profit and loss account. The effectiveness of hedging is monitored at the individual item level.

Hedge effectiveness is measuredd on the basis of a 1 per cent interest rate shock at the level of the individua security. In future periods, hedge effectiveness will be measured using the simplified Dollar Offset method, both for prospective and retrospective calculations. The hedging is expected to be highly effective during the period.

	2015			2014		
	Contract/	Fair value [1] [2]		Contract/	Fair value [1] [2]	
NOK million	nominal value	Assets	Liabilities	nominal value	Assets	Liabilities
Interest rate swaps	1 250.0	173.2		1 996.5	230.4	
Total interest rate derivatives	1 250.0	173.2	0.0	1 996.5	230.4	0.0
Total derivatives	**1 250.0**	**173.2**	**0.0**	**1 996.5**	**230.4**	**0.0**

	Contract/	Hedging value [1]		Contract/	Hedging value	
	nominal value	Assets	Liabilities	nominal value	Assets	Liabilities
Underlying objects :						
Bonds issued	1 250.0		1 425.4	1 996.5		2 232.4
Hedging effectiveness - prospective			100%			90%
Hedging effectiveness - retrospective			96%			98%

Gain/loss on fair value hedging: [3]

NOK million	2015 Gain / Loss	2014 Gain / Loss
On hedging instruments	-23.0	24.1
On items hedged	20.5	-22.9

1) Book value at 31.12.

2) Includes accrued interest.

3) Amounts included in the line "Net gains on financial instruments".

Note 24 Other liabilities

NOK million	2015 Book value	2014 Book value
Payable to Storebrand group companies	15.0	41.0
Tax payable	39.0	60.6
Other liabilities		0.1
Total other liabilities	**54.0**	**101.7**

Note 25 Off balance sheet liabilities and contingent liabilities

NOK million	2015	2014
Undrawn credit limits	1 684.6	1 733.9
Total contingent liabilities	**1 684.6**	**1 733.9**

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

Note 26 Capital Adequacy

NET PRIMARY CAPITAL

NOK million	2015	2014
Share capital	455.0	455.0
Other equity	519.6	581.8
Total equity	**974.6**	**1 036.8**
Deductions		
Provision for group contribution	-105.4	-163.8
Addition		
Group contribution received	105.4	
Core capital exc. Hybrid Tier 1 capital	**974.6**	**873.0**
Additional Tier 1 capital		
Capital instruments eligible as Tier 1 capital		
Additions		
Core capital	**974.6**	**873.0**
Subordinated loan capital less own holdings		
Tier 2 capital		
Tier 2 capital deductions		
Net primary capital	**974.6**	**873.0**

MINIMUM CAPITAL REQUIREMENT

NOK million	2015	2014
Credit risk	438.1	445.5
Of which:		
Institutions	13.5	16.7
Retail market		4.7
Loans secured against real estate	411.0	414.4
Loans past-due	2.2	3.4
Other	11.5	6.3
Total minimum requirement for credit risk	**438.1**	**445.5**
Counterparty risk		
Position risk		
Operational risk		
Currency risk		
Total minimum requirement for market risk	**0.0**	**0.0**
Operational risk	31.4	22.8
CVA risk *)	11.8	17.2
Deductions		
Loan loss provisions on groups of loans	-0.1	-0.1
Minimum requirement for net primary capital	**481.2**	**485.5**

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

CAPITAL ADEQUACY

	2015	2014
Capital ratio	16.2 %	14.4 %
Core (tier 1) capital ratio	16.2 %	14.4 %
Core capital ratio excl. Hybrid Tier 1 capital	16.2 %	14.4 %

The standard method is used for credit risk and market risk, and the basic method for operational risk. The overall requirements for core tier 1 capital and the capital base are 11 and 14.5 per cent respectively as of 30 July 2015 through the introduction of counter-cyclical capital buffer. The level of the countercyclical capital buffer requirement is further increased by 0.5 percent from 30 June 2016 with a corresponding increase in the requirement for Core (tier 1) capital ratio and net primary capital from this date.

BASIS OF CALCULATION (RISK-WEIGHTED VOLUME)

NOK million	2015	2014
Credit risk	5 476.6	5 569.0
Of which:		
Institutions	168.5	208.5
Retail market		58.9
Loans secured against real estate	5 137.7	5 179.6
Loans past-due	26.9	42.9
Other	143.5	79.2
Total minimum requirement for credit risk	**5 476.6**	**5 569.0**
Counterparty risk		
Position risk		
Operational risk		
Currency risk		
Total minimum requirement for market risk	**0.0**	**0.0**
Operational risk	392.2	285.5
CVA risk	147.5	215.3
Deductions		
Loan loss provisions on groups of loans	-1.8	-1.6
Minimum requirement for net primary capital	**6 014.5**	**6 068.2**

Note 27 Remuneration and related parties

REMUNERATION OF SENIOR EMPLOYEES AND ELECTED OFFICERS

(NOK 1000)	Ordinary salary	Other benefits [2]	Total remuneration earned in the year	Pension accrued for the year	Post termination salary (months)	Loans [3]	No. of shares owned [4]
Senior employees							
Åse Jonassen (CEO) [1]	753	113	866	68		2 768	5 236
Total 2015	**753**	**113**	**866**	**68**		**2 768**	**5 236**
Total 2014	724	108	832	138		2 829	5 231

1) Åse Jonassen (CEO) receives no remuneration from Storebrand Boligkreditt AS. The company purchase all its administrative services, incl. CEO from Storebrand Bank ASA. Åse Jonassen is not covered by Storebrand's bonus bank scheme.

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

3) Loan up to NOK 3.5 million hold ordinary employee terms while excess loanamount hold market rate

4) The summary shows the number of shares owned by the individual, as well as his or her close family and companies where the individual exercises significant influence, cf. the Accounting Act, Section 7-26.

(NOK 1000)	Remuneration	No. of shares owned [1]	Loans
Board of Directors			
Heidi Skaaret [3]		15 542	3 600
Geir Holmgren [3]		14 677	5 051
Thor Bendik Weider	83		10 275
Leif Helmich Pedersen	247		
Total 2015	**330**	**30 219**	**18 925**
Total 2014	323	9 982	16 145
Control Committee [2]			
Elisabeth Wille	339	747	
Harald Moen	244	595	
Ole Klette	244		
Finn Myhre	287		3 213
Anne Grete Steinkjer	244	1 800	
Tone Margrethe Reierselmoen	244	1 734	317
Total 2015	**1 602**	**4 876**	**3 531**
Total 2014	1 566	4 292	2 757

1) The summary shows the number of shares owned by the individual, as well as his or her close family and companies where the individual exercises significant influence, cf. the Accounting Act, Section 7-26.

2) The Control Committee covers all the Norwegian companies in the Group that eralier were required to have a control committee. Storebrand liquidates the Control Committee as of 1 January 2016.

3) Neither Geir Holmgren nor Heidi Skaaret receives any remuneration from Storebrand Boligkreditt AS for their appointments as members of the Board.

TRANSACTIONS WITH GROUP COMPANIES

	2015		2014	
NOK million	Storebrand Bank ASA	Other group companies	Storebrand Bank ASA	Other group companies
Interest income	4.0		4.9	
Interest expense	86.8		126.2	
Services sold				
Services purchased	24.7	0.6	12.7	0.7
Due from	310.6		335.0	
Liabilities to	2 058.5		2 787.9	

Covered bonds are not included in the overview. Storebrand Bank ASA has invested a total of NOK 2.3 billion in covered bonds issued by Storebrand Boligkreditt AS as of 31 December 2015.

Transactions with group companies are based on the principle of transactions at arm's length.

Storebrand Boligkreditt AS does not have any employees, and purchases personnel services from Storebrand Bank ASA and other services including bookkeeping from Storebrand Livsforsikring AS. All loans in the company are purchased from Storebrand Bank ASA after the loan purchase agreement has been signed with Storebrand Bank ASA, and a management agreement has been signed with Storebrand Bank ASA concerning management of the lending portfolio. In brief, the management agreement involves the company paying a fee to Storebrand Bank ASA for administering the company's lending portfolio. When purchasing the loans, Storebrand Boligkreditt assumes all the risks and rewards incidental to ownership of the lending portfolio. Storebrand Boligkreditt receives all the cash flows from the borrower. The bank and Storebrand Boligkreditt have not signed agreements for guarantees, options, repurchases or similar in connection with the lending portfolio in Storebrand Boligkreditt AS. It is Storebrand Boligkreditt that is exposed to any losses that may result from non-performance. Non-performing loans remain in the company, but are not included in the securities portfolio. The company has also signed an agreement with Storebrand Bank ASA concerning a credit facility for funding purchased loans (see note 5).

Contracts with Group companies are entered into based on the arm's length principle.

LOANS TO EMPLOYEES

NOK million	2015	2014
Loans to employees of Storebrand Boligkreditt AS	2.8	0.0
Loans to employees of Storebrand Group	1 119.5	1 606.9

Loans to employees are granted in part on the normal terms and conditions for loans to employees, i.e. loan to an individual of up to NOK 3.5 million at 80% of normal market interest rate. Loans in excess of NOK 3.5 million are granted on normal commercial terms and conditions. There has not been provided guarantees or security for borrowing by employees.

HEADCOUNT AND PERSONNEL INFORMATION

There are no employees in the company.

Statement from the Board of Directors and the CEO

Today the Board members and the CEO have considered and approved the annual report and annual financial statements of Storebrand Bank ASA for the 2015 financial year and as of 31 December 2015 (2015 annual report).

The annual accounts have been prepared in accordance with International Financial Reporting Standards approved by the EU and appurtenant interpretations, as well as the other disclosure obligations stipulated by the Norwegian Accounting Act and the current applicable regulations relating to annual accounts of banks and finance companies etc. as of 31 December 2015.
The annual report complies with the requirements of the Norwegian Accounting Act and Norwegian Accounting Standard no. 16.

In the best judgement of the Board and the CEO, the annual financial statements for 2015 have been prepared in accordance with the applicable accounting standards, and the information presented in the the financial accounts provides a true and fair view of company's assets, liabilities, financial position and results as a whole as of 31 December 2015. In the best judgement of the Board and the CEO, the annual report provides a true and fair view of the material events that occurred during the accounting period and their effects on the annual financial statements of Storebrand Boligkreditt AS. In the best judgement of the Board and the CEO, the descriptions of the most important elements of risk and uncertainty that the company faces in the next accounting period, and a description of related parties' material transactions, also provide a true and fair view.

Lysaker, 16 February 2016
The Board of Directors of Storebrand Boligkreditt AS

Translation - not to be signed

Heidi Skaaret
- Chairman of the Board -

Geir Holmgren
- Deputy Chairman -

Leif Helmich Pedersen
- Board Member -

Thor Bendik Weider
- Board Member -

Åse Jonassen
- CEO -

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Translation from the original Norwegian version

To the Annual Shareholders' Meeting of Storebrand Boligkreditt AS

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Storebrand Boligkreditt AS, which comprise the statement of financial position as at 31 December 2015, and the profit and loss account, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by EU, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of Storebrand Boligkreditt AS as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report and the statements on Corporate Governance and Corporate Social Responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report concerning the financial statements and in the statements on Corporate Governance and Corporate Social Responsibility, the going concern assumption and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 16 February 2016
Deloitte AS

Henrik Woxholt
State Authorised Public Accountant (Norway)

Translation has been made for information purposes only

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