Annual Report 2006

# Storebrand Bank

storebrand

# Company Information

## Address

Storebrand Bank ASA
Filipstad Brygge 1
PO Box 1693 Vika
N-0120 Oslo
Norway

**Telephone:** +47 22 31 50 50

**Call centre (within Norway):** 08880

**Website:** www.storebrand.no/bank

**E-mail address:** bank@storebrand.no

**Company registration number:** 953 299 216

## Senior Management

Klaus-Anders Nysteen
Managing Director

Nina Juel Arstal
Deputy Managing Director

Trond Fladvad
Head of Business Development

Monica Kristoffersen
Acting Head of Retail Banking

Geir Larsen
Head of Stockbroking

Sigmund Sletvold
Head of Corporate Banking

Ivar Qvist
Head of Structured Products

Anne Grete Wardeberg
Head of Staff Functions

## Contact person

Klaus-Anders Nysteen
Managing Director
Tel: +47 22 31 51 50

## Content

# Key figures Storebrand Bank Group

1 January–31 December

| NOK million | 2006 | 2005 | 2004 |
|---|---|---|---|
| Net interest income as % of average total assets | 1.32% | 1.59% | 1.69% |
| Total other operating income as % of average total assets[1] | 0.25% | 0.33% | 0.92% |
| Costs as % of operating income | 71.25% | 61.81% | 83.50% |
| Loan losses and provisions as % of average total lending | -0.17% | -0.13% | -0.03% |
| Loan losses and provisions as % of gross defaulted and loss-exposed loans | 81.35% | 63.51% | 57.90% |
| Deposits from and due to customers as % of gross lending | 43.40% | 41.80% | 47.67% |
| Return on equity after tax[2] | 8.39% | 9.76% | 3.70% |
| **Main balance sheet figures** | | | |
| Total assets | 34 155.5 | 29 430.0 | 27 288.6 |
| Average total assets | 31 691.8 | 28 114.5 | 26 253.1 |
| Gross lending to customers | 31 181.1 | 26 764.9 | 24 046.8 |
| Equity | 1 659.6 | 1747.0 | 2 011.7 |
| **Capital adequacy** | | | |
| Net primary capital | 2 409.7 | 1 958.5 | 2 369.8 |
| Capital ratio | 11.0% | 10.5% | 13.8% |
| Core capital ratio | 8.8% | 8.2% | 11.6% |

***Definisjoner:***

*1 Other operating income includes net fee and commission income*

*2 Profit after tax as % of average equity*

# Report of the Board of Directors

(Comparable figures for 2005 shown in brackets)

## Main features

Storebrand Bank ASA is a wholly owned subsidiary of Storebrand ASA, and is one of the four main business areas of the Storebrand group.

Storebrand Bank ASA's objective is to be the smart choice for the modern customer. The bank shall be easy to relate to, with popular products at competitive prices. The Storebrand Bank group has total assets of NOK 34.2 billion and 183 employees. The head office is at Filipstad Brygge 1 in Oslo.

The Board paid particular attention over the course of 2006 to promoting the bank's growth objectives. Storebrand Bank maintained its position as a 'no-fees' bank, while significantly strengthening its competitive position for residential mortgage lending. This resulted in significant growth in both business volumes and customer numbers. The lending portfolio increased in 2006 from NOK 26.8 billion to NOK 31.2 billion. The upward trend in customer numbers that started in 2005 continued,and the bank opened 21,000 new customer accounts in 2006 (11,700). At the close of 2006, Storebrand Bank had 61,000 active customers.

As part of its commitment to developing attractive products, Storebrand Bank launched the Storebrand Eiendomsfond (Real Estate Fund) in 2005. The fund performed well throughout 2006. In the fourth quarter of 2006, Storebrand Bank launched Storebrand Optimèr ASA, a new investment product that combines equity and real estate investment. This product was also well received by the market.

Storebrand Bank established a stockbroking operation in spring 2006. The business has so far focused on executing orders for Storebrand Kapitalforvaltning AS, and reports a good performance. The stockbroking operation reduces costs for the Storebrand group, and provides a basis to develop additional products for banking customers.

The quality of the bank's lending portfolio at the close of 2006 was satisfactory. Storebrand Bank experienced further weakness in lending margins throughout 2006. This reflects increased competition in the market, which affected both residential mortgage lending and corporate lending. The Board will pay particular attention in 2007 to the growth planned for both retail and corporate lending and the impact this has on the bank's earnings, costs and risk exposure in a very competitive market.

Storebrand Bank experienced a modest improvement in the loan to deposit ratio in 2006. The bank has good access to funding in both the Norwegian and international markets.

## Subsidiaries and relationship with the Storebrand group

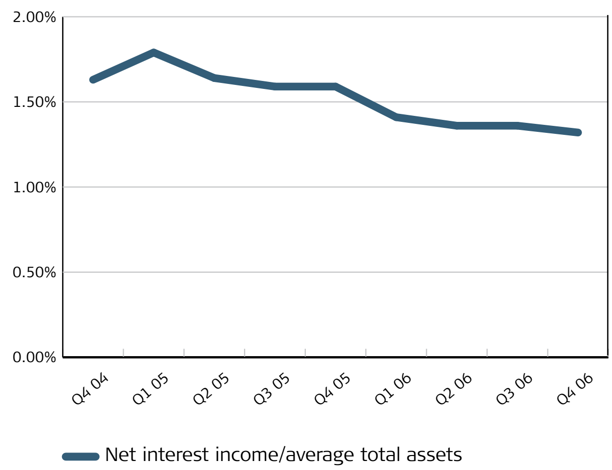
Storebrand ASA owned all the 64,037,183 shares in Storebrand Bank ASA at 31 December 2006.

The bank sold its ownership interest in Bertel O. Steen Finans AS in 2006. The bank's only operational subsidiary is now Ring Eiendomsmegling AS, in which it held 70% of the shares at the close of 2006.

## Financial results

The Storebrand Bank Group reported a profit before loan losses in 2006 of NOK 143.0 million (NOK 206.6 million). Loan and guarantee losses and write-downs represented a net write-back of NOK 47.0 million for 2006 (net write-back of NOK 34.4 million). Storebrand Bank's consolidated post-tax profit for 2006 was NOK 147.3 million, compared to NOK 194.1 million in 2005.

Net interest income amounted to NOK 418.8 million (NOK 447.2 million). This represents a net interest margin calculated on average total assets of 1.32% (1.59%). Net interest income showed a falling trend in 2006, mainly due to pressure on margins and increased competition in the lending market.




Net fee and commission income amounted to NOK 31.9 million in 2006 (NOK 17.6 million). The increase results from the successful launch of new savings products. Other operating income amounted to NOK 46.8 million, compared to NOK 76.3 million in 2005 that included a gain on the sale of Finansbanken A/S in Denmark.

Operating expenses totalled NOK 354.5 million (NOK 334.5 million), equivalent to 71.25% of operating income compared to 61.81% and 83.50% for 2005 and 2004 respectively. The bank is committed to a continuous program of measures to reduce operating expenses relative to its total assets and revenue. As part of this, the bank has implemented measures to ensure continuous improvement and greater efficiency for its internal processes.

## Non-performing and loss-exposed loans, loan losses and assets repossessed

The volume of non-performing and loss-exposed loans with identified impairment amounted to NOK 423.7 million at the end of 2006. This represents a reduction of NOK 217.5 million from 31 December 2005, and an overall reduction of NOK 519.2 million from 1 January 2005. Non-performing and loss-exposed loans where no impairment is identified totalled NOK 109 million at the close of 2006 (NOK 112.7 million). Net non-performing and loss-exposed loans (after individual write-downs) totalled NOK 172.7 million at the close of 2006 (NOK

364.2 million). Gross non-performing and loss-exposed loans represented 1.7% of gross lending at the close of the year (2.8%). The reduction reflects the reduced level of risk in the lending portfolio.

Losses and write-downs on loans and guarantees represented a net write-back of NOK 47 million in 2006. By the close of the year, write-downs of individual loans in the balance sheet totalled NOK 360.0 million, a reduction of NOK 29.6 million from 31 December 2005. Grouped write-downs totalled NOK 73.3 million at 31 December 2006, equivalent to 0.24% of gross lending (0.33%).

## Balance sheet and capital adequacy

Storebrand Bank's total assets increased in pace with the growth in its lending portfolio in 2006. The bank's deposit-to-loan ratio was 43.4% at the close of 2006 (41.8%). The bank has a balanced and appropriate funding structure, and bases its funding on ordinary customer deposits, issuing securities and borrowing from the Norwegian and international capital markets. At the close of 2006, the bank had available unused committed credit facilities equivalent to NOK 1.6 billion.

Storebrand Bank group's net primary capital amounted to NOK 2.4 billion at the close of 2006. This represents a capital ratio of 11.0% and a core capital ratio of 8.8%. Storebrand Bank ASA had sound capital adequacy and liquidity at the close of 2006. The Board is of the view that the bank's equity is satisfactory and prudent in relation to its activities.

## Business areas

*Retail banking*

Storebrand Bank ASA generated good growth in lending to the retail market in 2006 thanks to the competitive terms it offered for residential mortgage lending. The bank's total lending to the retail market increased by 21% in 2006. The number of retail customers and accounts also grew very strongly in 2006 due to the bank's position as a 'no-fee' bank for everyday banking services. In addition, the number of debit and credit cards increased by around 20% in 2006.

*Corporate banking*

The bank's corporate banking department principally lends to real estate developers and commercial real estate investors, and its customers are mainly in the central area of Norway around Oslo. Underlying conditions in the real estate markets, both commercial and residential, were again good in 2006 with high levels of activity, many transactions and increasing prices. Competition between banks increased further in 2006, with continuing downward pressure on pricing and margins. The corporate banking department nonetheless enjoyed a very good year, with a sound improvement in its customer portfolio in terms of both business volumes and the portfolio's risk profile and quality. The bank's competitive advantages - expertise, flexibility, service commitment and short decision processes - were very much appreciated by both existing and new customers in 2006.

*Storebrand Optimér ASA and savings products*

The bank launched Storebrand Optimér ASA in October 2006. This innovative product combines investments in shares and real estate in a single portfolio. The product was well received, and by the close of 2006 Storebrand Optimér had invested around NOK 320 million in commercial property and international equities. Sales of savings products were strong in 2006, and the bank's structured products, as well as the real estate investment fund Storebrand Eiendomsfond, attracted sizeable investments from customers.

*Stockbroking*

Storebrand Bank ASA established a stockbroking operation in 2006. Storebrand Bank ASA already held a licence to offer financial investment services. On the base of this license, the bank applied for membership of Oslo Børs and was admitted on 8 March 2006 as a member authorised to participate in trading in equity instruments. In addition to Norwegian shares, the stockbroking operation also offers cost-efficient trading services for a number of major international stock exchanges. The operation does not provide investment analysis services. The stockbroking operation currently has three employees engaged in trading and settlement functions.

*Ring Eiendomsmegling AS*

Storebrand Bank ASA held a 70% interest in Ring Eiendomsmegling AS at the end of 2006. Ring Eiendomsmegling AS has established a position as a significant player in the real estate broking market, and by the end of 2006 it operated a chain of 35 franchised real estate brokerage offices that handled the sales of some 4,500 residential properties over the course of the year. Ring Eiendomsmegling AS reported a pre-tax profit for the year, which is consolidated in the Storebrand Bank accounts, of NOK 0.6 million (loss of NOK 1.6 million).

*Bertel O. Steen Finans AS*

Bertel O. Steen Finans AS was established in 1999 by Storebrand Bank ASA and Bertel O. Steen AS, each taking a 50% ownership interest. The bank sold its interest in Bertel O. Steen Finans AS to Bertel O. Steen AS with effect from 12 June 2006. The bank recognised a share in the company's profit of NOK 1.9 million for the period 1 January 2006 to 12 June 2006. The sale generated a book gain of NOK 9.5 million in the bank's consolidated accounts.

## Disputes

The Storebrand Bank group is involved in a number of disputes as a result of its normal business activities. The financial implications of these disputes are kept under continual review, and the Board does not believe that the disputes, either individually or in total, were of material significance either commercially or operationally at the close of 2006.

## Guarantees and collateral pledged

At the end of 2006, the Storebrand Bank group's guarantee portfolio amounted to NOK 290.2 million, of which payment guarantees amounted to NOK 125.5 million. Most of the guarantees have been issued on behalf of customers in respect of real estate operations and property development in the Oslo and Akershus region. At year-end, the bank had deposited securities with fair value totalling NOK 1,698.6 million as collateral for access to Norges Bank's overnight loan facility. The bank had not pledged any other collateral at 31 December 2006.

## Financial risk

Storebrand Bank ASA's financial risk consists mainly of exposure to credit risk, liquidity risk, interest rate risk and foreign exchange risk. Credit risk is considered to be the most significant of these. The Board places great importance on the bank maintaining low financial risk.

Storebrand has adapted its routines and procedures to comply with the new capital adequacy requirements that came into force from 1 January 2007. The changes made by the bank in preparation for the new requirements involve changes to internal systems and processes for the management of credit risk, market risk and operational risk. The bank has elected to use the transition rules for the new capital adequacy requirements, and in this connection it has sought permission to defer the calculation of capital adequacy pursuant to the Basle II standard method until 1 January 2008.

*Credit risk*

Storebrand Bank ASA places great importance on maintaining close relationships with its corporate customers and routinely monitoring credit risk. Storebrand Bank ASA has standard rules for regular reviews of its exposure to corporate customers. A significant proportion of Storebrand Bank's corporate lending is linked to real estate in the greater Oslo area. Storebrand follows economic conditions and the real estate market in this region closely.

Lending to corporate customers over a certain limit requires the approval of a credit committee chaired by the bank's managing director, or by the bank's board of directors. Credit risk is monitored through a risk classification system that ranks each customer by ability to pay, financial condition and collateral. The risk classification system estimates the likelihood of a borrower defaulting (ability to pay/financial condition) and the likely loss in the event of default (collateral). All loans on the bank's watch list are reviewed at least quarterly in respect of the condition of the borrower and collateral, and of the steps being taken, in order to protect the bank's position.

Storebrand Bank has significantly upgraded its lending policies and credit approval procedures over recent years. Separate credit approval processes are now used for retail lending. Loans to personal customers are approved on the basis of credit scoring, combined with case-by-case evaluation of the borrower's ability to repay. Approximately 70% of lending to retail customers is secured by mortgages with loan to value ratios not exceeding 60%.

The bank manages its exposure to counterparty risk when placing its liquidity or through other exposure on the basis of the counterparty's credit rating and size. The bank places great importance on the quality of its counterparties, and it limits its exposure to any one counterparty in order to avoid loss and ensure high liquidity in its holdings of securities.

*Liquidity risk*

Liquidity risk refers to the risk that the bank is not able to meet all its financial liabilities as they fall due for payment. Storebrand Bank maintains sufficient liquidity to support balance sheet growth and to repay funding and deposits as they mature. The bank manages its liquidity position on the basis of a rolling liquidity gap that shows the mismatch between expected inward and outward cash flows.

Storebrand Bank has established good liquidity buffers, and continuously monitors liquidity reserves against internal limits. Committed credit lines from other banks are also available to the bank if necessary. Storebrand Bank ASA is rated by S&P and Moody's, and pays close attention to maintaining relationships with a number of international banks. This ensures access to the international capital market and provides greater diversity in the group's funding.

*Interest rate risk*

Storebrand Bank's policy is to manage its exposure to interest rate risk so that assets and liabilities have the lowest possible sensitivity to change in interest rates. Where possible, interest rate risk is hedged in such a way that hedging has minimal accounting impact. This means that the bank's profit and loss does not change in response to changes in the market value of derivative contracts in isolation, but follows changes in the market value of the underlying asset and liability items since these items are also recognised in the accounts at fair value in respect of interest rate risk.

*Currency risk*

Storebrand Bank's policy is to fully hedge currency exposure. The policy's objective is to minimise the currency risk associated with investments, lending and funding in foreign currency. As currency positions are incurred, they are hedged as soon as the position is sufficiently large to make this commercially viable within predefined limits. Hedging is principally carried out by rolling short-term forward foreign exchange contracts.

## Financial hedging

All instruments and products with an interest fixing period in excess of six months are subject to a separate hedging policy. The policy's objective is to optimise the balance between risk and return and to ensure that the derivative contracts entered into by the bank are appropriate and properly documented in order to satisfy the accounting requirements for hedge accounting, where appropriate at fair value. This means that the bank's profit and loss does not change in response to changes in the market value of derivative contracts in isolation, but also reflects changes in the market value of the underlying asset and liability items since these items are also recognised in the accounts at fair value in respect of interest rate risk. Interest rate hedging is arranged for the fair value of the object to be hedged, and the exposure hedged is the basic interest rate risk and not the credit spread. When calculating the effectiveness of hedging, the credit spread is held constant.

## Implementation of Basle II

Storebrand Bank intends to implement internal rating-based methods (IRB) for the new capital adequacy regime that came into force on 1 January 2007. The bank expects to be able to use the underlying IRB method from the second quarter of 2009. The bank's preparations for Basle II focus on the commercial opportunities of the new regime. The transition to Basle II requires major investments in systems and procedures as well as changes to the bank's organisation and main business processes, but will also create significant commercial benefits.

The preparations for Basle II support the bank's strategy and competitive position. Increased automation, improved decision support and use of customer data in market modelling pave the way for rapid but controlled growth. Individual risk pricing enables concentration on profitable customers. The systems developments driven by the Basle II regulations are of general commercial benefit for financial management and marketing. Making proper use of the migration to the new regime will ensure that the bank retains a competitive position relative to its competitors.

## Employment and environmental issues

Storebrand Bank ASA adheres to the Storebrand group's environmental standards in respect of seeking to reduce the environmental impact of its business activities.

*Organisational issues*

Storebrand Bank ASA again made a number of organisational changes in 2006 due in part to the appointment of a new managing director. Klaus-Anders Nysteen took up his position as managing director on 1 September 2006. Prior to joining the bank, he was Executive Vice President, Accounting and Finance, at Posten Norge AS.

These changes, combined with high business volumes, have put considerable pressure on the group's employees and their ability to adapt to change. In the Board's view, the organisation has responded to these challenges very well. The bank again participated in the regular employee satisfaction surveys carried out by the Storebrand group in 2006. The results from the Spring 2006 survey showed a small decline in employee satisfaction from 2005, but the Autumn 2006 survey showed an improvement in most areas.

Storebrand Bank ASA also participates in the Storebrand group's "Inclusive workplace" agreement with the Norwegian Labour and Welfare Organisation. Absence due to illness at Storebrand Bank ASA was 6.1% in 2006. This represents an increase from 4.1% in 2005. The increase is principally due to unusual long-term absence due to illness, and the line managers and the Storebrand company health service are carefully monitoring the employees affected.

*Gender equality*

Storebrand Bank ASA (the parent bank) had 176 employees at 31 December 2006, of which 100 are women and 76 are men. The bank group has 183 employees. The average age of employees is 43, and the average period of service is nine years. The proportion of women on the bank's Board is 50%, while women account for 30% of the bank's executive management team. Women account for 50% of management positions with staff responsibility.

The Board and management continue to work actively to promote employment equality. The statistics provided above demonstrate the progress made in this respect.

*External Environment*

The Storebrand group is committed to reducing its impact on the environment. This includes measuring the group's consumption of water, reducing energy consumption and paper usage, sorting waste and recycling all electronic equipment. The Board is of the view that the company's activities do not pollute external environment.

## Statement of going concern compliance for the annual accounts

The Board confirms that the company meets the requirements for the accounts to be prepared on a going concern basis, and the annual accounts have therefore been prepared on this basis.

## Post-balance sheet date events

The Board is not aware of any matters that have arisen since the accounts were prepared that have a significant effect on the 2006 accounting year.

## Strategy and prospects for 2007

Storebrand Bank ASA will continue to pursue and develop its established strategy to be a modern and reliable bank for the retail market and for selected segments of the corporate market. In order to maintain its competitiveness, the bank will pay particular attention to product development and improving its customer processes. The work to adapt the bank for the new capital adequacy requirements (Basle II) and to improve the efficiency of internal processes continues. In 2006 the bank launched a pilot project for the production of banking services in Lithuania. Work on this project will continue in 2007.

The main challenge facing the bank in 2007 will be to further strengthen its position in the retail market while ensuring profitability in its corporate banking activities.

The Board would like to thank the group's customers, business partners and all its employees for their support and assistance in 2006.

## Allocation of the result for the year

Storebrand Bank ASA (parent bank) reported a post-tax profit of NOK 147.4 million for 2006. The company's free reserves amounted to NOK 740 million at the end of the year. The Board proposes to the bank's Board of Representatives and the Annual General Meeting that the profit for the year should be credited in full to other equity.

Oslo, 13 February 2007, Translation - not to be signed, The Board of Directors Storebrand Bank ASA

| | | | |
|---|---|---|---|
| Idar Kreutzer, Chairman | Stein Wessel-Aas, Deputy Chairman | Klaus-Anders Nysteen, Board Member/Managing Director | Kristine Schei, Board Member |
| Ida Helliesen, Board Member | Roar Thoresen, Board Member | Maalfrid Brath, Board Member | Heidi Storruste, Board Member |

## Contents Notes to the accounts of Storebrand Bank Group



## Contents Notes to the accounts of Storebrand Bank ASA

# Profit and loss account Storebrand Bank Group

1 January - 31 December

| NOK million | Note | 2006 | 2005 | 2004 |
|---|---|---|---|---|
| Interest income | | 1 220.0 | 1 027.1 | 1 184.2 |
| Interest expense | | -801.2 | -579.9 | -740.4 |
| **Net interest income** | **3** | **418.8** | **447.2** | **443.8** |
| | | | | |
| Fee and commission income | | 112.3 | 44.5 | 62.2 |
| Fee and commission expense | | -80.3 | -26.9 | -20.1 |
| **Net fee and commission income** | **4** | **31.9** | **17.6** | **42.1** |
| | | | | |
| Net gains on financial instruments at fair value | 3 | 22.9 | 32.5 | 20.3 |
| Net income and gains from associated companies | 18 | 10.6 | 6.4 | 5.0 |
| Other income | 6 | 13.3 | 37.3 | 174.9 |
| **Total other operating income** | | **46.8** | **76.3** | **200.2** |
| | | | | |
| Staff expenses and general administration expenses | 7, 8 | -218.9 | -211.9 | -401.4 |
| Other operating costs | 8, 19 | -135.6 | -122.5 | -171.5 |
| **Total operating costs** | | **-354.5** | **-334.5** | **-572.9** |
| **Operating profit before losses and other items** | | **143.0** | **206.6** | **113.2** |
| | | | | |
| Net write-back in loan losses | 5 | 47.0 | 34.4 | 7.4 |
| **Profit before tax** | | **190.0** | **241.1** | **120.7** |
| Tax | 9 | -42.7 | -47.0 | -48.7 |
| **Profit for the year** | | **147.3** | **194.1** | **72.0** |
| | | | | |
| Allocated to: | | | | |
| Parent company | | 147.1 | 194.1 | 72.0 |
| Minority interests | | 0.2 | 0.0 | 0.0 |

# Balance sheet Storebrand Bank Group

31 December

| NOK million | Note | 2006 | 2005 | 2004 |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and deposits with central banks | 11, 12 | 394.4 | 423.9 | 531.3 |
| Loans to and deposits with credit institutions | 11, 13 | 114.9 | 41.7 | 179.2 |
| | | | | |
| Financial assets designated at fair value through profit and loss: | | | | |
| Equity instruments | | 8.2 | 8.8 | 52.5 |
| Bonds and other fixed-income securities | 11, 14 | 1 698.6 | 1 703.1 | 2 032.6 |
| Derivatives | 11, 15 | 642.9 | 515.0 | 488.4 |
| | | | | |
| Other current assets | 21 | 293.7 | 165.7 | 186.7 |
| | | | | |
| Gross lending | 16 | 31 181.1 | 26 764.9 | 24 046.8 |
| Write-down of loans | 17 | -433.3 | -478.9 | -573.3 |
| Net lending to customers | 11, 31 | 30 747.8 | 26 286.0 | 23 473.5 |
| | | | | |
| Investments in associated companies | 18 | 29.2 | 38.3 | 37.9 |
| | | | | |
| Tangible assets | 19 | 7.2 | 10.1 | 15.7 |
| Intangible assets | 19 | 46.1 | 26.0 | 17.1 |
| Deferred tax assets | 9 | 172.5 | 211.4 | 273.7 |
| | | | | |
| **Total assets** | | **34 155.5** | **29 430.0** | **27 288.6** |
| | | | | |
| **Liabilities and equity** | | | | |
| Liabilities to credit institutions | 11, 23 | 2 786.0 | 1 464.6 | 2 151.8 |
| Deposits from and due to customers | 11, 24 | 13 533.7 | 11 187.0 | 11 463.0 |
| | | | | |
| Other financial liabilities: | | | | |
| Derivatives | 11, 15 | 607.2 | 452.3 | 450.2 |
| Commercial paper and bonds issued | 11, 25 | 14 396.7 | 13 657.2 | 10 233.6 |
| Other liabilities | 11, 27 | 339.0 | 204.8 | 267.1 |
| | | | | |
| Provision for accrued expenses and liabilities | 17 | 4.0 | 4.9 | 2.2 |
| Pension liabilities | 7 | 70.1 | 53.4 | 56.4 |
| | | | | |
| Subordinated loan capital | 11, 26 | 759.3 | 658.9 | 652.7 |
| **Total liabilities** | | **32 495.9** | **27 683.0** | **25 276.9** |
| | | | | |
| Paid in capital | | 916.6 | 916.6 | 1 315.9 |
| Retained earnings | | 739.6 | 827.4 | 695.1 |
| Minority interests | 10 | 3.5 | 3.0 | 0.8 |
| **Total equity** | | **1 659.6** | **1 747.0** | **2 011.7** |
| **Total liabilities and equity** | | **34 155.5** | **29 430.0** | **27 288.6** |

Oslo 13 February 2007

*Translation - not to be signed*

The Board of Directors of Storebrand Bank ASA

| | | | |
|---|---|---|---|
| Idar Kreutzer<br>Chairman | Stein Wessel-Aas<br>Deputy Chairman | Klaus-Anders Nysteen<br>Board Member/Managing Director | Kristine Schei<br>Board Member |
| Ida Helliesen<br>Board Member | Roar Thoresen<br>Board Member | Maalfrid Brath<br>Board Member | Heidi Storruste<br>Board Member |

# Cash flow statement Storebrand Bank Group

1 January - 31 December

| NOK million | 2006 | 2005 | 2004 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Interest, commissions and fees received from customers | 1 281.6 | 1 112.7 | 1 586.6 |
| Interest, commissions and fees paid to customers | -850.5 | -578.6 | -744.7 |
| Net receipts/payments - lending to customers | -4 414.8 | -2 724.4 | -1 613.6 |
| Net receipts/payments - loans to and claims on other financial institutions | -73.2 | 123.8 | 105.2 |
| Net receipts/payments - deposits from banking customers | 2 346.7 | -276.0 | -897.9 |
| Net receipts/payments - deposits from central bank and other financial institutions | 1 321.4 | -687.2 | -1 059.5 |
| Net receipts/payments -securities in the trading portfolio: | | | |
| - Shares and other equity investments | 10.6 | 54.8 | 53.1 |
| - Bonds and other fixed-income securities | 4.4 | 332.3 | 49.9 |
| - Financial derivatives and other financial instruments | 26.9 | 11.9 | 3.5 |
| Payments to third parties for goods and services | -101.6 | -141.2 | -297.9 |
| Payments to employees, pensioners, employment taxes etc. | -131.8 | -145.1 | -311.0 |
| Receipts of dividend from associated companies | 0.0 | 6.0 | 3.0 |
| **Net cash flow from operating activities** | **-580.2** | **-2 911.0** | **-3 123.3** |
| | | | |
| **Cash flow from investment activities** | | | |
| Net receipts from sale of subsidiaries and associated companies | 14.7 | 250.1 | |
| Net receipts/payments on sales/purchases of fixed assets etc. | -35.6 | -21.8 | -12.4 |
| **Net cash flow from investment activities** | **-20.9** | **228.3** | **-12.4** |
| | | | |
| **Cash flow from financing activities** | | | |
| Net receipts/payments from issue of commercial paper/short-term loans | -737.4 | 182.2 | 2 913.9 |
| Net receipts/payments from subordinated loan capital | 100.3 | 4.1 | 231.7 |
| Interest payments on subordinated loans | -31.1 | -22.3 | 0.0 |
| Net receipts/payments from issue of bond loans and other long term funding | 1 462.3 | 2 872.2 | 466.4 |
| Payments on redemption of share capital | | -399.3 | |
| Dividend/group contribution payments | -222.4 | -61.7 | |
| **Net cash flow from financing activities** | **571.7** | **2 575.3** | **3 612.0** |
| **Net cash flow for the period** | **-29.4** | **-107.4** | **476.3** |
| | | | |
| Net movement in cash and cash equivalent assets | -29.4 | -107.4 | 476.3 |
| Cash and cash equivalent assets at the start of the period | 423.9 | 531.3 | 55.0 |
| **Cash and cash equivalent assets at the end of the period** | **394.4** | **423.9** | **531.3** |

# Changes in equity Storebrand Bank Group

| | 2006 | | | |
|---|---|---|---|---|
| | **Majority's share of equity** | | | |
| NOK million | Paid in capital | Other equity | Minority interests[1] | Total equity |
| Equity at 31.12.05 reported in 2005 annual accounts | 916.6 | 792.9 | 3.0 | 1 712.5 |
| New accounting principle for pensions | | 34.5 | | 34.5 |
| **Equity 1.1.** | **916.6** | **827.4** | **3.0** | **1 747.0** |
| | | | | |
| The year's change in estimate regarding new accounting principle for pensions | | -12.5 | | -12.5 |
| Profit for the year | | 147.1 | 0.2 | 147.3 |
| | | | | |
| Equity transactions with the owner: | | | | |
| Dividend paid | | -222.4 | | -222.4 |
| Other changes / changes in minority interest | | | 0.4 | 0.4 |
| **Equity 31.12.** | **916.6** | **739.6** | **3.5** | **1 659.6** |

*1 See note 10 - Minority interests.*

Storebrand Bank ASA distributed a dividend of NOK 3.47 per share in 2006 in respect of the 2005 financial year. The dividend amounts to NOK 222.4 million and has been deducted from consolidated equity when the dividend was paid. Storebrand Bank ASA is 100% owned by Storbrand ASA.

| | 2005 | | | |
|---|---|---|---|---|
| | **Majority's share of equity** | | | |
| NOK Million | Paid in capital | Other equity | Minority interests[1] | Total equity |
| Equity at 31.12.04 reported in 2004 annual accounts | 1 315.9 | 664.7 | 0.8 | 1 981.3 |
| New accounting principle for pensions | | 30.4 | | 30.4 |
| **Equity 31.12.04 restated** | **1 315.9** | **695.1** | **0.8** | **2 011.7** |
| | | | | |
| Effects of IAS 39: | | | | |
| Shares | | 17.5 | | 17.5 |
| Bonds and commercial paper | | 7.5 | | 7.5 |
| Loan loss provisions | | 37.2 | | 37.2 |
| Hedging | | 11.7 | | 11.7 |
| Derivatives | | 4.5 | | 4.5 |
| Bond loans | | -3.9 | | -3.9 |
| Structured products | | -88.7 | | -88.7 |
| Deferred tax | | 8.9 | | 8.9 |
| **Equity 1.1.** | **1 315.9** | **689.8** | **0.8** | **2 006.4** |
| | | | | |
| The year's change in estimate regarding new accounting principle for pensions | | 4.1 | | 4.1 |
| Profit for the year | | 194.1 | | 194.1 |
| | | | | |
| Equity transactions with the owner: | | | | |
| Dividend paid | | -61.7 | | -61.7 |
| Reduction in equity | -399.3 | | | -399.3 |
| Other changes / changes in minority interest | | 1.2 | 2.2 | 3.4 |
| **Equity 31.12.** | **916.6** | **827.4** | **3.0** | **1 747.0** |

*1 See note 10 - Minority interests.*

# Changes in equity Storebrand Bank Group

| | 2004 | | | |
|---|---|---|---|---|
| | **Majority's share of equity** | | | |
| NOK Million | Paid in capital | Other equity | Minority interests[1] | Total equity |
| Equity at 31.12.03 reported in 2003 annual accounts | 2 030.4 | -122.5 | | 1 907.9 |
| New accounting principle for pensions | | 30.4 | | 30.4 |
| **Equity 1.1.** | **2 030.4** | **-92.1** | **0.0** | **1 938.3** |
| | | | | |
| Transfer of share premium reserve to other equity | -714.5 | 714.5 | | 0.0 |
| Profit for the year | | 72.0 | | 72.0 |
| | | | | |
| Equity transactions with the owner: | | | | |
| Other changes / changes in minority interest | | 0.7 | 0.8 | 1.4 |
| **Equity 31.12.** | **1 315.9** | **695.1** | **0.8** | **2 011.7** |

*1 See note 10 - Minority interests.*

## 00 Accounting principles

The accounting principles used for the preparation of the consolidated accounts are described below. The principles are applied consistently to similar transactions and to other events under similar circumstances.

### Basic principles

The consolidated accounts of Storebrand Bank ASA are prepared in accordance with the EU approved accounting rules - International Financial Reporting Standards (IFRS). The accounts are prepared in accordance with the historic cost principle, with the exception of certain financial instruments that are valued at fair value.

Comparable figures for 2004 and 2005 have been reclassified in accordance with changes made in 2006. This applies to changes in value in the investment portfolio, changes in value of interest rate swaps that are not part of hedge accounting, lending sales costs and the amortisation of fees relating to on-balance sheet lending.

### Changes to accounting principles

Storebrand changed its accounting principles for pensions experience adjustments in 2006, and such adjustments are now applied directly to equity. Prior to this change, experience adjustments were amortised over the average remaining period for accrual of pensions entitlement to the extent that the effect exceeded 10% of the higher of either pension liability or pension assets. The changes this causes are reported in the reconciliation of changes in equity, and comparable figures for previous periods have been restated.

### Storebrand has elected to use the following standard

IFRS 7 introduces new additional information in respect of financial instruments. The standard does not affect the valuation or classification of financial instruments. (IFRS 7 is obligatory from the 2007 accounting year).

### Use of estimates in preparing the annual accounts

The preparation of the accounts in accordance with IFRS involves the use of estimates and assumptions made by management. The estimates used in preparing the accounts are based on historic experience and assumptions that management believes are prudent and reasonable and are based on factual evidence. The estimates have an effect on assets, liabilities, revenue, costs, the notes to the accounts and information on potential liabilities. Estimates and judgements are continually evaluated based on historical experience and expectations of future events. In the future, actual experience may deviate from these accounting estimates. The estimates and judgements that have a significant risk of causing a material adjustment to the balance sheet values of assets and liabilities are discussed below

- Fixed assets and intangible assets
- Actuarial calculations of pension liability
- Lending at amortised cost
- Write-downs of loans
- Capitalisation of deferred tax assets
- Calculation of fair value for financial instruments

### Fixed assets and intangible assets

Fixed assets and intangible assets, of which intangible assets mainly relate to customised software developed in-house, are reviewed annually to ensure that the depreciation period and method of depreciation used correspond with commercial reality for the asset in question. This also applies to the disposal value. The value of an asset is written down if there are indications of a fall in its value. The future commercial life of specific intangible assets are tested, and some changes were made in 2006.

### Pension liabilities

Pension liabilities for own employees are calculated in accordance with IAS 19. The demographic assumptions used are decided by an actuary. Management has reviewed the financial assumptions used when calculating pension liability at the year-end. The assumptions used are set out in note 7.

### Lending at amortised cost

Lending is measured at amortised cost using the effective interest method. Management has reviewed the assumptions used in this respect, including the expected rate of turnover and the period to which fees charged and direct costs paid can be directly attributed. If these assumptions are changed, the effect of the change will be recognized as income or cost through profit and loss.

### Write-downs of loans

**Individual write-downs**

Write-downs of individual loans are based on a case-by-case evaluation if there is objective evidence of impairment. The need for a write-down is determined on the basis of a specific evaluation of the most likely future cash flow that will be received from the borrower in connection with the loan. In making this judgement, management takes into account both previous experience with the borrower and other information considered relevant.

**Write-downs of groups of loans**

Grouped write-downs are calculated separately for Corporate Lending and Retail Lending. (i.e. loans to commercial customers and loans to private individuals). In the case of groups of loans in Corporate Lending, the objective criteria for write-downs are considered to be closely correlated with changes in the risk classification of lending relationships. The classification model for Corporate Lending considers three factors: quality of the borrower/financial condition (debt service capacity), quality of the collateral (loan to value ratio) and commercial factors (internal/external risk). The risk classification model shows the classification against a background of the information recorded in the accounting module at the time the calculation of group write-downs is undertaken, the realisable value recorded for collateral and an evaluation of commercial factors.

The objective criteria for write-downs of the groups of loans making up Retail Lending are considered to be correlated to the default status of the loans making up the group and the historic repayment record. Default status is divided into 30-90 days and over 90 days on loans not subject to individual write-downs because there is objective evidence of impairment. The repayment record is updated quarterly in line with the overall performance of the portfolio.

### Capitalisation of deferred tax assets

The capitalised value of deferred tax assets is reviewed regularly. The reviews take into account Storebrand Bank's likely future capacity to make use of tax losses carried forward, and the criteria that must be satisfied for the tax losses to be used.

### Calculation of fair value of derivatives and financial instruments

Fair value excludes accrued interest (clean value). The bank's asset items are measured at observable market value where such prices are available. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. Fair value of other assets is calculated as an amount equivalent to the discounted current value of the investment. The discount factor used takes into account the market interest rate for investments judged to be equivalent to the investment being valued at 31 December 2006. Fair value of liabilities is calculated as the discounted present value of the funding transaction. As with investments, the discount factor used takes into account the bank's actual funding costs for an equivalent deposit at 31 December 2006. The fair value of lending is calculated as the discounted present value of loans considered not to be impaired. In the case of loans considered to be impaired, fair value is estimated for each individual loan or group of loans.

All financial assets and liabilities included in hedge accounting are shown at amortised cost in the notes to the accounts.

### Consolidation

The consolidated financial statements combine Storebrand Bank ASA and companies where Storebrand Bank ASA has the power to exercise a controlling influence. A controlling influence is normally achieved where the group owns, directly or indirectly, more than 50% of the shares in a company and the group has the power to exercise control over the company. Minority interests are included in the group's equity capital.

The acquisition method of accounting is used to account for the purchase of subsidiaries. No acquisitions were made in the period. Investments in associated companies (normally investments of between 20% and 50% of the associated company's equity capital) where the group exercises significant influence are consolidated in accordance with the equity method. Each investment is reviewed on a case-by-case basis to determine whether the group exercises significant influence.

The book value of associated companies is evaluated for impairment routinely.

### Presentation currency, currency translation of foreign companies and currency translation of assets and liabilities

The group's presentation currency and functional currency is the Norwegian krone (NOK). Foreign companies included in the group that use a different functional currency are translated to NOK by translating the profit and loss account at the average exchange rate for the accounting year and translating the balance sheet at the exchange rate at close of the accounting year. Any translation differences are booked directly to equity.

All receivables and liabilities denominated in foreign currency are translated to NOK at the mid-market exchange rate on the balance sheet date. Income and costs denominated in foreign currency are translated to NOK using the exchange rate at the time of the transaction.

### Elimination of internal transactions

Internal receivables and payables, internal profits and losses, interest and dividends, etc. between group companies are eliminated in the consolidated accounts.

### Segment reporting

The Storebrand Bank group is organised into five business areas: corporate banking, retail banking, savings products, stockbroking and real estate broking. Business areas are the group's primary reporting segments. The risk structure and return is judged to be uniform within each segment. Segment information for 2005 has been restated to correspond with the current segments. Financial information in respect of the segments is presented in note 1 to the annual accounts.

### Tangible fixed assets

The group's tangible fixed assets comprise equipment, fixtures and fittings, vehicles, IT systems and properties used by the group for its own activities.

Equipment, fixtures and fittings, vehicles and IT systems are valued at acquisition cost reduced by accumulated depreciation and any write-downs.

Straight-line depreciation is applied over the following periods:

| | |
|---|---|
| Equipment, fixtures and fittings | up to 4 years |
| Vehicles | 6 years |
| Software | 3–6 years |
| Holiday cabins | 15 years |

The depreciation period and the method of depreciation are reviewed annually to ensure that the method and period used correspond with the commercial reality for the asset in question. This also applies to the disposal value.

Consideration is given to writing down the value of an asset if there are indications of a fall in its value.

### Intangible assets

The company's intangible assets other than deferred tax asset are largely relate to customised software developed in-house and software purchased. Such intangible assets are valued at acquisition cost reduced by accumulated depreciation and any write-downs. The depreciation period and the method of depreciation are reviewed annually. New intangible assets are only capitalised if it can be demonstrated that it is likely that the group will gain future commercial benefit that is directly applicable to the asset in question. In addition, it must be possible to estimate the cost price of the asset reliably and the asset must be ready for use. The value of an intangible asset is tested for impairment if there are indications of a fall in its value, otherwise intangible assets are subject to write-downs and reversals of write-downs in the manner described for tangible fixed assets. The depreciation period for intangible assets varies from 3 to 8 years, with the expected commercial life determined on the basis of the asset's expected life, including the term of the relevant contract (applies to licences for various units in the banking system). Intangible assets are capitalised as they are acquired, but are not depreciated until they are complete and ready for use.

### Pension liabilities for own employees

Storebrand's pension scheme for its own employees is a defined benefit pension scheme. Pension costs and pension liabilities for defined benefit pension schemes are calculated using a linear accrual of entitlement to pension and expected final salary, based on assumptions for discount rate, future salary increases, pensions and benefits from the national insurance fund, the future return on pension assets and actuarial assumptions on mortality, disability and early leavers. The discount rate is equivalent to the risk-free interest rate taking into account the average remaining period for accrual of pension entitlement. The net pension cost for the period is made up of the sum of pension entitlement accrued in the period, interest cost on the calculated pension liability and the expected return on pension assets.

The effect of differences between assumptions and actual experience (experience adjustments) and changes in assumptions are applied directly to equity. The effect of changes to the pension scheme are recognised to profit and loss as they are incurred, unless the change is conditional on future accrual of pension entitlement. In such a case, the effect is amortised linearly over the time until the entitlement is fully earned. Employer's social security contributions are included in pension liability and in experience adjustments shown in equity.

Storebrand has both insured and uninsured pension arrangements. The insured scheme is insured with Storebrand Livsforsikring AS (Storebrand Life Insurance), a company in the Storebrand group.

### Tax

The tax charge in the profit and loss account consists of tax payable for the accounting year and changes in deferred tax. Deferred tax and deferred tax assets are calculated on the basis of timing differences between accounting and tax values of assets and liabilities. Deferred tax assets are recorded in the balance sheet to the extent it is considered likely that the companies in the group will have sufficient taxable profit in the future to make use of the tax asset.

### Provision for dividend

Proposed dividend or group contribution payments are classified as equity until such time as the general meeting approves the payment.

## Recognition and derecognition

### Interest income and interest expense

Interest income and interest expense are shown in the profit and loss account at amortised cost using the effective interest method. The effective interest method includes set-up fees. Changes in fair value in respect of hedge accounting of the underlying object and the related derivative are also included in interest income and interest expense.

### Fees and commissions

Set-up fees charged on new loan agreements are included in the measurement of lending at amortised cost, and are included in the calculation of amortised value using the effective interest method.

Commission income and costs related to sales of real estate fund products, shares in Storebrand Optimèr ASA and structured products are recognized when the income is earned, i.e. when the sale is completed. The cost of commission payments to distributors of these products is recognized when the cost is incurred.

Dealing commission in respect of stockbroking is recognised when the trade giving rise to the commission is completed.

## Financial instruments

### General principles and definitions

#### Recognition and derecognition

Financial assets and liabilities are included in the balance sheet from such time as Storebrand Bank becomes party to the instrument's contractual terms and conditions. Normal purchases and sales of financial instruments are booked on the transaction date. When a financial asset or a financial liability is first recognised in the accounts, it is valued at fair value plus, in the case of a financial asset or a financial liability that is not a financial asset or a financial liability at fair value through profit and loss, transaction costs directly related to the acquisition or issue of the financial asset or the financial liability.

Financial assets are derecognised when the contractual right to the cash flow 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.

#### Definition of amortised cost

Subsequent to inception, loans and receivables as well as financial liabilities not at fair value through profit and loss, are valued 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 that are an integral part of the effective interest rate.

**Definition of fair value**
"Fair value" is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. For financial assets that are listed on a stock exchange or another regulated market place, fair value is determined as the bid price on the last trading day up to and including the balance sheet date, and in the case of an asset that is to be acquired or a liability that is held, the offer price.

If a market for a financial instrument is not active, fair value is determined by using valuation techniques. Such valuation techniques make use of recent arm's length market transactions between knowledgeable and willing 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 and this method has proved to provide reliable estimates of prices actually achieved in market transactions, this method is used.

The discount rate used takes into account the market interest rates at the end of the accounting period for placements/deposits considered to be equivalent to the item for which fair value is calculated.

The fair value of lending, adjusted for credit risk, is estimated on the basis of the current market rate of interest on similar lending. When estimating the fair value of a loan, consideration is also given to the development of the associated credit risk in general.

**Impairment of financial assets**
In the case of financial assets that are not recognised at fair value, consideration is given on each balance sheet date to whether there are objective signs that the value of a financial asset or a 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 book value and the present value of estimated 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 the time of inception). The book value of the asset is reduced either directly or by using a provision account. The amount of the loss is recognised to profit and loss.

Storebrand Bank makes use of both individual loan write-downs and write-downs of groups of loans.

Losses that are expected to occur as a result of future events are not included in the accounts, regardless of how likely it is that the loss will occur.

An impaired lending commitment is recognised as a realised loss in the case of bankruptcy, a legally binding composition with creditors, failure to receive a court order for attachment of property, a legally binding judgement, or if the bank has terminated legal collection procedures or has otherwise renounced the commitment or its share of the commitment. Realised losses are deducted from gross lending in the balance sheet.

The bank judges a lending commitment to be in default if a contractual payment is not received and 90 days have elapsed from the due date, or where an account is overdrawn without authorisation and the situation is not rectified within 90 days. Commitments where bankruptcy/insolvency or debt settlement proceedings have started are also considered to be in default.

## Classification and measurement of financial assets and liabilities
Financial assets are classified into one of the following categories:
- available for sale
- at fair value through profit or loss in accordance with the fair value option (FVO)
- loans and receivables.

### Available for sale
A financial asset is classified as available for sale if it is:
- acquired or incurred 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 for which there is evidence of a recent actual pattern of short-term profit-taking,
- is a derivative (except for a derivative that is designated as an effective hedging instrument).

With the exception of derivatives, no part of the group's financial assets fall into this category.

Available for sale financial assets are measured at fair value at the balance sheet date. Changes in fair value are recognised to profit and loss.

### At fair value through profit and loss in accordance with the fair value option
At inception, any financial asset or liability can be classified at fair value through profit and loss if it is the case that:
- such a classification reduces a mismatch that would otherwise have occurred in measurement or recognition as a result of different rules for measurement of assets and liabilities
- the financial assets form part of a portfolio that is managed and evaluated on a fair value basis

In 2006, the group's holdings of bonds, shares, a minor portfolio of fixed-rate loans and commercial paper issued for which an interest rate swap has been entered into to reduce the commercial risk, are classified in this group.

The accounting treatment is equivalent to that for available for sale instruments.

### 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 such assets that the company intends to sell immediately or in the short term that are classified as available for sale and such assets that the company designates at inception as assets at fair value through profit and loss.

Loans and receivables are valued at amortised cost using the effective interest method. Assets in this group relate principally to loans to customers.

Loans and receivables that are designated as hedged items are subject to measurement in accordance with the requirements of hedge accounting.

### Derivatives

**Derivatives are defined as follows**

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 for hedging**

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

**Accounting treatment of derivatives for hedging**

The group uses only fair value hedging, where the items hedged are financial assets and financial liabilities measured at amortised cost. Derivatives that fall within this category are recognised at fair value through profit and loss, while changes in the value of the hedged item that relate to the risk hedged are applied to the book value of the item and are recognised through profit and loss. The value of hedging instruments is classified in the balance sheet together with the item hedged.

Hedge accounting is principally relevant to the interest rate hedging of fixed rate funding and lending. The majority of the bank's interest rate derivatives fall into this category.

If the calculated hedging effectiveness, either prospective effectiveness or retrospective effectiveness, falls outside the range 80%-125%, it is considered that the conditions for hedge accounting are no longer satisfied. Hedging is deemed no longer to apply at the time such an event occurs.

### Financial liabilities

Subsequent to inception, financial liabilities are measured mainly at amortised cost using the effective interest method. Liabilities in this category include deposits from customers and subordinated loans as well as liabilities created by the issue of commercial paper and bonds. Commercial paper issued with one year's maturity is measured at fair value through profit and loss using the fair value option.

### Structured products – synthetic financial instruments

Storebrand Bank has issued equity index linked bonds. These products principally comprise the issue of a bond and the sale of an equity index option. At the time of issue, the equity index option is measured at fair value since the option is a derivative that is not closely related to the bond issued. The bonds issued are simultaneously measured at amortised cost. No gain is recognised in respect of structured products at the time of issue ("day 1 gains").

Financial liabilities that are classified as hedged items are measured in accordance with hedge accounting.

## 01 Segment information

**Analysis of profit and loss account and balance sheet items by activity:**

| NOK million | Corporate 2006 | Corporate 2005 | Retail 2006 | Retail 2005 | Savings products 2006 | Savings products 2005 | Stockbroking 2006 | Stockbroking 2005 | Real estate broking 2006 | Real estate broking 2005 | Total 2006 | Total 2005 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Profit and loss items** | | | | | | | | | | | | |
| Net external interest income | 189.6 | 227.2 | 206.2 | 194.9 | 23.0 | 25.0 | -0.2 | 0.0 | 0.2 | 0.0 | 418.8 | 447.2 |
| Net internal interest income | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Net interest income** | **189.6** | **227.2** | **206.2** | **194.9** | **23.0** | **25.0** | **-0.2** | **0.0** | **0.2** | **0.0** | **418.8** | **447.2** |
| Net external fee and commission income | 8.0 | -7.0 | 5.5 | 14.9 | 14.5 | 9.7 | 3.9 | 0.0 | 0.0 | 0.0 | 31.9 | 17.6 |
| Net internal fee and commission income | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Net fee and commission income** | **8.0** | **-7.0** | **5.5** | **14.9** | **14.5** | **9.7** | **3.9** | **0.0** | **0.0** | **0.0** | **31.9** | **17.6** |
| Other external operating income | 11.0 | 40.9 | 21.7 | 25.0 | 0.0 | 1.3 | 0.0 | 0.0 | 14.2 | 9.3 | 46.8 | 76.5 |
| Other internal operating income | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Total operating income** | **11.0** | **40.9** | **21.7** | **25.0** | **0.0** | **1.3** | **0.0** | **0.0** | **14.2** | **9.3** | **46.8** | **76.5** |
| Staff expenses and general administration expenses | -75.8 | -92.8 | -106.9 | -97.9 | -20.8 | -10.3 | -3.8 | -1.4 | -11.6 | -9.5 | -218.9 | -211.9 |
| Depreciation of tangible and intangible fixed assets | -7.1 | -6.2 | -11.5 | -9.6 | | | | | 0.0 | 0.0 | -18.6 | -15.9 |
| Other operating costs | -40.6 | -28.2 | -62.0 | -62.8 | -9.7 | -12.0 | -2.6 | -2.3 | -2.1 | -1.4 | -117.0 | -106.6 |
| **Total operating costs** | **-123.5** | **-127.2** | **-180.3** | **-170.3** | **-30.6** | **-22.3** | **-6.4** | **-3.7** | **-13.8** | **-11.0** | **-354.5** | **-334.4** |
| **Operating profit before loan losses** | **85.0** | **134.0** | **53.1** | **64.5** | **7.0** | **13.6** | **-2.7** | **-3.7** | **0.6** | **-1.6** | **143.0** | **206.8** |
| Loan losses and write-downs | 54.6 | 20.2 | -7.7 | 14.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 47.0 | 34.4 |
| **Ordinary profit from continuing operations** | **139.7** | **154.2** | **45.4** | **78.7** | **7.0** | **13.6** | **-2.7** | **-3.7** | **0.6** | **-1.6** | **190.0** | **241.1** |
| **Ordinary profit from businesses discontinued[1]** | **0.2** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | **0.2** | **0.0** |

| NOK million | Corporate 2006 | Corporate 2005 | Retail 2006 | Retail 2005 | Savings products 2006 | Savings products 2005 | Stockbroking 2006 | Stockbroking 2005 | Real estate broking 2006 | Real estate broking 2005 | Total 2006 | Total 2005 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance sheet items** | | | | | | | | | | | | |
| Gross lending | 11 603.6 | 10 476.0 | 19 577.6 | 16 288.9 | | | | | | | 31 181.1 | 26 764.9 |
| Lending write-downs | -372.7 | -422.0 | -60.6 | -56.9 | | | | | | | -433.3 | -478.9 |
| Net customer lending | 11 230.8 | 10 054.0 | 19 517.0 | 16 232.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 30 747.8 | 26 286.0 |
| Investments in associated companies | 29.2 | 30.0 | 0.0 | | | | | | | | 29.2 | 30.0 |
| Tangible fixed assets | 3.0 | 4.3 | 4.0 | 5.6 | | | | | 0.1 | 0.2 | 7.2 | 10.1 |
| Intangible fixed assets | 21.5 | 10.5 | 24.6 | 15.5 | | | | | | | 46.1 | 26.0 |
| Assets, activities held for sale | 0.0 | 0.0 | | | | | | | | | 0.0 | 0.0 |
| Other assets | 1 583.6 | 1 443.1 | 1 178.0 | 1 205.5 | 478.9 | 417.4 | 71.7 | | 12.9 | 11.9 | 3 325.1 | 3 077.9 |
| **Total assets** | **12 867.8** | **11 541.9** | **20 723.6** | **17 458.6** | **478.9** | **417.4** | **71.7** | **0.0** | **13.0** | **12.1** | **34 155.5** | **29 430.0** |
| Deposits from and due to customers | 5 357.3 | 4 360.7 | 8 176.4 | 6 826.4 | | | | | | | 13 533.7 | 11 187.0 |
| Liabilities, activities held for sale | 0.0 | 0.0 | 0.0 | 0.0 | | | | | | | | |
| Other liabilities | 6 526.2 | 6 081.8 | 11 886.8 | 9 995.7 | 478.9 | 417.4 | 68.7 | | 1.5 | 1.2 | 18 962.2 | 16 496.1 |
| Equity | 984.7 | 1 099.4 | 660.4 | 636.6 | | | 3.0 | | 11.5 | 10.9 | 1 659.6 | 1 747.0 |
| **Total equity and liabilities** | **12 867.8** | **11 541.9** | **20 723.6** | **17 458.6** | **478.9** | **417.4** | **71.7** | **0.0** | **13.0** | **12.1** | **34 155.5** | **29 430.0** |
| **Key figures** | | | | | | | | | | | | |
| Costs as % of income | 59% | 49% | 77% | 73% | 81% | 62% | 175% | 0% | 96% | 118% | 71% | 62% |

*1 Profit relates to the discontinued subsidiaries Storebrand Finans AS and Skipsinvest I AS.*

**Description of the segments:**

Corporate: This segment includes deposits from and loans to corporate customers, principally in the real estate investor/developer sector.
Retail: Deposits from and lending to private individuals, including credit card services. Lending is principally secured against residential property.
Savings products: Includes all structured products (equity index bonds), as well as sales of real estate investment funds etc.
Stockbroking: The bank established a stockbroking business in 2006. This activity covers purchases and sales of Norwegian and foreign shares.
Real estate broking: This segment is made up solely of Ring Eiendomsmegling AS, in which the bank had a 70% interest at the close of 2006.

Income and costs that cannot be directly attributed to a segment are allocated on the basis of assumed consumption of resources.

**Profit and loss and balance sheet items by geographic segment:**

| NOK million | Operating income 2006 | Operating income 2005 | Assets 2006 | Assets 2005 | Costs of acquiring assets by segment 2006 | Costs of acquiring assets by segment 2005 |
|---|---|---|---|---|---|---|
| Norway | 489.9 | 537.2 | 33 323.5 | 28 704.1 | 37.0 | 22.4 |
| Abroad | 7.6 | 3.9 | 832.0 | 725.9 | 0.0 | 0.0 |

## 02 Remuneration and close associates

### Remuneration of senior employees and non-executive officers at 31.12.06:

| NOK 1000 | Remu-nera-tion[9] | Bonus bank[2] | Post-termination salary (months) | Pension cost for the year | Discounted present value of pension | No. of shares owned[3] | Loan[4] | Interest rate at 31.12.06 | Repayment period[5] | Out-standing amount[6] |
|---|---|---|---|---|---|---|---|---|---|---|
| **Senior employees** | | | | | | | | | | |
| Klaus-Anders Nysteen (Managing Director.)[1] | 764 | | 18 | 331 | 332 | 200 | 3 528 | 3.00%/3.45% | 2026/2020 | 0 |
| Per Kumle (former Managing Director)[1] | 12 509 | | | 965 | 3 777 | 628 | | - | - | 0 |
| Nina Juel Arstal[1] | 1 618 | 363 | 12 | 184 | 902 | 610 | 1 122 | 3.00% | 2028 | 0 |
| Per Kjetil Lilleskare | 1 799 | 234 | 15 | 491 | 2 661 | | 1 277 | 3.00%/3.55% | 2033/2010 | 0 |
| Kristian Krogenæs | 1 126 | 158 | | 116 | 628 | 310 | 2 264 | 3.00%/3.60% | 2023/2017 | 0 |
| Sigmund Sletvold | 1 178 | | | 101 | 254 | 688 | 1 559 | 3.00%/3.55% | 2029/2007 | 0 |
| Ivar Qvist | 2 225 | | | 158 | 724 | 100 | 2 202 | 3.00%/3.45% | 2041/2014 | 0 |
| Geir Larsen | 755 | | | 124 | 186 | | | | | 0 |
| Monica Kristoffersen | 811 | | | 67 | 378 | | 2 733 | 3.35%/3.60% | 2023/2019 | 0 |
| Anne Grete Wardeberg | 1 078 | 162 | | 184 | 706 | 410 | | | | 0 |
| **Board of Directors[7]** | | | | | | | | | | |
| Idar Kreutzer[8] | | | | | | 29 288 | 9 210 | 3.00%/3.60% | 2031/2021/2022 | 0 |
| Roar Thoresen | | | | | | 1 038 | 989 | 3.00% | 2022 | 0 |
| Heidi Storruste | 145 | | | | | 378 | 927 | 3.00% | 2029 | 0 |
| Steinar Wessel-Aas | 145 | | | | | | | | | 0 |
| Kristine Schei | 145 | | | | | | | | | 0 |
| Maalfrid Brath | | | | | | 2 113 | 5 056 | 3.00%/3.45% | 2035/2028 | 0 |
| **Control Committee** | | | | | | | | | | |
| Finn Myhre | 125 | | | | | | 1 538 | 3.44% | 2023/2025 | 0 |
| Benedicte Fasmer | 85 | | | | | | | | | 0 |
| Jan Ljone | 85 | | | | | | | | | 0 |

1 *Per Kumle resigned as Managing Director with effect from 30.04.06. Nina Juel Arstal was acting Managing Director from 1.5.06 to 31.8.06. Klaus-Anders Nysteen was appointed as Managing Director and joined the bank on 1.9.06. The bank has no liability to its former managing director at 31.12.06.*
2 *Amount outstanding at 31.12.2006 before the distribution for 2006. Certain senior employees are entitled to a performance-related bonus based on Storebrand's ordinary bonus scheme, payable in three instalments. The group's value creation finances the overall amount of the bonus, but individual performance determines allocation. Bonus entitlements are credited to bonus accounts, and 1/3 of the balance on an individual's bonus account is paid each year.*
3 *The summary shows the number of shares owned in Storebrand ASA by the individual, as well as his or her close family and companies where the individual exercises significant influence (cf. Accounting Act 7-26).*
4 *Loans to senior employees and members of the Board of Directors are granted in part on the normal terms and conditions for loans to employees, i.e. loan to an individual of up to NOK 1.2 million at 80% of normal market interest rate. Loans in excess of NOK 1.2 million are granted on normal commercial terms and conditions.*
5 *The years shown are the years in which the loans are contractually due to be repaid.*
6 *Loan payment due but not paid.*
7 *Remuneration paid represents remuneration paid in connection with the individual's appointment to the Board of Directors of Storebrand Bank ASA.*
8 *Idar Kreutzer, the Chairman of the Board, does not receive any remuneration from Storebrand Bank ASA for this appointment, and the company has no liability towards the Chairman of the Board in the event of termination of or change to this appointment. Idar Kreutzer is the Chief Executive Officer of Storebrand ASA and the Managing Director of Storebrand Livsforsikring AS. He is entitled to salary for 24 months after the expiry of the normal notice period. Such payments will be reduced by all work-related income during this period, including consultancy assignments. He is entitled to a performance-related bonus based on Storebrand's ordinary bonus scheme, payable in three instalments. The group's value creation finances the overall amount of the bonus, but individual performance determines allocation. Bonus entitlements are credited to bonus accounts, and 1/3 of the balance on an individual's bonus account is paid each year.*
9 *See specification next page.*

The Board will submit a statement to the Annual General Meeting on the salary and other remuneration of senior employees, cf. section 6-16a of the Public Limited Liabilites Companies Act.

### 9) Specification of remuneration

| NOK 1000 | Salary/fee | Bonus | Additional remuneration[1] | Other taxable benefits[2] | Termination payment | Total remuneration |
|---|---|---|---|---|---|---|
| **Senior employees** | | | | | | |
| Klaus-Anders Nysteen (Managing Director)[1] | 720 | 0 | | 44 | | 764 |
| Per Kumle (former Managing Director)[1] | 2 862 | 5 835 | | 100 | 3 713 | 12 509 |
| Nina Juel Arstal[1] | 683 | 208 | 612 | 115 | | 1 618 |
| Per Kjetil Lilleskare | 1 425 | 216 | | 157 | | 1 799 |
| Kristian Krogenæs | 870 | 145 | | 110 | | 1 126 |
| Sigmund Sletvold | 847 | 225 | | 106 | | 1 178 |
| Ivar Qvist | 938 | 1 200 | | 87 | | 2 225 |
| Geir Larsen | 618 | 85 | | 52 | | 755 |
| Monica Kristoffersen | 605 | 110 | | 95 | | 811 |
| Anne Grete Wardeberg | 789 | 187 | | 102 | | 1 078 |

*1 Per Kumle resigned as Managing Director with effect from 30.04.06. Nina Juel Arstal was acting Managing Director from 1.5.06 to 31.8.06. Klaus-Anders Nysteen was appointed as Managing Director and joined the bank on 1.9.06. Nina Juel Arstal received NOK 0.6 million of additional remuneration for the period she was appointed as acting Managing Director.*
*2 Comprises company car, telephone, insurance, concessionary interest rate and other contractual benefits.*

### Transactions with group companies:

| NOK million | Subsidiaries | Other group companies |
|---|---|---|
| Interest income | 1.8 | 0.0 |
| Interest expense | 0.3 | 0.0 |
| Services sold | 0.0 | 2.3 |
| Services purchased | 0.0 | 46.1 |
| Due from | 12.9 | 0.0 |
| Liabilities to | 13.1 | 20.1 |

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

### Remuneration of the auditor (excluding value added tax):

| NOK 1000 | 2006 | 2005 | 2004[1] |
|---|---|---|---|
| Statutory audit | 1 156 | 1 044 | 1 161 |
| Other reporting duties | 8 | 61 | 0 |
| Taxation advice | 0 | 0 | 0 |
| Other non-audit services | 157 | 28 | 390 |

*1 Storebrand Bank ASA changed its auditor in 2004 to Deloitte AS. Remuneration paid to Deloitte AS and its collaborating companies for audit and audit-related services amounted to NOK 408,000 in 2004.*

### Loans to employees:

| NOK million | 2006 | 2005 | 2004 |
|---|---|---|---|
| Loans to employees of Storebrand Bank ASA | 156.6 | 162.4 | 170.8 |
| Loans to employees of the Storebrand group | 1 236.7 | 1 327.2 | 1 277.0 |

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 1.2 million at 80% of normal market interest rate. Loans in excess of NOK 1.2 million are granted on normal commercial terms and conditions. The bank has not provided guarantees or security for borrowing by employees.

### Headcount and personnel information:

| | 2006 | 2005 | 2004 |
|---|---|---|---|
| Number of employees at 31.12. | 183 | 178 | 214 |
| Number of employees expressed as full-time equivalent positions | 180 | 175 | 210 |

## 03 Net income from financial instruments

| NOK million | 2006 | 2005 |
|---|---|---|
| **Net interest income** | | |
| Interest and other income on loans to and deposits with credit institutions | 15.8 | 12.0 |
| Interest and other income on loans to and due from customers | 1 138.8 | 938.6 |
| Interest on commercial paper, bonds and other interest-bearing securities | 64.9 | 61.9 |
| Other interest income and related income | 0.5 | 14.7 |
| **Total interest income[1]** | **1 220.0** | **1 027.1** |
| Interest and other expenses on debt to credit institutions | -59.0 | -41.6 |
| Interest and other expenses on deposits from and due to customers | -311.7 | -200.8 |
| Interest and other expenses on securities issued | -399.5 | -305.9 |
| Interest and expenses on subordinated loan capital | -31.1 | -31.6 |
| **Total interest expenses[2]** | **-801.2** | **-579.9** |
| **Total net interest** | **418.8** | **447.2** |
| *1 Of which total interest income on financial assets that are not at fair value through profit or loss* | *1 141.5* | *949.9* |
| *2 Of which total interest expenses on financial liabilities that are not at fair value through profit or loss* | *-780.3* | *-579.9* |

### Net income and gains from financial assets and liabilities at fair value:

| | 2006 | 2005 |
|---|---|---|
| **Equity instruments** | | |
| Dividends received from equity investments | 1.0 | 0.0 |
| Net change in fair value of equity investments | 2.7 | 0.0 |
| **Total equity investments** | **3.7** | **0.0** |
| | | |
| **Bonds, commercial paper and other interest-bearing securities** | | |
| Commercial paper and bonds issued by the public sector | -2.4 | 0.5 |
| **Total securities issued by the public sector** | **-2.4** | **0.5** |
| Commercial paper and bonds issued by others | -1.2 | 8.6 |
| **Total securities issued others** | **-1.2** | **8.6** |
| **Total bonds, commercial paper and other interest-bearing securities** | **-3.6** | **9.0** |
| | | |
| **Financial derivatives** | | |
| Financial derivatives, trading | 22.7 | 23.5 |
| **Total financial derivatives** | **22.7** | **23.5** |
| **Net income and gains from financial assets and liabilities at fair value** | **22.9** | **32.5** |
| | | |
| **Net gain/loss on financial assets at fair value:** | | |
| Financial assets designated at fair value upon initial recognition | 1.6 | 7.7 |
| Financial assets classified as held for trading | 21.2 | 23.5 |
| | | |
| **Net gain/loss on financial liabilities at fair value:** | | |
| Financial liabilities designated at fair value upon initial recognition | 1.7 | 1.5 |
| Financial liabilities classified as held for trading | 0.0 | 0.0 |

## 04 Fees and commissions on banking services

| NOK million | 2006 | 2005 | 2004 |
|---|---|---|---|
| Money transfer fees | 15.0 | 14.0 | 19.5 |
| Service charges on deposit accounts | 15.9 | 15.2 | 13.0 |
| Guarantee commissions receivable | 3.5 | 3.6 | 6.8 |
| Fees from securities trading and management | 0.0 | 0.0 | 11.4 |
| Commissions from real estate fund | 60.1 | 5.2 | 0.0 |
| Commissions from structured products | 4.3 | 4.5 | 5.7 |
| Commissions from stockbroking | 5.6 | 0.0 | 0.0 |
| Commissions from Storebrand Optimèr ASA | 4.4 | 0.0 | 0.0 |
| Fees from loans | 0.9 | 0.0 | 0.0 |
| Management of loan portfolios | 2.3 | 0.7 | 0.0 |
| Other commission income | 0.4 | 1.4 | 5.8 |
| **Total fees and commissions receivable[1]** | **112.3** | **44.5** | **62.2** |
| | | | |
| Money transfer fees | -10.9 | -13.6 | -13.6 |
| Fee on securities to Norwegian Registry of Securities | -1.3 | -1.3 | -1.1 |
| Commissions real estate fund | -47.6 | 0.0 | 0.0 |
| Commissions structured products | -1.3 | 0.0 | 0.0 |
| Provisjoner stockbroking | -1.4 | 0.0 | 0.0 |
| Commissions Storebrand Optimèr ASA | -3.4 | 0.0 | 0.0 |
| Commission for distribution of the bank's products | -13.7 | -11.8 | 0.0 |
| Other commission expenses | -0.7 | -0.1 | -5.4 |
| **Total fees and commissions payable[2]** | **-80.3** | **-26.9** | **-20.1** |
| **Net fee and commission income** | **31.9** | **17.6** | **42.1** |
| *1 Of which total fees and commission income on book value of financial assets and liabilities that are not at fair value through profit and loss* | *38.3* | *34.3* | *38.2* |
| *2 Of which total fees and commission expense on book value of financial assets and liabilities that are not at fair value through profit and loss* | *-25.9* | *-25.4* | *-13.6* |

Other fee and commission income and fee and commission expense are related to charges on services bought and sold.

## 05 Losses on loans and guarantees

| NOK million | 2006 | 2005 |
|---|---|---|
| **Write-downs of loans and guarantees for the period** | | |
| Change in individual write-downs for the period | 29.6 | 107.5 |
| Change in grouped write-downs for the period | 15.9 | 26.5 |
| Other corrections to write-downs[1] | 22.4 | -19.3 |
| Realised losses in period on commitments specifically provided for previously | -17.2 | -81.9 |
| Realised losses on commitments not specifically provided for previously | -6.2 | -0.9 |
| Recoveries on previously realised losses | 2.4 | 2.5 |
| **Write-downs of loans and guarantees for the period/net write-back in loan losses** | **47.0** | **34.4** |
| | | |
| Interest recognised to profit on loans subject to write-downs | 7.5 | 15.3 |

| | | |
|---|---|---|
| *1 Other corrections to write-downs:* | | |
| *Interest recognised to profit in accordance with the effective interest rate method* | *-4.7* | *-23.5* |
| *Deviation caused by changes in expected cash flow* | *17.5* | *0.0* |
| *Correction to volume and write-down of debt recovery portfolio* | *9.3* | *22.7* |
| *Sale of Finansbanken AS* | *0.0* | *-12.5* |
| *Other changes* | *0.3* | *-6.0* |
| *Total other corrections to write-downs* | *22.4* | *-19.3* |

## 06 Other income

| NOK million | 2006 | 2005 | 2004 |
|---|---|---|---|
| Income from distribution of loan portfolios | 0.0 | 0.0 | 7.7 |
| Income from distribution of mutual fund products | 0.0 | 0.0 | 13.6 |
| Income from distribution of life insurance products | 0.0 | 0.0 | 115.0 |
| Income from distribution of health insurance products | 0.0 | 0.0 | 3.8 |
| Income from distribution of mutual fund insurance products | 0.0 | 0.0 | 19.0 |
| Net gain/loss on sale/close down of subsidiaries | -0.9 | 16.6 | 0.0 |
| Income from real estate broking | 14.2 | 9.3 | 0.1 |
| Other income | 0.1 | 11.5 | 15.9 |
| **Total other income** | **13.3** | **37.3** | **174.9** |

Storebrand Bank ASA distributed and managed loan portfolios for Storebrand Livsforsikring AS and Storebrand Skadeforsikring AS until autumn 2004. The Storebrand Skadeforsikring AS loan portfolio and the major part of the Storebrand Livsforsikring AS portfolio were then purchased by Storebrand Bank ASA and included in the bank's own lending portfolio. Storebrand Bank ASA distributed products for other group companies until 1 October 2004, when the distribution unit was sold to Storebrand Livsforsikring AS. The bank's 2004 accounts include income from distribution for the first nine months.

## 07 Pensions

Employees are assured a retirement pension equivalent to 70% of pensionable salary at the time of retirement. The ordinary retirement age is 65. Staff pensions are provided by a group pension scheme with Storebrand Livsforsikring AS. Pension payments from the this scheme come into effect from the pension age, which is 67. Pension payments between 65 and 67are paid directly by the company. Pension rights are part of the group's collective employment agreement.

### Reconciliation of pension assets and liabilities in the balance sheet:

| NOK million | 2006 | 2005 | 2004 |
|---|---|---|---|
| Present value of insured pension liability including employer's social security contributions | 112.1 | 75.8 | 75.5 |
| Pension assets at fair value | -76.0 | -58.3 | -51.3 |
| Net pension liability/surplus for the insured schemes | 36.0 | 17.5 | 24.3 |
| Present value of uninsured pension liability including employer's social security contributions | 34.1 | 35.9 | 32.1 |
| **Net pension liabilities in the balance sheet** | **70.1** | **53.4** | **56.4** |

### Reconciliation to show the change in net defined benefit pension liability in the period:

| NOK million | 2006 | 2005 | 2004 |
|---|---|---|---|
| Net pension liability at 1.1. including provision for employment taxes | 110.0 | 107.6 | 274.7 |
| Net pension cost recognised in the period including provision for employment taxes | 15.2 | 12.8 | 19.6 |
| Interest on pension liabilities | 4.9 | 4.4 | 11.2 |
| Experience adjustments | 17.9 | -6.1 | -48.0 |
| Pensions paid | -1.8 | -1.0 | -4.9 |
| Changes to the pension scheme | | -6.1 | |
| Internal transfers of liabilities | | | -145.0 |
| **Net pension liability at 31.12.** | **146.1** | **111.7** | **107.6** |

**Reconciliation to show the change in fair value of pension assets in the period:**

| NOK million | 2006 | 2005 | 2004 |
|---|---|---|---|
| Fair value of pension assets at 1.1. | 58.3 | 51.3 | 169.6 |
| Expected return | 3.5 | 3.5 | 9.2 |
| Experience adjustments | 2.6 | | -5.7 |
| Premiums paid in | 12.4 | 9.0 | 19.2 |
| Changes to the pension scheme | | -5.0 | |
| Pensions paid | -0.8 | -0.5 | -3.9 |
| Internal transfers of pension assets | | | -137.1 |
| **Net pension assets at 31.12.** | **76.0** | **58.3** | **51.3** |

**Net pension liability at 31.12.**

| | 2006 | 2005 | 2004 |
|---|---|---|---|
| Discounted present value of defined benefit pension liability | 146.1 | 111.7 | 107.6 |
| Fair value of pension assets | 76.0 | 58.3 | -51.3 |
| Deficit/(surplus) | 70.1 | 53.4 | 56.4 |

**Net pension cost in the profit and loss account, specified as follows:**

| NOK million | 2006 | 2005 | 2004 |
|---|---|---|---|
| Current service cost including provision for employment taxes | 11.3 | 13.6 | 21.2 |
| Interest on pension liabilities | 4.9 | 4.4 | 11.2 |
| Expected return on pension assets | -3.5 | -3.0 | -9.2 |
| Experience adjustments | 0.0 | -1.5 | 0.0 |
| Changes to the pension scheme | | -1.1 | 0.0 |
| Effect of reduction or discontinuation of pension arrangements | | | -1.5 |
| **Net pension cost booked to profit and loss in the period[1]** | **12.7** | **12.3** | **21.6** |

*1 Pension costs shown for 2004 exclude Finansbanken A/S (Danmark). Employees of Finansbanken A/S (Danmark) were members of a defined contribution pension scheme. The pension cost for 2004 was NOK 1.6 million.*

| | | | |
|---|---|---|---|
| Book (realised) investment return on assets managed by Storebrand Livsforsikring | 7.10% | 6.90% | 6.40% |

Net pension cost is included in "Staff expenses and general administration expenses". See note 8.

**Main assumptions used when calculating net pension liability:**

| **Financial:** | 31.12.06 | 31.12.05 | 31.12.04 |
|---|---|---|---|
| Discount rate | 4.3% | 4.7% | 4.7% |
| Expected return on pension fund assets in the period | 5.6% | 6.0% | 6.0% |
| Expected salary growth | 4.3% | 3.0% | 3.0% |
| Expected annual increase in social security pensions | 4.3% | 3.0% | 3.0% |
| Expected annual increase in pensions in payment | 1.7% | 2.0% | 2.0% |

**Actuarial:**
Standardised assumptions on mortality/disability and other demographic factors as produced by the Norwegian Financial Services Association.
Average employee turnover rate of 2-3% of entire workforce.

## 08 Operating expenses

| NOK million | 2006 | 2005 | 2004 |
|---|---|---|---|
| Ordinary wages and salaries | 109.6 | 105.7 | 232.9 |
| Employer's social security contributions | 16.1 | 18.0 | 32.8 |
| Other staff expenses | 10.1 | 8.8 | 15.3 |
| Pension costs[1] (see note 7) | 12.7 | 12.3 | 23.2 |
| Total staff expenses | 148.6 | 144.9 | 304.2 |
| | | | |
| IT costs | 53.9 | 52.0 | 64.5 |
| Printing, postage etc. | 5.6 | 5.1 | 9.3 |
| Travel, entertainment, courses, meetings | 5.7 | 4.0 | 7.8 |
| Other sales and publicity costs | 5.1 | 5.8 | 15.6 |
| Total administration expenses | 70.3 | 67.0 | 97.2 |
| **Total staff and general administration expenses** | **218.9** | **211.9** | **401.4** |
| | | | |
| Depreciation (see note 19) | 18.6 | 15.9 | 16.8 |
| Contract personnel | 27.6 | 22.7 | 26.2 |
| Operating expenses on rented premises | 20.2 | 18.7 | 50.3 |
| Inter-company charges for services | 46.1 | 48.0 | 56.1 |
| Other operating expenses | 23.1 | 17.2 | 22.1 |
| **Total other operating expenses** | **135.6** | **122.5** | **171.5** |
| **Total operating expenses** | **354.5** | **334.5** | **572.9** |

*1 2004 figures include NOK 1.6 million for Finansbanken A/S (Denmark).*

Storebrand Bank ASA distributed products for other companies in the Storebrand group until 1 October 2004, when the distribution unit was sold to Storebrand Livsforsikring AS. The consequences of the sale included a reduction in headcount at Storebrand Bank ASA of approximately 250. The bank's 2004 accounts include the cost of the distribution unit for the first nine months for 2004.

## 09 Tax

### Tax charge for the year

| NOK million | 2006 | 2005 | 2004 |
|---|---|---|---|
| Tax payable for the period | 0.0 | 0.0 | 0.0 |
| Adjustments in respect of previous periods | 0.0 | 0.0 | 0.0 |
| **Total tax charge** | **0.0** | **0.0** | **0.0** |

| Changes in deferred tax/deferred tax asset | | | |
|---|---|---|---|
| Deferred tax caused by temporary differences/reversals of temporary differences | 42.7 | 47.0 | 48.7 |
| **Total changes in deferred tax/deferred tax asset** | **42.7** | **47.0** | **48.7** |
| **Total tax cost** | **42.7** | **47.0** | **48.7** |

| Reconciliation of expected and actual tax charge | | | |
|---|---|---|---|
| Ordinary pre-tax profit | 190.0 | 241.1 | 120.7 |
| Expected tax on income at nominal rate | 53.2 | 67.5 | 33.8 |
| Tax effect of: | | | |
| Realised shares | -7.5 | -4.6 | |
| Associated companies | -0.3 | -1.8 | |
| Permanent differences | 1.7 | -14.1 | 25.1 |
| Corrections for previous years | -4.4 | -1.1 | |
| Write-downs of deferred tax assets | | 1.2 | |
| Deviation in foreign tax | | | -0.3 |
| Write-back of deferred tax for Finansbanken Denmark | | | -5.6 |
| Correction Finansbanken Denmark 2003 | | | -2.0 |
| Correction Finansbanken Forvaltning 2003 | | | -2.3 |
| **Tax charge** | **42.7** | **47.0** | **48.7** |

**Analysis of the tax effect of temporary differences and tax losses carried forward**

| NOK million | 2006 | 2005 | 2004 |
|---|---|---|---|
| **Tax increasing timing differences** | | | |
| Securities | | 2.9 | 0.3 |
| Lending | 1.2 | 9.7 | |
| Derivatives | 26.1 | 12.1 | |
| Other | 29.8 | | 4.5 |
| **Total tax increasing timing differences** | **57.1** | **24.7** | **4.7** |
| | | | |
| **Tax reducing timing differences** | | | |
| Pensions | -70.1 | -53.5 | -56.4 |
| Securities | | | -8.2 |
| Operating assets | -23.5 | -22.2 | -67.8 |
| Provisions | | | -8.6 |
| Fees and commissions | -20.1 | -20.3 | |
| Equity index bonds | -404.8 | -359.5 | -155.6 |
| Bonds issued | -48.7 | -8.5 | |
| Other | | -9.5 | -13.3 |
| **Total tax reducing timing differences** | **-567.1** | **-473.5** | **-309.9** |
| | | | |
| Losses/allowances carried forward | -106.0 | -310.5 | -667.7 |
| Net base for deferred tax/tax assets | -616.0 | -759.3 | -972.9 |
| Write-down of deferred tax asset | | 0.1 | |
| Tax asset not capitalised to the balance sheet | | 4.3 | |
| Net base for deferred tax and deferred tax asset | -616.0 | -754.9 | -972.9 |
| **Net deferred asset/liability in the balance sheet** | **172.5** | **211.4** | **273.7** |
| | | | |
| Sale of Finansbanken A/S (Denmark) | | | -21.4 |
| Change to 2005 opening balance / other changes | | | 7.7 |
| **Net deferred tax/tax asset at 1.1.2005** | | | **260.0** |
| | | | |
| **Analysis of tax payable and deferred tax applied directly to equity** | | | |
| Pension experience adjustments | -8.6 | -13.4 | -11.8 |
| Bonds and commercial paper | | -2.1 | |
| Loan loss provisions | | -10.4 | |
| Hedging | | -3.3 | |
| Derivatives | | -1.3 | |
| Bonds issued | | 1.1 | |
| Structured products | | 24.8 | |
| **Total** | **-8.6** | **-4.5** | **-11.8** |

The change is result of the introduction of new accounting principles from 1.1.2005.

| **Deferred tax assets not capitalised to the balance sheet:** | 2006 | 2005 | 2004 |
|---|---|---|---|
| Ring Eiendomsmegling AS | 0.9 | 1.2 | 0.0 |
| **Total deferred tax assets not capitalised to the balance sheet:** | **0.9** | **1.2** | **0.0** |

Deferred tax assets principally relate to tax reducing temporary differences on fixed assets, pension liabilities, financial instruments and losses carried forward. The bank produces an annual profit, and this is expected to continue in future years. Deferred tax assets in respect of Storebrand Bank ASA are capitalised to the extent that it is considered likely that it will be possible to make use of the assets. Deferred tax assets in respect of Ring Eiendoms-megling AS were not capitalised at 31.12.006 since it was not sufficiently likely that it will be possible to make use of the assets.

## 10 Minority interests

| NOK million | 2006 | 2005 | 2004 |
|---|---|---|---|
| Minority interestes at 1.1. | 3.0 | 0.8 | 0.0 |
| Share of profit due to minority interests | 0.2 | 0.0 | 0.0 |
| Increase in the period | 0.4 | 2.2 | 0.8 |
| **Minority interestes at 31.12.** | **3.5** | **3.0** | **0.8** |

Minority interests relate to Ring Eiendomsmegling AS in which Storebrand Bank ASA had a 70% interest at 31 December 2006.

## 11 Classification of financial instruments

### Classification of financial assets

| | | 2006 | | 2005 | |
|---|---|---|---|---|---|
| NOK million | Note | Book value | Fair value | Book value | Fair value |
| **Cash and deposits with central banks** | 12 | | | | |
| Cash and deposits with central banks at amortised cost, Loans and receivables | | 394.4 | 394.4 | 423.9 | 423.9 |
| Total cash and deposits with central banks | | 394.4 | 394.4 | 423.9 | 423.9 |
| **Net loans to and deposits with credit institutions** | 13 | | | | |
| Loans to and deposits with credit institutions at amortised cost, Loans and receivables | | 114.9 | 114.9 | 41.7 | 41.7 |
| Total loans to and deposits with credit institutions | | 114.9 | 114.9 | 41.7 | 41.7 |
| **Equity instruments** | | | | | |
| Financial assets at fair value, FVO[1] | | 8.2 | 8.2 | 8.8 | 8.8 |
| Total equity instruments | | 8.2 | 8.2 | 8.8 | 8.8 |
| **Bonds and other fixed income securities** | 14 | | | | |
| Commercial paper and bonds at fair value, FVO[1] | | 1 698.6 | 1 698.6 | 1 703.1 | 1 703.1 |
| Total bonds and other fixed income securities | | 1 698.6 | 1 698.6 | 1 703.1 | 1 703.1 |
| **Derivatives** | 15 | | | | |
| Financial derivatives at fair value, available for sale | | 642.9 | 642.9 | 515.0 | 515.0 |
| Total derivatives | | 642.9 | 642.9 | 515.0 | 515.0 |
| **Net lending to customers** | | | | | |
| Lending to customers at fair value, FVO[1] | 16 | 258.5 | 258.5 | 252.8 | 252.8 |
| Lending to customers at amortised cost, loans and receivables | 16 | 30 922.6 | 30 917.7 | 26 512.0 | 26 512.0 |
| Total lending before individual write-downs and write-downs of groups of loans | | 31 181.1 | 31 176.3 | 26 764.9 | 26 764.9 |
| - Write-downs on individual loans | 17 | -360.0 | -360.0 | -389.6 | -389.6 |
| - Write-downs on groups of loans | 17 | -73.3 | -73.3 | -89.2 | -89.2 |
| Total net lending to customers | | 30 747.8 | 30 743.0 | 26 286.0 | 26 286.0 |
| **Financial assets summarised by classification** | | | | | |
| Financial assets at fair value, FVO[1, 2] | | 1 965.3 | 1 965.3 | 1 964.7 | 1 964.7 |
| Financial assets at fair value, available for sale | | 642.9 | 642.9 | 515.0 | 515.0 |
| Financial assets at amortised cost, loans and receivables | | 30 998.6 | 30 993.7 | 26 498.7 | 26 498.7 |
| **Total financial assets** | | **33 606.8** | **33 602.0** | **28 978.5** | **28 978.5** |

### Classification of financial liabilities

| NOK million | Note | 2006 Book value | 2006 Fair value | 2005 Book value | 2005 Fair value |
|---|---|---|---|---|---|
| **Liabilities to credit institutions** | 23 | | | | |
| Deposits from and due to credit institutions at amortised cost | | 2 786.0 | 2 786.0 | 1 464.6 | 1 464.4 |
| Total liabilities to credit institutions | | 2 786.0 | 2 786.0 | 1 464.6 | 1 464.4 |
| | | | | | |
| **Deposits from and due to customers** | 24 | | | | |
| Deposits from and due to customers at amortised cost | | 13 533.7 | 13 532.8 | 11 187.0 | 11 187.0 |
| Total deposits from and due to customers | | 13 533.7 | 13 532.8 | 11 187.0 | 11 187.0 |
| | | | | | |
| **Other financial liabilities** | | | | | |
| Derivatitves, Hold for trading | 15 | 607.2 | 607.2 | 452.3 | 452.3 |
| Commercial paper and bonds issued at fair value, FVO[1] | 25 | 1 196.0 | 1 196.0 | | |
| Commercial paper and bonds issued at amortised cost | 25 | 13 200.7 | 13 144.4 | 13 657.2 | 13 625.2 |
| Other liabilities, amortised cost | 27 | 339.0 | 339.0 | 204.8 | 204.8 |
| Total other financial liabilities | | 15 342.9 | 15 286.6 | 14 314.3 | 14 282.3 |
| | | | | | |
| **Subordinated loan capital** | 26 | | | | |
| Subordinated loan capital at amortised cost | | 759.3 | 799.5 | 658.9 | 683.5 |
| Total subordinated loan capital | | 759.3 | 799.5 | 658.9 | 683.5 |
| **Total financial liabilities** | | **32 421.8** | **32 404.8** | **27 624.8** | **27 617.3** |
| | | | | | |
| **Financial liabilities summarised by classification** | | | | | |
| Financial liabilities at fair value, FVO[1, 3] | | 1 196.0 | 1 196.0 | 0.0 | 0.0 |
| Financial liabilities at fair value, available for sale | | 607.2 | 607.2 | 452.3 | 452.3 |
| Financial liabilities at amortised cost | | 30 618.6 | 30 601.6 | 27 172.5 | 27 165.0 |
| **Total financial liabilities** | | **32 421.8** | **32 404.8** | **27 624.8** | **27 617.3** |

| | | | | | |
|---|---|---|---|---|---|
| *1 FVO = Fair Value Option* | | | | | |
| *2 Of which financial assets designated at fair value upon initial recognition* | | *1 965.3* | *1 965.3* | *1 964.7* | *1 964.7* |
| *Of which financial assets classified as held for tranding* | | *0.0* | *0.0* | *0.0* | *0.0* |
| *3 Of which financial liabilities designated at fair value upon initial recognition* | | *1 196.0* | *1 196.0* | *0.0* | *0.0* |
| *Of which financial liabilities classified as held for tranding* | | *0.0* | *0.0* | *0.0* | *0.0* |

## 12 Cash and deposits with central banks

| NOK million | 2006 | 2005 |
|---|---|---|
| Cash | 2.4 | 2.0 |
| Deposits with central banks at amortised cost, Loans and receivables | 392.0 | 421.9 |
| **Total cash and deposits with central banks** | **394.4** | **423.9** |

## 13 Loand to and deposits with credit institutions

| NOK million | 2006 | 2005 |
|---|---|---|
| Total loans to and deposits with credit institutions without fixed maturity at amortised cost[1] | 107.7 | 33.7 |
| Total loans to and deposits with credit institutions with fixed maturity at amortised cost[2] | 7.1 | 8.0 |
| **Total loans to and deposits with creditinstitutions at amortised cost** | **114.9** | **41.7** |

*1 Relates to current accounts held with other banks, principally in foreign currencies.*
*2 Relates to one loan that matures in October 2020. Effective interest rate is 4.62%.*

## 14 Bonds and other fixed income securities at fair value through profit and loss

| | 2006 | | | 2005 | | |
|---|---|---|---|---|---|---|
| NOK million | Commercial paper | Bonds | Total | Commercial paper | Bonds | Total |
| Commercial paper and bonds, book value | 885.2 | 813.5 | 1 698.6 | 941.8 | 761.3 | 1 703.1 |
| Of which listed | 885.2 | 813.5 | 1 698.6 | 941.8 | 761.3 | 1 703.1 |
| Nominal value | 900.0 | 812.5 | 1 712.5 | 950.0 | 757.7 | 1 707.7 |
| **Analysis by sector of issuer:** | | | | | | |
| Public sector | 885.2 | 15.0 | 900.2 | 941.8 | 36.4 | 978.2 |
| Financial institutions | | 798.5 | 798.5 | | 724.9 | 724.9 |
| **Total** | **885.2** | **813.5** | **1 698.6** | **941.8** | **761.3** | **1 703.1** |
| Modified duration | 0.43 | 0.13 | 0.29 | 0.36 | 0.15 | 0.27 |
| Average effective yield per 31.12. | 3.67% | 3.74% | 3.70% | 2.32% | 2.81% | 2.48% |

All securities are denominated in NOK. The effective yield for each security is calculated using the observed market price. Calculated effective yields are weighted to give an average effective yield on the basis of each security's share of the total interest rate sensitivity.

## 15 Financial derivatives

### Nominal volume

Financial derivative contracts are related to underlying amounts which are not capitalised in the balance sheet. In order to quantify a derivative position, reference is made to underlying amounts such as nominal principal, nominal volume, etc. Nominal volume is calculated differently for different classes of derivatives, and gives an indication of the size of the position and risk the derivative creates. Gross nominal volume principally indicates the size of the exposure, whilst net nominal volume gives an indication of the risk exposure. However nominal volume is not a measure which necessarily provides a comparison of the risk represented by different types of derivatives. In contrast to gross nominal volume, net nominal volume also takes into account the direction of the instruments' market risk exposure by differentiating between long (asset) positions and short (liability) positions. An asset position in an equity derivative produces a gain in value if the share price increases. For interest rate derivatives, an asset position produces a gain if interest rates fall, as is the case for bonds. An asset position in a currency derivative produces a gain if the currency strengthens against the NOK. Average gross nominal volume is based on daily calculations of gross nominal volume.

### 2006

| NOK Million | Gross nom. value[1] | Average nom. value[2] | Net nom. value[1] | Fair value[1] Asset | Fair value[1] Liability | Fair value - hedging[3] Asset | Fair value - hedging[3] Liability |
|---|---|---|---|---|---|---|---|
| Equity options | 4 186.9 | 4 939.0 | 33.2 | 478.9 | 469.9 | 0.0 | 0.0 |
| Interest rate swaps | 16 141.6 | 11 640.4 | 4 787.6 | 149.3 | 132.6 | 0.3 | 79.5 |
| Forward foreign exchange contracts | 3 490.3 | 3 636.9 | 3 225.2 | 14.6 | 4.7 | 0.0 | 0.0 |
| **Total derivatives** | **23 818.8** | **20 216.3** | **8 046.0** | **642.9** | **607.2** | **0.3** | **79.5** |

### 2005

| NOK Million | Gross nom. value[1] | Average nom. value[2] | Net nom. value[1] | Fair value[1] Asset | Fair value[1] Liability | Fair value - hedging[3] Asset | Fair value - hedging[3] Liability |
|---|---|---|---|---|---|---|---|
| Equity options | 5 336.0 | 5 610.0 | 176.6 | 417.4 | 404.9 | 0.0 | 0.0 |
| Interest rate swaps | 8 836.0 | 6 917.0 | 6 881.0 | 35.5 | 29.2 | 17.1 | 4.3 |
| Forward foreign exchange contracts | 4 294.0 | 6 644.0 | 2 410.0 | 62.1 | 18.1 | 0.0 | 0.0 |
| **Total derivatives** | **18 466.0** | **19 171.0** | **9 467.6** | **515.0** | **452.3** | **17.1** | **4.3** |

*1 Value at 31.12.*
*2 Average for the year*
*3 Market value of derivatives included in hedge accounting are classified together with the underlying item hedged. See note 22.*

## 16 Analysis of loan portfolio and guarantees

| NOK million | Lending to customers 2006 | 2005 | 2004 |
|---|---|---|---|
| Lending to customers at amortised cost | 30 922.6 | 26 512.0 | 24 046.8 |
| Lending to customers at fair value | 258.5 | 252.8 | 0.0 |
| **Total gross lending to customers** | **31 181.1** | **26 764.9** | **24 046.8** |
| Write-downs on individual loans | -360.0 | -389.6 | -378.9 |
| Write-downs on groups of loans | -73.3 | -89.2 | -194.3 |
| **Net lending to customers** | **30 747.8** | **26 286.0** | **23 473.5** |

| | Lending to customers | | | Guarantees | | |
|---|---|---|---|---|---|---|
| NOK million | 2006 | 2005 | 2004 | 2006 | 2005 | 2004 |
| **Sector and industry classification** | | | | | | |
| Financial aid agencies | 0.3 | 0.0 | 0.0 | 0.0 | 0.0 | 147.7 |
| Agriculture, forestry, fishing etc. | 0.0 | 0.0 | 3.5 | 0.0 | 0.0 | 0.0 |
| Oil and gas | 0.1 | 0.2 | 0.5 | 0.0 | 0.0 | 0.0 |
| Industry and mining | 32.5 | 42.5 | 54.1 | 0.0 | 0.7 | 1.4 |
| Water and power supply, building and construction | 31.0 | 82.3 | 84.5 | 4.9 | 8.1 | 4.4 |
| Wholesale/retail trade, hotels and restaurants | 31.0 | 64.2 | 130.3 | 1.1 | 1.4 | 1.8 |
| International shipping and pipelines | 103.3 | 130.4 | 142.5 | 0.0 | 0.5 | 25.8 |
| Other transportation and communications | 53.0 | 15.3 | 84.3 | 1.1 | 1.1 | 1.2 |
| Services and real estate operations | 10 011.7 | 8 490.0 | 6 029.0 | 270.0 | 193.3 | 243.7 |
| Other service industries | 58.2 | 53.7 | 200.7 | 0.3 | 1.9 | 0.4 |
| Retail customers | 20 578.5 | 17 511.7 | 16 026.5 | 12.7 | 30.0 | 21.5 |
| Other | 0.7 | 11.7 | 11.8 | 0.0 | 0.0 | 16.7 |
| Foreign | 280.6 | 362.9 | 1 279.1 | 0.0 | 0.0 | 198.5 |
| **Total** | **31 181.1** | **26 764.9** | **24 046.8** | **290.2** | **237.1** | **663.2** |
| **Geographic distribution** | | | | | | |
| Eastern Norway | 25 034.5 | 22 373.1 | 19 165.2 | 288.3 | 224.9 | 454.0 |
| Western Norway | 3 142.6 | 2 102.5 | 2 036.0 | 0.1 | 0.1 | 5.5 |
| Southern Norway | 571.3 | 479.9 | 382.4 | 0.1 | 0.0 | 1.7 |
| Mid-Norway | 1 646.2 | 997.2 | 788.8 | 1.6 | 12.1 | 3.4 |
| Northern Norway | 506.0 | 449.3 | 395.2 | 0.0 | 0.0 | 0.0 |
| Foreign | 280.6 | 362.9 | 1 279.1 | 0.0 | 0.0 | 198.5 |
| **Total** | **31 181.1** | **26 764.9** | **24 046.8** | **290.2** | **237.1** | **663.2** |
| **Analysis of guarantee liabilities** | | | | | | |
| Loan guarantees | | | | 0.0 | 0.0 | 118.5 |
| Payment guarantees | | | | 125.5 | 115.8 | 272.4 |
| Performance guarantees | | | | 153.8 | 108.4 | 109.4 |
| Commercial Banks' Guarantee Fund | | | | 0.0 | 0.0 | 147.7 |
| Other guarantee liabilities | | | | 10.9 | 12.9 | 15.2 |
| **Total (see note 28)** | | | | **290.2** | **237.1** | **663.2** |

| | Non-performing and loss-exposed commitments | Of which loss-exposed loans with identified impairment | Write-downs of individual loans | Net non-performing and loss-exposed commitments | Individual write-downs as % of loss-exposed loans with identified impairment |
|---|---|---|---|---|---|
| **Non-performing and loss-exposed commitments** | | | | | |
| Water and power supply, building and construction | 7.3 | 0.3 | 0.3 | 7.0 | 100.0% |
| Wholesale/retail trade, hotels and restaurants | 2.7 | 2.6 | 1.6 | 1.1 | 61.5% |
| International shipping and pipelines | 98.1 | 98.1 | 102.7 | -4.6 | 104.6% |
| Services and real estate operations | 135.1 | 121.1 | 94.5 | 40.6 | 78.1% |
| Retail customers | 236.9 | 157.1 | 121.9 | 115.0 | 77.6% |
| Other | 52.6 | 43.8 | 39.1 | 13.5 | 89.3% |
| **Total 2006** | **532.7** | **422.9** | **360.0** | **172.7** | **85.1%** |
| Total 2005 | 754.0 | 641.1 | 389.6 | 364.4 | 60.8% |

Write-downs of groups of loans totalled NOK 73.3 million at 31.12.2006. See note 17.

## 17 Write-downs of loans and guarantees

| NOK million | 2006 | 2005 |
|---|---|---|
| Write-downs of individual loans NGAAP 31.12.04 | | 379.0 |
| IAS 39 effect on opening balance of individual loans | | 122.0 |
| Write downs om individual loans 1.1. | 389.6 | 501.0 |
| Losses realised in the period on individual loans previously written down | -17.2 | -81.9 |
| Write-downs of individual loans for the period | 43.1 | 66.8 |
| Reversals of write-downs of individual loans for the period | -59.6 | -103.4 |
| Other corrections to write-downs[1] | 4.0 | 7.1 |
| **Write-downs of individual loans at 31.12.** | **360.0** | **389.6** |
| | | |
| Write-downs of groups of loans and guarantees NGAAP 31.12.04 | | 194.3 |
| IAS 39 efffect on opening balance of grouped write-downs | | -78.6 |
| Write-downs of groups of loans and guarantees 1.1. | 89.2 | 115.7 |
| Grouped write-downs for the period | -15.9 | -26.5 |
| **Write-downs of groups of loans and guarantees etc. 31.12.** | **73.3** | **89.2** |
| **Total write-downs** | **433.3** | **478.9** |
| *1 Other corrections to write-downs:* | | |
| *Corrections to holding of / write-downs to debt recovery portfolio* | *4.0* | *22.7* |
| *Sale of Finansbanken AS (Denmark)* | *0.0* | *-12.5* |
| *Other corrections* | *0.0* | *-3.1* |
| *Total other corrections* | *4.0* | *7.1* |

Provisions for losses on guarantees amount to NOK 4.0 million at 31.12.06 and are included in the item "Provision for accrued expenses and liabilities" in the balance sheet.

## 18 Companies accounted for by the equity method

### Main accounting figures for associated companies - the figures reported are for 100% of the companies in question

| NOK million | 2006 | 2005 |
|---|---|---|
| **Revenue:** | | |
| Bertel O. Steen Finans AS | | 52.4 |
| Seilduksgaten 25/31 AS | 2.8 | 3.1 |
| | | |
| **Profit:** | | |
| Bertel O. Steen Finans AS | | 35.3 |
| Seilduksgaten 25/31 AS | -1.2 | -0.3 |
| | | |
| **Assets:** | | |
| Bertel O. Steen Finans AS | | 52.8 |
| Seilduksgaten 25/31 AS | 24.2 | 24.9 |
| | | |
| **Liabilities:** | | |
| Bertel O. Steen Finans AS | | 9.4 |
| Seilduksgaten 25/31 AS | 23.2 | 22.7 |

### Ownership interest in associated companies

| NOK million | Ownership | Acquisition cost | Book value at 1.1 | Additions/ disposals | Share of profit | Book value at 31.12 |
|---|---|---|---|---|---|---|
| Bertel O. Steen Finans AS[1] | 0% | 5.0 | 8.3 | -10.2 | 1.9 | 0.0 |
| Seilduksgaten 25/31 AS[2] | 50% | 30.0 | 30.0 | 0.0 | -0.8 | 29.2 |
| **Total** | | **35.0** | **38.3** | **-10.2** | **1.1** | **29.2** |

*1 Storebrand Bank ASA sold its 50% interest in Bertel O. Steen Finans AS in 2006. The bank's share in the company's profit at the time of sale was booked as NOK 1.9 million. The gain on the sale of shares in Bertel O. Steen Finans AS amounts to NOK 9.5 million.*
*2 Share in the profit of Seilduksgaten 25/31 AS booked in 2006 includes 50% of the company's profits for 2005 and 2006.*

## 19 Intangible assets and fixed assets

| NOK million | Vehicles, fixtures and fittings | Real estate[1] | Intangible assets | Total 2006 | Total 2005 | Total 2004 |
|---|---|---|---|---|---|---|
| Book value at 1.1. | 4.9 | 5.2 | 26.0 | 36.1 | 30.0 | 37.1 |
| Additions | 0.7 | 0.0 | 36.2 | 37.0 | 22.4 | 15.7 |
| Disposals | -1.3 | 0.0 | 0.0 | -1.3 | -0.6 | -3.3 |
| Depreciation | -1.9 | -0.4 | -16.2 | -18.6 | -15.6 | -16.7 |
| **Book value at 31.12.** | **2.4** | **4.8** | **46.1** | **53.3** | **36.1** | **32.8** |
| Opening acquisition cost | 13.0 | 6.8 | 53.2 | 73.0 | 98.0 | 273.3 |
| Closing acquisition cost | 7.3 | 6.8 | 76.2 | 90.3 | 73.1 | 281.9 |
| Opening accumulated depreciation and write-downs | 8.2 | 1.6 | 27.2 | 37.0 | 68.0 | 236.2 |
| Closing accumulated depreciation and write-downs | 5.0 | 2.1 | 30.1 | 37.1 | 36.9 | 249.1 |

**For each class of fixed assets:**

| | | | |
|---|---|---|---|
| Method for measuring cost price | Acquisition cost | Acquisition cost | Acquisition cost |
| Depreciation method | linear | linear | linear |
| Depreciation period and economic life | 4–6 years | 15 years | 3–8 years |

*1 Holiday cabins valued on the cost method.*

Depreciation of intangible assets and fixed assets is included in the line "Other operating costs" in the profit and loss account. There are no restrictions on rights to fixed assets. No fixed assets have been pledged as collateral for liabilities. Intangible assets comprise costs incurred on developing systems and data warehouses, as well as licences for systems and similar costs. All capitalised costs relate to systems development work carried out by external contractors. In addition, costs of NOK 6.1 million in respect of systems development were charged to profit and loss since they did not meet the criteria for capitalisation in accordance with IAS 38. Storebrand Bank ASA changed the expected commercial life applied to certain intangible assets in 2006 following a review of the expected commercial life of such assets. Estimated commercial life is subject to annual review.

## 20 Operational leasing

**Payments due under irrevocable operational leasing agreements fall due for payment as follows:**

| NOK million | 2006 |
|---|---|
| Within one year | 18.7 |
| Between one and five years | 11.0 |
| Over five years | 0.0 |
| **Total** | **29.7** |

| NOK million | 2006 | 2005 | 2004 |
|---|---|---|---|
| Calculated cost in the profit and loss account for operational leasing contracts | 19.0 | 17.4 | 36.2 |

Costs are included in the lines "Staff expenses and general administration expenses" and "Other operating costs".

Lease contracts relate to office premises, copying machines and motor cars with a normal lease period of 36 months. This note includes information on both internal and external leasing contracts.

## 21 Other current assets

| NOK million | 2006 | 2005 | 2004 |
|---|---|---|---|
| Interest accrued on lending | 120.2 | 80.6 | 71.6 |
| Interest accrued on bonds and commercial paper | 5.0 | 4.1 | 11.3 |
| Interest accrued on interest rate swaps | 39.5 | 36.8 | 24.0 |
| Commissions accrued on real estate funds and Storebrand Optimèr ASA | 22.6 | 0.0 | 0.0 |
| Other accrued income | 1.0 | 1.7 | 9.9 |
| Due from stockbrokers and customers stockbrokerage | 68.9 | 0.0 | 0.0 |
| Prepaid costs | 0.0 | 0.0 | 14.2 |
| Other assets | 36.6 | 42.4 | 55.7 |
| **Total other current assets** | **293.7** | **165.7** | **186.7** |

## 22 Hedge accounting

The bank uses fair value hedging to hedge interest rate risk. Hedging effectiveness is monitored at the individual item level except for structured bond loans where hedging effectiveness is monitored at the portfolio level. Each portfolio comprises swaps and hedged items with maturity within the same half year period.

| | 2006 | | | 2005 | | |
|---|---|---|---|---|---|---|
| | Contract/ | Fair value[1] | | Contract/ | Fair value[1] | |
| NOK million | nominal value | Assets | Liabilities | nominal value | Assets | Liabilities |
| Interest rate swaps | 3 802.0 | 0.3 | 79.5 | 3 166.0 | 17.1 | 4.3 |
| Total interest rate derivatives | 3 802.0 | 0.3 | 79.5 | 3 166.0 | 17.1 | 4.3 |
| **Total derivatives** | **3 802.0** | **0.3** | **79.5** | **3 166.0** | **17.1** | **4.3** |

| | Contract/ | Hedge value[1] | | Contract/ | Hedge value[1] | |
|---|---|---|---|---|---|---|
| | nominal value | Assets | Liabilities | nominal value | Assets | Liabilities |
| Underlying items | 3 695.1 | 132.8 | 3 418.0 | 3 159.1 | 142.9 | 2 964.0 |
| Hedging effectiveness - prospective | | 111% | 96% | | 81% | 91% |
| Hedging effectiveness - retrospective | | 116% | 101% | | 87% | 95% |

**Gain/loss on fair value hedging:[2]**

| | 2006 | 2005 |
|---|---|---|
| NOK million | Gain / loss | Gain / loss |
| On hedging instruments | -85.1 | -57.9 |
| On items hedged | 83.3 | 61.1 |

*1 Book value at 31.12.*
*2 Amounts included in the line "Net interest income".*

Hedging effectiveness when the hedge is created measures the relationship between changes in the hedged value of the interest rate hedging instrument and the item hedged in the event of a 2-percentage point interest rate shock. Subsequently, hedging effectiveness is measured on the basis of the simple Dollar Offset method for both prospective and retrospective calculations.

## 23 Liabilities to credit institutions

| NOK million | 2006 | 2005 |
|---|---|---|
| **Total liabilities to credit institutions without fixed maturity at amortised cost** | **8.9** | **76.5** |
| NOK 200 million, maturity 02.01.2007, interest rate 4.25% | 200.0 | |
| NOK 350 million, maturity 22.12.2012, 3 month NIBOR + 0.10%, interest rate 3.90% | 350.0 | 350.0 |
| NOK 250 million, maturity 22.11.2013, 3 month NIBOR + 0.12%, interest rate 3.80% | 250.0 | |
| EUR 30 million, maturity 22.12.2010, 3 month EURIBOR + 0.20%, interest rate 3.83% | 247.1 | 239.6 |
| EUR 10 million. maturity 24.11.2011, 3 month EURIBOR + 0.15%, interest rate 3.78% | 82.4 | |
| EUR 100 million, maturity 14.04.2010, 3 month EURIBOR + 0.30%, interest rate 3.96% | 823.8 | |
| EUR 100 million, maturity 14.04.2010, 3 month EURIBOR + 0.30%, interest rate 3.93% | 823.8 | 798.5 |
| **Total liabilites to credit institutions with fixed maturity at amortised cost** | **2 777.1** | **1 388.1** |
| **Total liabilites to credit institutions at amortised cost** | **2 786.0** | **1 464.6** |

## 24 Deposits from customers

| NOK million | 2006 | 2005 | 2004 |
|---|---|---|---|
| Call loans and deposits from customers | 13 037.7 | 10 857.4 | 10 838.9 |
| Term loans and deposits from customers | 496.0 | 329.6 | 624.0 |
| **Total deposits from customers** | **13 533.7** | **11 187.0** | **11 463.0** |

## 25 Securities issued

| NOK million | 2006 | 2005 |
|---|---|---|
| Commercial paper issued | 3 727.8 | 4 465.2 |
| Bonds issued | 10 668.9 | 9 192.0 |
| **Total securities issued** | **14 396.7** | **13 657.2** |

### Liabilities at amortised cost:

| | 2006 | | 2005 | |
|---|---|---|---|---|
| NOK million | Nominal value | Book value | Nominal value | Book value |
| 2006 | 0.0 | 0.0 | 5 619.3 | 5 615.7 |
| 2007 | 4 235.2 | 4 234.6 | 2 035.0 | 2 032.4 |
| 2008 | 2 598.1 | 2 592.7 | 1 837.9 | 1 839.7 |
| 2009 | 620.0 | 619.6 | | |
| 2010 and later | 1 500.0 | 1 497.6 | 435.0 | 430.2 |
| **Total securities issued at amortised cost** | **8 953.3** | **8 944.6** | **9 927.3** | **9 917.9** |

### Liabilities at amortised cost (hedge accounting):

| | 2006 | | 2005 | |
|---|---|---|---|---|
| NOK million | Nominal value | Book value | Nominal value | Book value |
| 2006 | 0.0 | 0.0 | 926.9 | 910.5 |
| 2007 | 1 441.3 | 1 431.0 | 1 737.0 | 1 710.6 |
| 2008 | 176.6 | 169.1 | 181.7 | 169.7 |
| 2009 | 1 422.1 | 1 375.2 | 709.4 | 648.4 |
| 2010 and later | 1 321.1 | 1 280.9 | 300.0 | 300.0 |
| **Total securities issued at amortised cost (hedge accounting)** | **4 361.1** | **4 256.2** | **3 855.0** | **3 739.2** |

### Liabilites at fair value (FVO)[1]:

| | 2006 | | 2005 | |
|---|---|---|---|---|
| NOK million | Nominal value | Book value | Nominal value | Book value |
| 2007 | 1 200.0 | 1 196.0 | 0.0 | 0.0 |
| **Total securities issued at fair value** | **1 200.0** | **1 196.0** | **0.0** | **0.0** |
| **Total securities issued** | **14 514.4** | **14 396.7** | **13 782.3** | **13 657.2** |

1 *FVO = Fair Value Option*

Average interest rate on bonds is 3.70%. Average interest rate on commercial paper is 3.62%, whilst average duration is 10.1 months.
Calculated effective yields are weighted to give an average effective yield on the basis of each security's share of the total interest rate sensitivity.

## 26 Subordinated loan capital

| NOK million | 2006 | 2005 |
|---|---|---|
| Ordinary subordinated loan capital | 474.8 | 375.0 |
| Perpetual subordinated bonds | 9.3 | 9.3 |
| Perpetual subordinated bonds (Tier 1 hybrid capital) | 275.1 | 274.6 |
| **Total subordinated loan capital** | **759.3** | **658.9** |

### Subordinated loan capital at amortised cost:

| | 2006 | | 2005 | |
|---|---|---|---|---|
| NOK million | Nominal value | Book value | Nominal value | Book value |
| **Perpetual subordinated bonds (Tier 1 hybrid capital)** | | | | |
| Subordinated perpetual bond 2004, 3 month NIBOR + 1.50%, call 2014 | 168.0 | 166.6 | 168.0 | 166.4 |
| | | | | |
| **Subordinated loan capital with conversion rights** | | | | |
| Subordinated perpetual bond 1995, 8.5% coupon | 9.3 | 9.3 | 9.3 | 9.3 |
| | | | | |
| **Other subordinated loan capital** | | | | |
| Subordinated loan 2002-2012, 3 month NIBOR +2.0%, call 2007 | 100.0 | 100.0 | 100.0 | 100.0 |
| Subordinated loan 2003-2013, 3 month NIBOR +2.25%, call 2008 | 100.0 | 100.0 | 100.0 | 100.0 |
| Subordinated loan 2005-2015, 3 month NIBOR +0.70%, call 2010 | 175.0 | 175.0 | 175.0 | 175.0 |
| Subordinated loan 2006-2016, 3 month NIBOR +0.57%, call 2011 | 100.0 | 99.8 | 0.0 | 0.0 |
| **Total subordinated loan capital at amortised cost** | **652.3** | **650.8** | **552.3** | **550.7** |

### Subordinated loan capital at amortised cost (hedge accounting):

| | 2006 | | 2005 | |
|---|---|---|---|---|
| NOK million | Nominal value | Book value | Nominal value | Book value |
| **Perpetual subordinated bonds (Tier 1 hybrid capital)** | | | | |
| Subordinated perpetual bond 2004, 5.9%, call 2014 | 107.0 | 108.5 | 107.0 | 108.1 |
| **Total subordinated loan capital at amortised cost (hedge accounting)** | **107.0** | **108.5** | **107.0** | **108.1** |
| | | | | |
| **Total subordinated loan capital** | **759.3** | **759.3** | **659.3** | **658.9** |

| NOK million | 2006 | 2005 |
|---|---|---|
| Subordinated loan capital included in capital adequacy calculation | 759.3 | 658.9 |
| | | |
| **Interest expense** | | |
| Interest expense booked in respect of subordinated loan capital | 31.1 | 30.4 |

All subordinated loans are denominated in NOK.

## 27 Other debt

| NOK million | 2006 | 2005 | 2004 |
|---|---|---|---|
| Payable to Storebrand group companies | 20.1 | 19.2 | 13.2 |
| Money transfers | 71.0 | 63.3 | 48.5 |
| Acrrued expenses and prepaid income | 162.0 | 107.1 | 177.5 |
| Payable to stockbrokers | 68.8 | 0.0 | 0.0 |
| Other debt | 17.1 | 15.2 | 28.0 |
| **Total other debt** | **339.0** | **204.8** | **267.1** |

## 28 Off balance sheet liabilities and contingent liabilities

| NOK million | 2006 | 2005 | 2004 |
|---|---|---|---|
| Guarantees | 290.2 | 237.1 | 663.2 |
| Undrawn credit limits | 1 687.4 | 1 285.7 | 1 001.5 |
| Other contingent liabilities | 0.0 | 0.0 | 0.0 |
| **Total contingent liabilities** | **1 977.6** | **1 522.8** | **1 664.7** |

Guarantees are mainly payment guarantees and contract guarantees. See also note 16. Undrawn credit limits relate to limits granted on customer accounts and credit cards that are not fully drawn down.

### Collateral and security pledged:

| NOK million | 2006 | 2005 | 2004 |
|---|---|---|---|
| Book value of bonds pledged as security for the bank's D-loan facility with Norges Bank | 1 698.6 | 1 703.1 | 1 982.1 |
| Book value of bonds pledged as security for the bank's facility with Danmarks Nationalbank | 0.0 | 0.0 | 2.6 |
| **Total** | **1 698.6** | **1 703.1** | **1 984.7** |

Collateral pledged as security relates to the bank's loan facility with Norges Bank (the Norwegian central bank). It is a statutory requirement that such borrowing is fully secured by interest-bearing securities and/or is matched by the bank's deposits with Norges Bank. Storebrand Bank ASA had no borrowings from the Norges Bank at 31.12.06 .

## 29 Capital adequacy

### Specification of capital base

| NOK million | 2006 | 2005 | 2004 |
|---|---|---|---|
| Equity[1] | 1 830.6 | 1 497.6 | 1 984.3 |
| Tier 1 hybrid capital | 275.1 | 229.2 | 273.0 |
| Intangible assets | -219.1 | -250.8 | -259.4 |
| Proportion of pension experience adjustments not amortised | 38.9 | 51.9 | |
| Over-funding of pension commitments | | | -7.8 |
| Core capital | 1 925.5 | 1 528.0 | 1 990.1 |
| Subordinated loan capital less own holdings | 484.1 | 430.5 | 379.8 |
| **Net capital base (A)** | **2 409.7** | **1 958.5** | **2 369.9** |
| Asset base for calculation (B) | 21 917.7 | 18 741.5 | 17 172.0 |
| **Capital ratio (A/B)** | **11.0%** | **10.5%** | **13.8%** |
| Excess primary capital NOK million | 656.3 | 459.1 | 1 012.2 |
| **Core capital ratio** | **8.8%** | **8.2%** | **11.6%** |

### Specification of asset base for calculation

| NOK million | 2006 | 2005 | 2004 |
|---|---|---|---|
| Total risk-weighted assets | 21 868.3 | 18 858.8 | 17 167.4 |
| Total off-balance sheet items | 482.8 | 355.6 | 453.2 |
| Foreign exchange risk | 4.0 | 9.9 | 124.6 |
| Deductions for loss provisions | -437.3 | -482.8 | -573.3 |
| **Basis of calculation** | **21 917.7** | **18 741.5** | **17 172.0** |

*1 Equity calculated in accordance with NGAAP includes a tax free group contribution of NOK 200 million received from Storebrand ASA. Under IFRS, this would not be recognized until after the AGM resolution. With effect from 2006, pension experience adjustments are applied directly to equity in the group.*

Capital ratio is based on NGAAP as Kredittilsynet has not finalised IFRS-based regulations. The minimum capital requirement is 8.0%.

## 30 Risk management

Risk management in Storebrand Bank addresses the areas of credit risk, market risk, liquidity risk and operational risk. The bank has implemented risk management models and limits, and continues to develop its risk management with the objective of improving the overall commercial management of the bank.

### Credit risk/counterparty risk

Storebrand Bank is exposed to credit risk through its lending, and is exposed to counterparty risk in connection with transactions in financial instruments.

Storebrand Bank pays particular attention to maintaining close relationships with its corporate customers and routinely monitoring credit risk. The bank has standard rules for regular reviews of its exposure to corporate customers. These reviews, together with close monitoring of conditions in the real estate market in Eastern Norway, ensure that credit risk is constrained to an acceptable level. Credit approvals for corporate customers over a certain amount require the approval of either the credit committee chaired by the managing director or the board of directors.

Lending to retail customers is subject to a different credit approval process. Loans to private individuals are granted on the basis of credit scoring combined with case-by-case evaluation of debt service capacity. Loans are principally granted against security in real estate or structured products.

The bank's counterparty risk (i.e. its credit exposure to other financial institutions) is regulated on the basis of the counterparties' credit ratings and the amounts involved.

### Market risk

Market risk is the risk that the bank suffers a loss as a result of unexpected unfavourable market movements in interest rates or exchange rates. Storebrand Bank manages its exposure to interest rate risk so that the net interest rate exposure of both assets and liabilities is as small as possible. Interest-rate hedging is structured so that it has little accounting impact. All instruments with an interest rate fixing period in excess of six months are subject to a hedging policy for economic hedging. The bank's total economic interest rate risk is calculated on the basis of a stress test using a two-percentage point interest rate shock. The bank's policy is for total accounting and commercial exposure to interest rate risk not to exceed 3% of capital base.

Storebrand Bank discontinued its foreign exchange trading activities in 2005, and has since minimised the foreign exchange risk associated with investments, lending and funding in foreign currency. Storebrand's policy is to fully hedge currency exposure. The managers responsible for currency hedging are subject to specific exposure limits to allow efficient, practical implementation of hedging. Hedging is largely managed by rolling short-term forward foreign exchange contracts. The bank's policy is for total accounting and commercial exposure to exchange rate risk not to exceed 1% of capital base.

In view of the limits described above, Storebrand Bank's exposure to market risk is minimal in relation to the bank's total activities.

### Liquidity

Liquidity risk is the risk that the bank is not able to meet all financial commitments as they fall due for payment without this requiring any significant deviation from its normal commercial and capital budgets. It is Storebrand's policy to always have sufficient liquidity to support balance sheet growth as well as to repay loans and deposits. Liquidity management shall ensure that sufficient funding is available to avoid liquidity problems in situations such as:

- Uncertainty among investors over the bank's customer lending and/or financial condition;
- Uncertainty in respect of the bank's owner/other group companies;
- Unplanned reductions in deposits;
- Moderate growth in lending in excess of forecast growth;
- Uncertainty among investors regarding the banking sector in general, including concerns over losses or financial crime.

The bank pays particular attention to maintaining a diversified funding structure in terms of both sources of funding and maturities, maintaining uncommitted and committed credit lines to meet its liquidity requirements and holding liquid assets in excess of the necessary minimum levels.

For high-level control of liquidity, Storebrand Bank monitors liquidity gap and the proportion of long-term funding for liquidity management. Liquidity gap measures the surplus of liquidity over the next 90 days relative to the necessary minimum level of liquidity taking into account all funding maturities. In addition, customer deposits withdrawals are calculated on the basis of an abnormally high withdrawal rate of 25% annually. The long-term funding ratio is calculated in accordance with the liquidity risk indicators stipulated by the Norwegian FSA (Kredittilsynet).

### Operational risk

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

The bank's internal controls and procedures for evaluating, monitoring and reporting risk exposure satisfy the requirements of the Norwegian authorities in this respect.

## 31 Credit risk

### Analysis of credit risk by type of financial instrument

| | Maximum credit exposure | |
|---|---|---|
| NOK million | 2006 | 2005 |
| Investment portfolio | 1 698.6 | 1 703.1 |
| Net loans to and due from customers[1] | 32 721.4 | 27 797.6 |
| Equity options | 478.9 | 417.4 |
| Interest-rate swaps | 149.6 | 60.5 |
| Forward foreign exchange contracts | 14.6 | 62.2 |
| **Total** | **35 063.1** | **30 040.8** |

*1 Of which net loans to and amounts due from customers measured at fair value:* *258.5* *252.8*

### Investment portfolio credit risk

**Interest-bearing securities at fair value through profit and loss**

| | AAA | | AA | | A | | BBB | | Total 2006 | | Total 2005 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| NOK million<br>Issuer category | Acquisition cost | Fair value | Acquisition cost | Fair value | Acquisition cost | Fair value | Acquisition cost | Fair value | Acquisition cost | Fair value | Acquisition cost | Fair value |
| Public sector | 895.4 | 900.2 | | | | | | | 895.4 | 900.2 | 977.0 | 978.2 |
| Financial institutions | | | | | 798.2 | 798.5 | | | 798.2 | 798.5 | 724.3 | 724.9 |
| **Total** | **895.4** | **900.2** | **0.0** | **0.0** | **798.2** | **798.5** | **0.0** | **0.0** | **1 693.6** | **1 698.6** | **1 701.3** | **1 703.1** |

Rating categories are based on Standard & Poor's.

### Credit exposure for lending activities

In order to identify the credit risk in its lending portfolio, Storebrand Bank classifies all corporate customers and selected retail customers (including private investors etc). Classification is carried out both when first establishing a credit relationship and whenever changes are made. In addition, corporate customer classifications are reviewed annually and/or whenever circumstances indicate the need for such review. Customer classification thus provides a picture of the credit risk at any time. Retail customers are subject to the overall limits for loan to value and debt service (as defined by the bank's credit policy for the segment) that apply to this portfolio. The loan to value ratio is almost entirely below 80%, with a significant proportion of the portfolio below 60%. This portfolio is deemed to have low credit risk.

Security for the lending portfolio takes the form, on the whole, of charges over investment/commercial property for the commercial lending portfolio and residential mortgages for the retail portfolio.

Risk classification for lending to corporate customers takes the form of three scores, each from 1 to 5, where 1 represents the best score. The first score is for the quality of the borrower/financial condition (debt service capacity). The second score is for the quality of the collateral (loan to value ratio). The third score is for commercial factors (internal/external risk). The analysis shown below is based on the scores for financial condition and collateral, giving a matrix of 25 risk groups. In addition, some credit relationships are still awaiting classification. The analysis shown here is somewhat simplified, with a breakdown into four risk levels.

### Loans to and due from customers

| NOK million<br>Risk group | Lending | Undrawn credit facilities | Guarantees | Total commitment | Write-downs of individual loans | Write-downs of guarantees | Write-downs of groups of loans and guarantees | Total net credit exposure 2006 | Total net credit exposure 2005 |
|---|---|---|---|---|---|---|---|---|---|
| Low risk | 30 041.5 | 1 186.4 | 245.7 | 31 473.6 | | | 56.3 | 31 417.3 | 25 822.4 |
| Moderate risk | 403.7 | 95.5 | 30.6 | 529.8 | | | 13.6 | 516.2 | 1 087.1 |
| High risk | 8.0 | 1.6 | 4.7 | 14.3 | | | - | 14.3 | 195.9 |
| Unclassified | 195.3 | 403.9 | 4.2 | 603.3 | | | 3.4 | 599.9 | 335.2 |
| Non-performing/loss-exposed | 532.7 | | 5.0 | 537.8 | 360.0 | 4.0 | | 173.8 | 357.0 |
| **Total** | **31 181.1** | **1 687.4** | **290.2** | **33 158.7** | **360.0** | **4.0** | **73.3** | **32 721.4** | **27 797.6** |

Total commitments and credit exposure analysed by segment are shown below.

| Credit exposure | Real estate and other commercial services | Other commercial lending | Retail lending | Total 2006 | Total 2005 |
|---|---|---|---|---|---|
| Lending | 9 880.3 | 426.4 | 20 341.7 | 30 648.4 | 26 006.5 |
| Undrawn credit facilities | 816.6 | 26.3 | 844.5 | 1 687.4 | 1 282.7 |
| Guarantees | 270.0 | 7.5 | 12.7 | 290.2 | 228.8 |
| Non-performing/loss-exposed | 131.7 | 164.2 | 236.8 | 532.7 | 762.4 |
| Total commitments | 11 098.6 | 624.4 | 21 435.7 | 33 158.7 | 28 280.4 |
| Write-downs of individual loans | 85.9 | 151.6 | 122.5 | 360.0 | 389.6 |
| Write-downs of guarantees | 4.0 | | | 4.0 | 4.0 |
| Grouped write-downs | 12.4 | 5.3 | 55.6 | 73.3 | 89.2 |
| **Net credit exposure** | **10 996.3** | **467.5** | **21 257.6** | **32 721.4** | **27 797.6** |

### Loans subject to individual write-downs

| | 2006 | | | 2005 | | |
|---|---|---|---|---|---|---|
| NOK million | Gross non-performing loans | Individual write-downs | Net non-performing loans | Gross non-performing loans | Individual write-downs | Net non-performing loans |
| Customer groups: | | | | | | |
| Retail customers | 236.8 | 121.9 | 114.9 | 411.7 | 177.8 | 233.9 |
| Real estate and other commercial services | 131.7 | 94.5 | 37.2 | 204.0 | 92.0 | 112.0 |
| Other | 164.2 | 143.6 | 20.6 | 138.3 | 119.8 | 18.5 |
| **Total** | **532.7** | **360.0** | **172.7** | **754.0** | **389.6** | **364.4** |

### Non-performing loans

| NOK million | 2006 | 2005 | 2004 | 2003 | 2002 |
|---|---|---|---|---|---|
| Non-performing loans without identified impairment | 109.0 | 112.9 | 55.7 | 364.4 | 933.8 |
| Non-performing and loss-exposed loans with identified impairment | 423.7 | 641.1 | 853.8 | 1 352.6 | 1 427.6 |
| **Gross non-performing loans** | **532.7** | **754.0** | **909.5** | **1 717.0** | **2 361.4** |
| | | | | | |
| Individual write-downs | 360.0 | 389.6 | 378.9 | 527.9 | 504.0 |
| **Net non-performing loans** | **172.7** | **364.4** | **530.6** | **1 189.1** | **1 857.4** |

Group write-downs totalled NOK 73.3 million in 2006 compared to NOK 89.2 million in 2005. In addition to the figures shown in the table, a provision of NOK 4.0 million has been made against non-performing and loss-exposed guarantees (unchanged from 2005).

The category non-performing loans without identified impairment includes commitments with missed payments/defaults over 90 days.

### Overdue loans without impairment

| NOK million | 2006 | 2005 |
|---|---|---|
| Number of days overdue: | | |
| 1-29 days | 0.1 | 0.1 |
| 30-59 days | 0.3 | 0.1 |
| 60-89 days | 0.0 | 0.0 |
| >90 days | 0.1 | 0.1 |
| **Total overdue loans without impairment** | **0.5** | **0.3** |

The table shows overdue amounts on lending, current accounts and credit cards analysed by number of days overdue.

### Loans at fair value through profit and loss

| NOK million | 2006 | 2005 |
|---|---|---|
| Book value | 258.5 | 252.8 |
| Maximum exposure to credit risk | 258.5 | 252.8 |
| Book value of related credit derivatives that reduce credit risk | 0 | 0 |
| Change in fair value of loans to and receivables due from customers due to changes in credit risk | 0 | 0 |
| Change in their value of related credit derivatives | 0 | 0 |

### Liabilities at fair value through profit and loss

| NOK million | 2006 | 2005 |
|---|---|---|
| Change in fair value of liabilities due to changes in credit risk | 0.0 | 0.0 |
| Difference between book value of liabilities and contractual amount due at maturity | 4.0 | 0.0 |

### Stock options, interest rate swaps and forward contracts

Derivative transactions are entered into with counterparties rated at least "investment grade".

## 32 Liquidity risk

### Analysis of financial assets by remaining maturity

| NOK million | < 1 month | > 1 month < 3 months | > 3 months < 1 year | > 1 year < 5 years | > 5 years | No fixed maturity | Total |
|---|---|---|---|---|---|---|---|
| Loans to and receivables from credit institutions | 107.8 | | | | 7.1 | | 114.9 |
| Loans to and receivables from customers | 1 609.7 | 164.5 | 1 251.1 | 2 817.1 | 25 338.7 | -433.3 | 30 747.8 |
| Bonds and commercial paper | 15.0 | 397.0 | 488.2 | 798.4 | | | 1 698.6 |
| Derivatives[1] | 6.7 | -2.9 | 6.5 | 0.8 | 24.6 | | 35.7 |
| **Total 2006** | **1 739.2** | **558.6** | **1 745.8** | **3 616.3** | **25 370.4** | **-433.3** | **32 597.0** |
| Total 2005 | 1 762.8 | 722.1 | 2 405.7 | 3 608.6 | 20 067.1 | -480.4 | 28 085.9 |

### Analysis of financial liabilities byremaining maturity

| NOK million | < 1 month | > 1 month < 3 months | > 3 months < 1 year | > 1 year < 5 years | > 5 years | No fixed maturity | Total |
|---|---|---|---|---|---|---|---|
| Debt to credit institutions | 1 032.7 | | | 1 153.3 | 600.0 | | 2 786.0 |
| Deposits from and debt to customers | 13 271.5 | 193.0 | 58.3 | | 10.9 | | 13 533.7 |
| Securities issued | 200.0 | 781.1 | 4 463.3 | 8 952.3 | | | 14 396.7 |
| Subordinated loan capital | | | | | 759.3 | | 759.3 |
| **Total 2006** | **14 504.2** | **974.1** | **4 521.6** | **10 105.6** | **1 370.2** | **0.0** | **31 475.7** |
| Total 2005 | 11 208.5 | 1 398.7 | 5 153.2 | 8 197.2 | 1 018.4 | -8.2 | 26 967.7 |

*1 Derivatives are shown net in this note.*

## 33 Market risk

### Interest rate risk

| **Interest fixing periods for financial assets** NOK million | ‹ 1 month | › 1 month ‹ 3 months | › 3 months ‹ 1 year | › 1 year ‹ 5 years | › 5 years | No fixed interest rate period[2] | Total |
|---|---|---|---|---|---|---|---|
| Loan to and receivables from credit institutions | 114.9 | | | | | | 114.9 |
| Loans to and receivables from customers | 0.1 | | 234.6 | 556.6 | 114.3 | 29 842.2 | 30 747.8 |
| Bonds and commercial paper | 157.4 | 1 053.1 | 488.1 | | | | 1 698.6 |
| Derivatives[1] | -420.3 | -4 226.4 | 2 356.4 | 2 306.8 | 19.2 | | 35.7 |
| **Total assets 2006** | **-147.9** | **-3 173.3** | **3 079.1** | **2 863.4** | **133.5** | **29 842.2** | **32 597.0** |
| Total assets 2005 | -849.8 | -2 637.3 | 3 631.1 | 2 704.8 | 119.0 | 25 118.1 | 28 085.9 |

| **Interest fixing periods for financial liabilities** NOK million | ‹ 1 month | › 1 month ‹ 3 months | › 3 months ‹ 1 year | › 1 year ‹ 5 years | › 5 years | No fixed interest rate period[2] | Total |
|---|---|---|---|---|---|---|---|
| Debt to credit institutions | 1 032.7 | 1 753.3 | | | | | 2 786.0 |
| Deposits from and due to customers | 78.0 | 195.3 | 58.3 | | | 13 202.1 | 13 533.7 |
| Securities issued | 1 902.6 | 5 964.8 | 3 526.6 | 3 002.7 | | | 14 396.7 |
| Subordinated loan capital | 441.6 | 199.8 | 1.7 | | 116.1 | | 759.3 |
| **Total liabilities 2006** | **3 454.9** | **8 113.2** | **3 586.6** | **3 002.7** | **116.1** | **13 202.1** | **31 475.7** |
| Total liabilities 2005 | 1 648.3 | 7 758.7 | 5 010.9 | 1 516.7 | 9.3 | 11 023.7 | 26 967.7 |
| | | | | | | | |
| **Net assets and liabilities 2006** | **-3 602.8** | **-11 286.5** | **-507.5** | **-139.3** | **17.3** | **16 640.1** | **1 121.4** |
| Net assets and liabilities 2005 | -2 498.1 | -10 396.0 | -1 379.8 | 1 188.1 | 109.7 | 14 094.4 | 1 118.2 |

*1 Derivatives are shown net in this note.*
*2 Deposits and loans without agreed interest fixing period are included in this column in accordance with the guidelines for reporting banking statistics to the Norwegian authorities. The Financial Agreements Act requires that customers are given a minimum of six weeks notice of a change in interest rate.*

### Interest rate sensitivity

| NOK million | ‹ 1 month | › 1 month ‹ 3 months | › 3 months ‹1 year | › 1 year ‹ 5 years | › 5 years | Total |
|---|---|---|---|---|---|---|
| CHF | | 0.1 | | | | 0.1 |
| EUR | -0.1 | -3.3 | | | | -3.4 |
| NOK | -1.0 | 15.1 | -7.7 | -2.6 | -1.0 | 2.9 |
| SEK | 0.0 | 0.1 | | | | 0.1 |
| USD | 0.0 | 0.1 | | | | 0.0 |
| **Total quantified interest rate sensitivity 2006** | **-1.1** | **12.1** | **-7.7** | **-2.6** | **-1.0** | **-0.3** |
| Total quantified interest rate sensitivity 2005 | | | | | | 0.0 |

All amounts are reported in NOK.
The table shows how the value of financial assets and liabilities would be affected by a one percentage point increase in all interest rates.

### Foreign exchange risk

| | Balance sheet items | | | Net position | |
|---|---|---|---|---|---|
| **Financial assets and liabilities in foreign currency** NOK million | Assets | Liabilities | Forwards Net sales | in currency | in NOK |
| CHF | 11.8 | 0.0 | -11.9 | -0.1 | -0.4 |
| DKK | 0.3 | 0.0 | 0.0 | 0.3 | 0.3 |
| EUR | 14.5 | 417.3 | 402.7 | -0.1 | -1.0 |
| GBP | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 |
| JPY | 390.5 | 0.0 | -388.6 | 1.9 | 0.1 |
| SEK | 63.6 | 3.8 | -59.5 | 0.2 | 0.2 |
| USD | 10.4 | 11.3 | 1.5 | 0.6 | 3.9 |
| **Total 2006** | | | | | **3.1** |
| Total 2005 | | | | | -0.1 |

Storebrand Bank ASA hedges the net currency position in its balance sheet with forward contracts, accordingly forward sales and forward purchases are not shown separately in respect of assets and liabilities.

# Profit and loss account Storebrand Bank ASA

1 January - 31 December

| NOK million | Note | 2006 | 2005 | 2004 |
|---|---|---|---|---|
| Interest and other income on loans to and deposits with credit institutions | | 15.8 | 12.0 | 23.6 |
| Interest and other income on loans to and due from customers | | 1 138.8 | 938.6 | 900.6 |
| Interest on commercial paper, bonds and other interest-bearing securities | | 64.9 | 61.9 | 106.9 |
| Other interest income | | 0.5 | 14.7 | 45.5 |
| **Total interest income and other income** | | **1 220.0** | **1 027.1** | **1 076.7** |
| Interest and other expenses on debt to credit institutions | | -59.0 | -41.6 | -78.9 |
| Interest and other expenses on deposits from and due to customers | | -312.4 | -201.4 | -209.7 |
| Interest and other expenses on securities issued | | -399.5 | -305.9 | -322.6 |
| Interest and other expenses on subordinated loan capital | | -31.1 | -31.6 | -18.4 |
| Other interest expenses | | 0.0 | 0.0 | -17.9 |
| **Total interest expenses and other expenses** | | **-801.9** | **-580.5** | **-647.6** |
| **Net interest income** | | **418.2** | **446.6** | **429.1** |
| Income from shares and other securities with a variable return | | 1.0 | 0.0 | 0.2 |
| Income from shareholdings in associated companies | 17 | 1.9 | 6.4 | 5.0 |
| Income from shareholdings in subsidiaries | | 0.8 | 0.3 | 0.5 |
| **Total dividends and other income from securities with a variable return** | | **3.6** | **6.8** | **5.7** |
| Guarantee commissions receivable | | 3.5 | 3.6 | 4.9 |
| Other fees and commissions receivable | | 108.7 | 40.9 | 40.5 |
| **Total commissions receivable and income from banking services** | **3** | **112.3** | **44.5** | **45.5** |
| Guarantee commissions payable | | -0.2 | 0.0 | 0.0 |
| Other fees and commissions payable | | -80.1 | -26.9 | -16.0 |
| **Total commissions payable and expenses from banking services** | **3** | **-80.3** | **-26.9** | **-16.0** |
| Net gain/loss on commercial paper, bonds and other interest-bearing securities | | -3.6 | 9.2 | -3.0 |
| Net gain/loss on shares and other securities with a variable return | | 0.0 | 0.0 | 0.0 |
| Net gain/loss on foreign exchange and financial derivatives | | 22.7 | 23.5 | 12.3 |
| **Total net gain/loss on foreign exchange and securities held as current assets** | | **19.2** | **32.7** | **9.3** |
| Other operating income | | 0.1 | 11.4 | 172.6 |
| **Total other operating income** | **5** | **0.1** | **11.4** | **172.6** |
| Salaries | | -105.4 | -102.9 | -205.5 |
| Pensions | 6 | -10.8 | -12.3 | -21.6 |
| Social security expenses | | -25.0 | -26.1 | -45.2 |
| Total staff costs | | -141.3 | -141.4 | -272.3 |
| Administration expenses | | -64.1 | -60.8 | -86.6 |
| **Total staff costs and general administration expenses** | **7** | **-205.3** | **-202.2** | **-358.9** |
| Ordinary depreciation | | -18.6 | -15.6 | -15.6 |
| Write-downs | | 0.0 | -0.2 | -0.1 |
| **Total depreciation and write-downs of fixed and intangible assets** | **7, 18** | **-18.6** | **-15.8** | **-15.7** |
| Real estate operating expenses | | -0.7 | -0.3 | -0.3 |
| Other operating expenses | | -114.0 | -104.9 | -142.9 |
| **Total other operating expenses** | **7** | **-114.6** | **-105.2** | **-143.1** |
| Losses and provisions on loans/net write-backs in loans | | 44.6 | 35.8 | 1.8 |
| Recoveries on previously realised losses | | 2.4 | 2.1 | 0.0 |
| Losses and provisions on guarantees | | 0.0 | -4.0 | 1.9 |
| **Total losses and provisions on loans and guarantees** | **4** | **47.0** | **34.0** | **3.7** |
| Write-downs | | 0.0 | -0.2 | -4.2 |
| Gains/losses | | 8.8 | 42.9 | -0.3 |
| **Total write-downs and gain/losses on securities held as fixed assets** | | **8.8** | **42.7** | **-4.5** |
| **Pre-tax operating profit** | | **190.3** | **268.6** | **127.7** |
| | | | | |
| Tax on ordinary profit | 8 | -42.8 | -46.1 | -61.3 |
| **Profit for the year after tax** | | **147.4** | **222.4** | **66.4** |
| | | | | |
| Transfers and allocations: | | | | |
| Other equity | | -147.4 | | -4.7 |
| Provision for dividend payment | | | -222.4 | -61.7 |
| **Total transfers and allocations** | | **-147.4** | **-222.4** | **-66.4** |

# Balance Sheet Storebrand Bank ASA

31 December

| NOK million | Note | 2006 | 2005 | 2004 |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and deposits with central banks | 9 | 394.4 | 423.9 | 490.7 |
| Call loans to and deposits with credit institutions | | 107.7 | 33.7 | 164.5 |
| Term loans to and deposits with credit institutions | | 7.1 | 8.0 | 0.3 |
| **Total loans to and receivables from credit institutions** | **10** | **114.9** | **41.7** | **164.8** |
| Overdrafts and current accounts | | 726.9 | 683.7 | 659.4 |
| Real estate development loans | | 661.4 | 1 282.9 | 877.0 |
| Instalment loans | | 29 793.2 | 24 799.8 | 21 649.2 |
| **Total lending before write-downs** | **15** | **31 181.5** | **26 766.4** | **23 185.5** |
| - Write-downs of individual loans | 15, 16 | -360.0 | -389.7 | -366.5 |
| - Write-downs of groups of loans | 16 | -73.3 | -89.2 | -194.3 |
| **Total net lending to and due from customers** | | **30 748.1** | **26 287.5** | **22 624.7** |
| Assets repossessed | 11 | 49.3 | 56.5 | 88.2 |
| Commercial paper and bonds issued by the public sector | | 900.2 | 978.2 | 721.4 |
| **Total securities issued by the public sector** | | **900.2** | **978.2** | **721.4** |
| Commercial paper and bonds issued by others | | 798.5 | 724.9 | 1 261.6 |
| **Total securities issued by others** | | **798.5** | **724.9** | **1 261.6** |
| **Total commercial paper, bonds and interest-bearing fixed return securities** | **13** | **1 698.6** | **1 703.1** | **1 983.1** |
| Shares, other equity investments and primary capital certificates | | 3.6 | 3.6 | 3.0 |
| **Total shares, other equity investments and other securities with a variable return** | **12** | **3.6** | **3.6** | **3.0** |
| Shareholdings in associated companies | | 0.0 | 8.3 | 7.9 |
| **Total shareholdings in associated companies** | **17** | **0.0** | **8.3** | **7.9** |
| Shareholdings in financial companies | | 0.0 | 23.6 | 230.8 |
| Shareholdings in other group companies | | 11.7 | 11.1 | 9.3 |
| **Total shareholdings in group companies** | **12** | **11.7** | **34.7** | **240.0** |
| Deferred tax assets | 8 | 180.7 | 224.7 | 277.9 |
| Other intangible assets | 18 | 46.1 | 26.0 | 17.1 |
| **Total intangible assets** | | **226.8** | **250.7** | **295.0** |
| Equipment, fixtures and fittings and vehicles | | 2.3 | 4.8 | 7.3 |
| Buildings and other real estate | | 4.7 | 5.2 | 5.4 |
| **Total fixed assets** | **18** | **7.0** | **9.9** | **12.7** |
| Financial derivatives | 14 | 642.9 | 515.0 | 471.7 |
| Other assets | | 285.5 | 16.2 | 4.8 |
| **Total other assets** | | **928.4** | **531.2** | **476.5** |
| Accrued income | | 188.3 | 123.3 | 116.8 |
| Other prepaid expenses | | 0.0 | 0.0 | 7.4 |
| Total prepaid expenses | | 0.0 | 0.0 | 7.4 |
| **Total prepaid expenses and accrued income** | | **188.3** | **123.3** | **124.2** |
| **Total assets** | | **34 371.1** | **29 474.3** | **26 511.0** |

| NOK Million | Note | 2006 | 2005 | 2004 |
|---|---|---|---|---|
| **Liabilities and equity** | | | | |
| Call loans and deposits from credit institutions | | 8.9 | 76.5 | 2.3 |
| Term loans and deposits from credit institutions | | 2 777.1 | 1 388.1 | 2 099.7 |
| **Total debt to credit institutions** | **20** | **2 786.0** | **1 464.6** | **2 102.0** |
| Call loans and deposits from customers | | 13 050.8 | 10 890.9 | 10 363.1 |
| Term loans and deposits from customers | | 496.0 | 329.6 | 372.0 |
| **Total deposits from and due to customers** | **21** | **13 546.8** | **11 220.5** | **10 735.1** |
| Commercial paper and other short-term funding | | 3 926.7 | 4 520.2 | 4 283.4 |
| - own unamortised commercial paper | | -198.8 | -55.0 | -0.1 |
| Bond debt | | 11 945.3 | 11 046.5 | 7 284.9 |
| - Own unamortised bonds | | -1 276.4 | -1 854.5 | -1 238.0 |
| **Total securities issued** | **22** | **14 396.7** | **13 657.2** | **10 330.1** |
| Financial derivatives | 14 | 607.2 | 452.3 | 428.2 |
| Other debt | 23 | 173.1 | 318.8 | 126.4 |
| **Total other debt** | | **780.3** | **771.1** | **554.6** |
| Total accrued expenses and prepaid income | | 162.0 | 106.9 | 176.3 |
| Pension commitments etc. | | 98.7 | 101.3 | 98.6 |
| Write-downs of individual guarantees | 16 | 4.0 | 4.0 | 0.0 |
| **Total provision for accrued commitments and expenses** | | **102.7** | **105.3** | **98.6** |
| Perpetual subordinated loan capital | | 284.4 | 283.9 | 282.4 |
| Subordinated loan capital with conversion rights | | 0.0 | 0.0 | 369.5 |
| Other subordinated loan capital | | 474.8 | 375.0 | 0.0 |
| **Total subordinated loan capital** | **22** | **759.3** | **658.9** | **651.8** |
| **Total liabilities** | | **32 533.8** | **27 984.5** | **24 648.6** |
| Share capital | | 916.6 | 916.6 | 1 315.9 |
| Other paid-in share capital | | 200.0 | 0.0 | 0.0 |
| **Total paid-in share capital** | | **1 116.6** | **916.6** | **1 315.9** |
| Other reserves | | 720.7 | 573.3 | 546.5 |
| **Total accrued reserves** | | **720.7** | **573.3** | **546.5** |
| **Total equity** | **24** | **1 837.3** | **1 489.9** | **1 862.4** |
| **Total liabilities and equity** | | **34 371.1** | **29 474.3** | **26 511.0** |

Contingent liabilities, see note 25

Oslo, 13 February 2007

*Translation - not to be signed*

The Board of Directors of Storebrand Bank ASA

Idar Kreutzer
Chairman

Stein Wessel-Aas
Deputy Chairman

Klaus-Anders Nysteen
Board Member/Managing Director

Kristine Schei
Board Member

Ida Helliesen
Board Member

Roar Thoresen
Board Member

Maalfrid Brath
Board Member

Heidi Storruste
Board Member

# Cash flow statement Storebrand Bank ASA

1 January - 31 December

| NOK million | 2006 | 2005 | 2004 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Interest, commissions and fees received from customers | 1 267.4 | 1 073.5 | 1 512.2 |
| Interest, commissions and fees paid to customers | -851.1 | -579.2 | -729.7 |
| Net receipts/payments - lending to customers | -4 413.7 | -3 592.3 | -1 624.9 |
| Net receipts/payments - loans to and claims on other financial institutions | -66.0 | 125.3 | 98.3 |
| Net receipts/payments - deposits from banking customers | 2 326.3 | 485.4 | -910.5 |
| Net receipts/payments - deposits from Norges Bank and other financial institutions | 1 321.4 | -637.5 | -986.1 |
| Net receipts/payments - securities in the trading portfolio: | | | |
| - Shares and other equity investments | 32.3 | 198.4 | -3.6 |
| - Bonds and other fixed-income securities | 4.4 | 282.9 | 49.2 |
| - Financial derivatives and other financial instruments | 26.9 | 45.7 | 0.0 |
| Payments to third parties for goods and services | -343.4 | -79.8 | -306.0 |
| Payments to employees, pensioners, employment taxes etc. | -106.9 | -110.1 | -235.2 |
| Receipts of dividend from associated companies | 0.0 | 6.0 | 3.0 |
| **Net cash flow from operating activities** | **-802.2** | **-2 781.7** | **-3 133.3** |
| | | | |
| **Cash flow from investment activities** | | | |
| Net receipts from sales of subsidiaries and associated companies | 14.7 | 250.1 | 0.0 |
| Payments on purchase/incorporation of subsidiaries | -0.5 | 0.0 | 0.0 |
| Net receipts/payments on sales/purchases of fixed assets etc. | -35.6 | -21.8 | -12.4 |
| **Net cash flow from investment activities** | **-21.4** | **228.3** | **-12.4** |
| | | | |
| **Cash flow from financing activities** | | | |
| Net receipts from issue of commercial paper/short-term loans | -515.0 | 182.2 | 2 913.9 |
| Net receipts from subordinated loan capital | 100.3 | 4.1 | 250.1 |
| Interest payments on subordinated loans | -31.1 | -22.3 | -18.4 |
| Net receipts from issue of bond loans and other long-term funding | 1 462.2 | 2 783.6 | 466.4 |
| Payments on redemption of share capital | 0.0 | -399.3 | 0.0 |
| Dividend/group contribution payments | -222.4 | -61.7 | 0.0 |
| **Net cash flow from financing activities** | **794.1** | **2 486.6** | **3 612.0** |
| **Net cash flow for the period** | **-29.5** | **-66.8** | **466.3** |
| | | | |
| Net movement in cash and cash equivalent assets | -29.5 | -66.8 | 466.3 |
| Cash and cash equivalent assets at the start of the period | 423.9 | 490.7 | 24.4 |
| **Cash and cash equivalent assets at the end of the period** | **394.4** | **423.9** | **490.7** |

## 00 Accounting principles

The accounting principles used for the preparation of the unconsolidated accounts are described below. The principles are applied consistently to similar transactions and to other events under similar circumstances.

### Basic principles

The unconsolidated accounts of Storebrand Bank ASA are prepared in accordance with the Accounting Act, Norwegian generally accepted accounting practice, and the Norwegian regulations for the annual accounts of banks and finance companies.

Comparable figures for 2004 and 2005 have been reclassified in accordance with changes made in 2006. This applies to changes in value in the investment portfolio, changes in value of interest rate swaps that are not part of hedge accounting, lending sales costs and the amortisation of fees relating to on-balance sheet lending.

### Use of estimates in preparing the annual accounts

The preparation of the accounts in accordance with the accounting regulations  involves the use of estimates and assumptions made by management. The estimates used in preparing the accounts are based on historic experience and assumptions that management believes are prudent and reasonable and are based on factual evidence. The estimates have an effect on assets, liabilities, revenue, costs, the notes to the accounts and information on potential liabilities. Estimates and judgements are continually evaluated based on historical experience and expectations of future events. In the future, actual experience may deviate from these accounting estimates. The estimates and judgements that have a significant risk of causing a material adjustment to the balance sheet values of assets and liabilities are discussed below

- Fixed assets and intangible assets
- Actuarial calculations of pension liability
- Lending at amortised cost
- Write-downs of loans
- Capitalisation of deferred tax assets
- Calculation of fair value of derivatives and other securities

### Fixed assets and intangible assets

Fixed assets and intangible assets, of which intangible assets mainly relate to customised software developed in-house, are reviewed annually to ensure that the depreciation period and method of depreciation used correspond with commercial reality for the asset in question. This also applies to the disposal value. The value of an asset is written down if there are indications of a fall in its value. The future commercial life of specific intangible assets are tested, and some changes were made in 2006.

### Pension liabilities

Pension liabilities for own employees are calculated in accordance with NRS 6a and IAS 19. The demographic assumptions used are decided by an actuary. Management has reviewed the financial assumptions used when calculating pension liability at the year-end. The assumptions used are set out in note 6.

### Lending at amortised cost

Lending is measured at amortised cost using the effective interest method. Management has reviewed the assumptions used in this respect, including the expected rate of turnover and the period to which fees charged and direct costs paid can be directly attributed. If these assumptions are changed, the effect of the change will be recognized as income or cost through profit and loss.

### Write-downs of loans

**Individual write-downs**

Write-downs of individual loans are based on a case-by-case evaluation if there is objective evidence of impairment. The need for a write-down is determined on the basis of a specific evaluation of the most likely future cash flow that will be received from the borrower in connection with the loan. In making this judgement, management takes into account both previous experience with the borrower and other information considered relevant.

**Write-downs of groups of loans**

Grouped write-downs are calculated separately for Corporate Lending and Retail Lending. (i.e. loans to commercial customers and loans to private individuals). In the case of groups of loans in Corporate Lending, the objective criteria for write-downs are considered to be closely correlated with changes in the risk classification of lending relationships. The classification model for Corporate Lending considers three factors: quality of the borrower/financial condition (debt service capacity), quality of the collateral (loan to value ratio) and commercial factors (internal/external risk). The risk classification model shows the classification against a background of the information recorded in the accounting module at the time the calculation of group write-downs is undertaken, the realisable value recorded for collateral and an evaluation of commercial factors. The objective criteria for write-downs of the groups of loans making up Retail Lending are considered to be correlated to the default status of the loans making up the group and the historic repayment record. Default status is divided into 30-90 days and over 90 days on loans not subject to individual write-downs because there is objective evidence of impairment. The repayment record is updated quarterly in line with the overall performance of the portfolio.

### Capitalisation of deferred tax assets

The capitalised value of deferred tax assets is reviewed regularly. The reviews take into account Storebrand Bank's likely future capacity to make use of tax losses carried forward, and the criteria that must be satisfied for the tax losses to be used.

### Calculation of fair value of derivatives and other securities
Fair value excludes accrued interest (clean value). The bank's asset items are measured at observable market value where such prices are available. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques.

### Currency translation of assets and liabilities
All receivables and liabilities denominated in foreign currency are translated to NOK at the mid-market exchange rate on the balance sheet date. Income and costs denominated in foreign currency are translated to NOK using the exchange rate at the time of the transaction.

### Segment reporting
The bank was organised in 2006 into four business areas: corporate banking, retail banking, savings products and stockbroking. Business areas are the company's primary reporting segments. The risk structure and return is judged to be uniform within each segment. Segment information for 2005 has been restated to correspond with the current segments. Financial information in respect of the segments is presented in note 1 to the annual accounts.

### Tangible fixed assets
The company's tangible fixed assets comprise equipment, fixtures and fittings, vehicles, IT systems and properties used by the company for its own activities.

Equipment, fixtures and fittings, vehicles and IT systems are valued at acquisition cost reduced by accumulated depreciation and any write-downs.

Straight-line depreciation is applied over the following periods:

| | | | |
|---|---|---|---|
| Equipment, fixtures and fittings | up to 4 years | Software | 3–6 years |
| Vehicles | 6 years | Holiday cabins | 15 years |

The depreciation period and the method of depreciation are reviewed annually to ensure that the method and period used correspond with the commercial reality for the asset in question. This also applies to the disposal value.

Consideration is given to writing down the value of an asset if there are indications of a fall in its value.

### Intangible assets
The company's intangible assets other than deferred tax asset are largely relate to customised software developed in-house and software purchased. Such intangible assets are valued at acquisition cost reduced by accumulated depreciation and any write-downs. The depreciation period and the method of depreciation are reviewed annually. New intangible assets are only capitalised if it can be demonstrated that it is likely that the company will gain future commercial benefit that is directly applicable to the asset in question. In addition, it must be possible to estimate the cost price of the asset reliably and the asset must be ready for use. The value of an intangible asset is tested for impairment if there are indications of a fall in its value, otherwise intangible assets are subject to write-downs and reversals of write-downs in the manner described for tangible fixed assets. The depreciation period for intangible assets varies from 3 to 8 years, with the expected commercial life determined on the basis of the asset's expected life, including the term of the relevant contract (applies to licences for various units in the banking system). Intangible assets are capitalised as they are acquired, but are not depreciated until they are complete and ready for use.

### Pension liabilities for own employees
Storebrand's pension scheme for its own employees is a defined benefit pension scheme. Pension costs and pension liabilities for defined benefit pension schemes are calculated using a linear accrual of entitlement to pension and expected final salary, based on assumptions for discount rate, future salary increases, pensions and benefits from the national insurance fund, the future return on pension assets and actuarial assumptions on mortality, disability and early leavers. The discount rate is equivalent to the risk-free interest rate taking into account the average remaining period for accrual of pension entitlement. The net pension cost for the period is made up of the sum of pension entitlement accrued in the period, interest cost on the calculated pension liability and the expected return on pension assets.

The effect of changes to the pension scheme are recognised to profit and loss as they are incurred, unless the change is conditional on future accrual of pension entitlement. In such a case, the effect is amortised linearly over the time until the entitlement is fully earned. Employer's social security contributions are included in pension liability and in experience adjustments shown in equity.

Storebrand has both insured and uninsured pension arrangements. The insured scheme is insured with Storebrand Livsforsikring AS (Storebrand Life Insurance), a company in the Storebrand group.

### Tax
The tax charge in the profit and loss account consists of tax payable for the accounting year and changes in deferred tax. Deferred tax and deferred tax assets are calculated on the basis of timing differences between accounting and tax values of assets and liabilities. Deferred tax assets are recorded in the balance sheet to the extent it is considered likely that the companies in the group will have sufficient taxable profit in the future to make use of the tax asset.

### Provision for dividend
In the unconsolidated accounts, investments in subsidiaries and associated companies are recognized at acquisition cost less any subsequent write-downs. Income arising from group contributions and dividend received is therefore recognized as financial income. Group contributions and dividends from subsidiaries that are proposed and approved are recognized in the unconsolidated accounts in the accounting year. Such income can only be recognized if it accrued in the subsidiaries during the period of ownership by Storebrand Bank. Where this is not the case, the receipt is recognized as an equity capital transaction. This causes the ownership interest in the subsidiary company to be reduced by the amount of dividend or group contribution received.

Proposed and approved dividends and group contributions from the holding company Storebrand ASA are treated as equity transactions in the accounting year in the bank's unconsolidated accounts.

## Recognition and derecognition

### Interest income and interest expense

Interest income and interest expense are shown in the profit and loss account at amortised cost using the effective interest method. The effective interest method includes set-up fees. Changes in fair value in respect of hedge accounting of the underlying object and the related derivative are also included in interest income and interest expense.

### Fees and commissions

Set-up fees charged on new loan agreements are included in the measurement of lending at amortised cost, and are included in the calculation of amortised value using the effective interest method.

Commission income and costs related to sales of real estate fund products, shares in Storebrand Optimèr ASA and structured products are recognized when the income is earned, i.e. when the sale is completed. The cost of commission payments to distributors of these products is recognized when the cost is incurred.

Dealing commission in respect of stockbroking is recognised when the trade giving rise to the commission is completed.

## Financial instruments

### General principles and definitions

**Recognition and derecognition**

Financial assets and liabilities are included in the balance sheet from such time as Storebrand Bank becomes party to the instrument's contractual terms and conditions. Normal purchases and sales of financial instruments are booked on the transaction date. When a financial asset or a financial liability is first recognised in the accounts, it is valued at fair value plus, in the case of a financial asset or a financial liability that is not a financial asset or a financial liability at fair value through profit and loss, transaction costs directly related to the acquisition or issue of the financial asset or the financial liability.

Financial assets are derecognised when the contractual right to the cash flow 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.

**Definition of amortised cost**

Subsequent to inception, loans and receivables as well as financial liabilities not at fair value through profit and loss, are valued 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 that are an integral part of the effective interest rate.

**Definition of fair value**

"Fair value" is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. For financial assets that are listed on a stock exchange or another regulated market place, fair value is determined as the bid price on the last trading day up to and including the balance sheet date, and in the case of an asset that is to be acquired or a liability that is held, the offer price.

If a market for a financial instrument is not active, fair value is determined by using valuation techniques. Such valuation techniques make use of recent arm's length market transactions between knowledgeable and willing 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 and this method has proved to provide reliable estimates of prices actually achieved in market transactions, this method is used.

The discount rate used takes into account the market interest rates at the end of the accounting period for placements/deposits considered to be equivalent to the item for which fair value is calculated.

The fair value of lending, taking into account credit risk, is estimated on the basis of the current market rate of interest on similar lending. When estimating the fair value of a loan, consideration is also given to the development of the associated credit risk in general.

**Impairment of loans**

In the case of loans, consideration is given on each balance sheet date to whether there are objective signs that the value of a financial asset or a 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 book value and the present value of estimated 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 the time of inception). The book value of the asset is reduced either directly or by using a provision account. The amount of the loss is recognised to profit and loss.

Storebrand Bank makes use of both individual loan write-downs and write-downs of groups of loans.

Losses that are expected to occur as a result of future events are not included in the accounts, regardless of how likely it is that the loss will occur.

An impaired lending commitment is recognised as a realised loss in the case of bankruptcy, a legally binding composition with creditors, failure to receive a court order for attachment of property, a legally binding judgement, or if the bank has terminated legal collection procedures or has otherwise renounced the commitment or its share of the commitment. Realised losses are deducted from gross lending in the balance sheet.

The bank judges a lending commitment to be in default if a contractual payment is not received and 90 days have elapsed from the due date, or where an account is overdrawn without authorisation and the situation is not rectified within 90 days. Commitments where bankruptcy/insolvency or debt settlement proceedings have started are also considered to be in default.

### Classification and measurement of financial assets and liabilities

*Financial assets are classified into one of the following categories:*
- assets repossessed
- commercial paper, bonds and other fixed income securities
- shares, other equity participations and other securities with variable return
- loans and receivables
- financial derivatives

### Assets repossessed
Assets repossessed are measured at the lower of acquisition cost and fair value at the balance sheet date.

### Commercial paper, bonds and other fixed income securities
The bank's holdings of commercial paper and bearer bonds are measured at fair value through profit and loss.

### Shares, other equity participations and other securities with variable return
Shares in subsidiaries and associated companies are recognised in accordance with the cost method in the consolidated accounts. Shares held as current assets are recognised at the lower of acquisition costs and fair value at the balance sheet date, with changes in value recognised through profit and loss.

### 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 such assets that the company intends to sell immediately or in the short term that are classified as available for sale and such assets that the company designates at inception as assets at fair value through profit and loss.

Loans and receivables are valued at amortised cost using the effective interest method. Assets in this group relate principally to loans to customers.

Loans and receivables that are designated as hedged items are subject to measurement in accordance with the requirements of hedge accounting.

### Derivatives
Derivatives are defined as follows:
A "derivative" is a financial instrument or other contract that has 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 for hedging
Derivatives that do not meet the criteria for hedge accounting are treated as available for sale financial instruments. The fair value of such derivatives is classified as either an asset or a liability with changes in fair value through profit and loss.

### Accounting treatment of derivatives for hedging
The company uses only fair value hedging, where the items hedged are financial assets and financial liabilities measured at amortised cost. Derivatives that fall within this category are recognised at fair value through profit and loss, while changes in the value of the hedged item that relate to the risk hedged are applied to the book value of the item and are recognised through profit and loss. The value of hedging instruments is classified in the balance sheet together with the item hedged.

Hedge accounting is principally relevant to the interest rate hedging of fixed rate funding and lending. The majority of the bank's interest rate derivatives fall into this category.

If the calculated hedging effectiveness, either prospective effectiveness or retrospective effectiveness, falls outside the range 80%-125%, it is considered that the conditions for hedge accounting are no longer satisfied. Hedging is deemed no longer to apply at the time such an event occurs.

### Financial liabilities
Subsequent to inception, financial liabilities are measured mainly at amortised cost using the effective interest method. Liabilities in this category include deposits from customers and subordinated loans as well as liabilities created by the issue of commercial paper and bonds. Commercial paper issued with one year's maturity is measured at fair value through profit and loss using the fair value option.

### Structured products – synthetic financial instruments
Storebrand Bank has issued equity index linked bonds. These products principally comprise the issue of a bond and the sale of an equity index option. At the time of issue, the equity index option is measured at fair value since the option is a derivative that is not closely related to the bond issued. The bonds issued are simultaneously measured at amortised cost. No gain is recognised in respect of structured products at the time of issue ("day 1 gains").

Financial liabilities that are classified as hedged items are measured in accordance with hedge accounting.

## 01 Segment information

**Analysis of profit and loss account and balance sheet items by activity:**

| | Corporate | | Retail | | Savings products | | Stockbroking | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| NOK million | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| **Profit and loss items** | | | | | | | | | | |
| Net external interest income | 189.2 | 226.7 | 206.2 | 194.9 | 23.0 | 25.0 | -0.2 | | 418.2 | 446.6 |
| Net internal interest income | | | | | | | | | 0.0 | 0.0 |
| **Net interest income** | **189.2** | **226.7** | **206.2** | **194.9** | **23.0** | **25.0** | **-0.2** | **0.0** | **418.2** | **446.6** |
| Net external fee and commission income | 8.0 | -7.0 | 5.5 | 14.9 | 14.5 | 9.7 | 3.9 | | 31.9 | 17.6 |
| Net internal fee and commission income | | | | | | | | | 0.0 | 0.0 |
| **Net fee and commission income** | **8.0** | **-7.0** | **5.5** | **14.9** | **14.5** | **9.7** | **3.9** | **0.0** | **31.9** | **17.6** |
| Other external operating income | 10.1 | 67.4 | 21.7 | 25.0 | | 1.3 | 0.0 | | 31.7 | 93.6 |
| Other internal operating income | | | | | | | | | 0.0 | 0.0 |
| **Total operating income** | **10.1** | **67.4** | **21.7** | **25.0** | **0.0** | **1.3** | **0.0** | **0.0** | **31.7** | **93.6** |
| Staff expenses and general administration expenses | -73.9 | -92.6 | -106.9 | -97.9 | -20.8 | -10.3 | -3.8 | -1.4 | -205.3 | -202.2 |
| Depreciation of tangible and intangible fixed assets | -7.1 | -6.3 | -11.5 | -9.6 | 0.0 | 0.0 | 0.0 | 0.0 | -18.6 | -15.9 |
| Other operating costs | -40.3 | -27.9 | -62.0 | -62.8 | -9.7 | -12.0 | -2.6 | -2.3 | -114.6 | -104.9 |
| **Total operating costs** | **-121.3** | **-126.8** | **-180.3** | **-170.3** | **-30.6** | **-22.3** | **-6.4** | **-3.7** | **-338.5** | **-323.2** |
| **Operating profit before loan losses** | **85.9** | **160.3** | **53.1** | **64.5** | **7.0** | **13.6** | **-2.7** | **-3.7** | **143.4** | **234.6** |
| Loan losses and write-downs | 54.6 | 19.8 | -7.7 | 14.2 | | | | | 47.0 | 34.0 |
| **Ordinary profit from continuing operations** | **140.6** | **180.1** | **45.5** | **78.7** | **7.0** | **13.6** | **-2.7** | **-3.7** | **190.3** | **268.6** |
| **Ordinary profit from businesses discontinued** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** |
| | | | | | | | | | | |
| **Balance sheet items** | | | | | | | | | | |
| Gross lending | 11 603.9 | 10 477.5 | 19 577.6 | 16 288.9 | | | | | 31 181.5 | 26 766.4 |
| Lending write-downs | -372.7 | -422.0 | -60.6 | -56.9 | | | | | -433.3 | -478.9 |
| **Net customer lending** | **11 231.2** | **10 055.5** | **19 517.0** | **16 232.0** | **0.0** | **0.0** | **0.0** | **0.0** | **30 748.1** | **26 287.5** |
| Investments in associated companies | 0.0 | 8.3 | 0.0 | | | | | | 0.0 | 8.3 |
| Tangible fixed assets | 2.9 | 4.3 | 4.0 | 5.6 | | | | | 7.0 | 9.9 |
| Intangible fixed assets | 21.5 | 10.5 | 24.6 | 15.5 | | | | | 46.1 | 26.0 |
| Assets, activities held for sale | 0.0 | 0.0 | | | | | | | 0.0 | 0.0 |
| Other assets | 1 841.2 | 1 519.7 | 1 178.0 | 1 205.5 | 478.9 | 417.4 | 71.7 | | 3 569.8 | 3 142.5 |
| **Total assets** | **13 096.8** | **11 598.3** | **20 723.6** | **17 458.6** | **478.9** | **417.4** | **71.7** | **0.0** | **34 371.1** | **29 474.3** |
| Deposits from and due to customers | 5 370.4 | 4 394.2 | 8 176.4 | 6 826.4 | | | | | 13 546.8 | 11 220.5 |
| Liabilities, activities held for sale | 0.0 | 0.0 | 0.0 | 0.0 | | | | | | |
| Other liabilities | 6 552.5 | 6 350.8 | 11 886.8 | 9 995.7 | 478.9 | 417.4 | 68.7 | | 18 987.0 | 16 763.9 |
| Equity | 1 173.9 | 853.3 | 660.4 | 636.6 | | | 3.0 | | 1 837.3 | 1 489.9 |
| **Total equity and liabilities** | **13 096.8** | **11 598.3** | **20 723.6** | **17 458.6** | **478.9** | **417.4** | **71.7** | **0.0** | **34 371.1** | **29 474.3** |
| Key figures: | | | | | | | | | | |
| Costs as % of income | 59% | 44% | 77% | 73% | 81% | 62% | 175% | 0% | 70% | 58% |

**Description of the segments:**
Corporate: This segment includes deposits from and loans to corporate customers, principally in the real estate investor/developer sector.
Retail: Deposits from and lending to private individuals, including credit card services. Lending is principally secured against residential property.
Savings products: Includes all structured products (equity index bonds), as well as sales of real estate investment funds etc.
Stockbroking: The bank established a stockbroking business in 2006. This activity covers purchases and sales of Norwegian and foreign shares.

Income and costs that cannot be directly attributed to a segment are allocated on the basis of assumed consumption of resources.

**Profit and loss and balance sheet items by geographic segment:**

| | Operating income | | Assets | | Costs of acquiring assets by segment | |
|---|---|---|---|---|---|---|
| NOK million | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| Norway | 474.3 | 553.9 | 33 539.1 | 28 748.4 | 37.0 | 22.4 |
| Abroad | 7.6 | 3.9 | 832.0 | 725.9 | 0.0 | 0.0 |

## 02 Remuneration and close associates

**Remuneration of senior employees and non-executive officers at 31.12.06:**

| NOK 1000 | Remune-ration[9] | Bonus bank [2] | Post-ter-mination salary (months) | Pension cost for the year | Discounted present value of pension | No. of shares owned[3] | Loan[4] | Interest rate at 31.12.06 | Repayment period[5] | Out-standing amount [6] |
|---|---|---|---|---|---|---|---|---|---|---|
| **Senior employees** | | | | | | | | | | |
| Klaus-Anders Nysteen (Managing Director.)[1] | 764 | | 18 | 331 | 332 | 200 | 3 528 | 3.00%/3.45% | 2026/2020 | 0 |
| Per Kumle (former Managing Director)[1] | 12 509 | | | 965 | 3 777 | 628 | | - | - | 0 |
| Nina Juel Arstal[1] | 1 618 | 363 | 12 | 184 | 902 | 610 | 1 122 | 3.00% | 2028 | 0 |
| Per Kjetil Lilleskare | 1 799 | 234 | 15 | 491 | 2 661 | | 1 277 | 3.0%/3.55% | 2033/2010 | 0 |
| Kristian Krogenæs | 1 126 | 158 | | 116 | 628 | 310 | 2 264 | 3.00%/3.60% | 2023/2017 | 0 |
| Sigmund Sletvold | 1 178 | | | 101 | 254 | 688 | 1 559 | 3.00%/3.55% | 2029/2007 | 0 |
| Ivar Qvist | 2 225 | | | 158 | 724 | 100 | 2 202 | 3.00%/3.45% | 2041/2014 | 0 |
| Geir Larsen | 755 | | | 124 | 186 | | | | | 0 |
| Monica Kristoffersen | 811 | | | 67 | 378 | | 2 733 | 3.35%/3.60% | 2023/2019 | 0 |
| Anne Grete Wardeberg | 1 078 | 162 | | 184 | 706 | 410 | | | | 0 |
| **Board of Directors[7]** | | | | | | | | | | |
| Idar Kreutzer[8] | | | | | | 29 288 | 9 210 | 3.00%/3.60% | 2031/2021/2022 | 0 |
| Roar Thoresen | | | | | | 1 038 | 989 | 3.00% | 2022 | 0 |
| Heidi Storruste | 145 | | | | | 378 | 927 | 3.00% | 2029 | 0 |
| Steinar Wessel-Aas | 145 | | | | | | | | | 0 |
| Kristine Schei | 145 | | | | | | | | | 0 |
| Maalfrid Brath | | | | | | 2 113 | 5 056 | 3.00%/3.45% | 2035/2028 | 0 |
| **Control Committee** | | | | | | | | | | |
| Finn Myhre | 125 | | | | | | 1 538 | 3.44% | 2023/2025 | 0 |
| Benedicte Fasmer | 85 | | | | | | | | | 0 |
| Jan Ljone | 85 | | | | | | | | | 0 |

1 *Per Kumle resigned as Managing Director with effect from 30.04.06. Nina Juel Arstal was acting Managing Director from 1.5.06 to 31.8.06. Klaus-Anders Nysteen was appointed as Managing Director and joined the bank on 1.9.06. The bank has no liability to its former managing director at 31.12.06.*
2 *Amount outstanding at 31.12.2006 before the distribution for 2006. Certain senior employees are entitled to a performance-related bonus based on Storebrand's ordinary bonus scheme, payable in three instalments. The group's value creation finances the overall amount of the bonus, but individual performance determines allocation. Bonus entitlements are credited to bonus accounts, and 1/3 of the balance on an individual's bonus account is paid each year.*
3 *The summary shows the number of shares owned in Storebrand ASA by the individual, as well as his or her close family and companies where the individual exercises significant influence (cf. Accounting Act 7-26).*
4 *Loans to senior employees and members of the Board of Directors are granted in part on the normal terms and conditions for loans to employees, i.e. loan to an individual of up to NOK 1.2 million at 80% of normal market interest rate. Loans in excess of NOK 1.2 million are granted on normal commercial terms and conditions.*
5 *The years shown are the years in which the loans are contractually due to be repaid.*
6 *Loan payment due but not paid.*
7 *Remuneration paid represents remuneration paid in connection with the individual's appointment to the Board of Directors of Storebrand Bank ASA.*
8 *Idar Kreutzer, the Chairman of the Board, does not receive any remuneration from Storebrand Bank ASA for this appointment, and the company has no liability towards the Chairman of the Board in the event of termination of or change to this appointment. Idar Kreutzer is the Chief Executive Officer of Storebrand ASA and the Managing Director of Storebrand Livsforsikring AS. He is entitled to salary for 24 months after the expiry of the normal notice period. Such payments will be reduced by all work-related income during this period, including consultancy assignments. He is entitled to a performance-related bonus based on Storebrand's ordinary bonus scheme, payable in three instalments. The group's value creation finances the overall amount of the bonus, but individual performance determines allocation. Bonus entitlements are credited to bonus accounts, and 1/3 of the balance on an individual's bonus account is paid each year.*
9 *See specification next page.*

The Board will submit a statement to the Annual General Meeting on the salary and other remuneration of senior employees, cf. section 6-16a of the Public Liabilities Companies Act.

### 9) Specification of remuneration

| NOK 1000 | Salary/fee | Bonus | Additional remuneration[1] | Other taxable benefits[2] | Termination payment | Total remuneration |
|---|---|---|---|---|---|---|
| **Senior employees** | | | | | | |
| Klaus-Anders Nysteen (Managing Director)[1] | 720 | 0 | | 44 | | 764 |
| Per Kumle (former Managing Director)[1] | 2 862 | 5 835 | | 100 | 3 713 | 12 509 |
| Nina Juel Arstal[1] | 683 | 208 | 612 | 115 | | 1 618 |
| Per Kjetil Lilleskare | 1 425 | 216 | | 157 | | 1 799 |
| Kristian Krogenæs | 870 | 145 | | 110 | | 1 126 |
| Sigmund Sletvold | 847 | 225 | | 106 | | 1 178 |
| Ivar Qvist | 938 | 1 200 | | 87 | | 2 225 |
| Geir Larsen | 618 | 85 | | 52 | | 755 |
| Monica Kristoffersen | 605 | 110 | | 95 | | 811 |
| Anne Grete Wardeberg | 789 | 187 | | 102 | | 1 078 |

*1 Per Kumle resigned as Managing Director with effect from 30.04.06. Nina Juel Arstal was acting Managing Director from 1.5.06 to 31.8.06. Klaus-Anders Nysteen was appointed as Managing Director and joined the bank on 1.9.06. Nina Juel Arstal received NOK 0.6 million of additional remuneration for the period she was appointed as acting Managing Director.*

*2 Comprises company car, telephone, insurance, concessionary interest rate and other contractual benefits*

### Transactions with group companies:

| NOK million | Subsidiaries | Other group companies |
|---|---|---|
| Interest income | 1.8 | 0.0 |
| Interest expense | 0.3 | 0.0 |
| Services sold | 0.0 | 2.3 |
| Services purchased | 0.0 | 46.1 |
| Due from | 12.9 | 0.0 |
| Liabilities to | 13.1 | 20.1 |

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

### Remuneration of the auditor (excluding value added tax):

| NOK 1000 | 2006 | 2005 | 2004 |
|---|---|---|---|
| Statutory audit | 1 057 | 1 044 | 1 161 |
| Other reporting duties | 8 | 61 | 0 |
| Taxation advice | 0 | 0 | 0 |
| Other non-audit services | 157 | 28 | 390 |

Storebrand Bank ASA changed its auditor in 2004 to Deloitte AS. Remuneration paid to Deloitte AS and its collaborating companies for audit and audit-related services amounted to NOK 408,000 in 2004.

### Loans to employees:

| NOK million | 2006 | 2005 | 2004 |
|---|---|---|---|
| Loans to employees of Storebrand Bank ASA | 156.6 | 162.4 | 170.8 |
| Loans to employees of the Storebrand group | 1 236.7 | 1 327.2 | 1 277.0 |

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 1.2 million at 80% of normal market interest rate. Loans in excess of NOK 1.2 million are granted on normal commercial terms and conditions.
The bank has not provided guarantees or security for borrowing by employees.

### Headcount and personnel information:

| | 2006 | 2005 | 2004 |
|---|---|---|---|
| Number of employees at 31.12. | 176 | 173 | 211 |
| Number of employees expressed as full-time equivalent positions | 173 | 170 | 207 |

## 03 Fees and commissions on banking services

| NOK million | 2006 | 2005 | 2004 |
|---|---|---|---|
| **Other fees and commissions receivable** | | | |
| Money transfer fees | 15.0 | 14.0 | 19.4 |
| Service charges on deposit accounts | 15.9 | 15.2 | 13.0 |
| Guarantee commissions receivable | 3.5 | 3.6 | 4.9 |
| Fees from securities trading and management | 0.0 | 0.0 | 11.4 |
| Commissions from real estate fund | 60.1 | 5.2 | 0.0 |
| Commissions from structured product | 4.3 | 4.5 | 5.7 |
| Commissions from stockbroking | 5.6 | 0.0 | 0.0 |
| Commissions from Storebrand Optimèr ASA | 4.4 | 0.0 | 0.0 |
| Fees from loans | 0.9 | 0.0 | 0.0 |
| Management of loan portfolios | 2.3 | 0.7 | 0.0 |
| Other commission income | 0.4 | 1.4 | 5.8 |
| **Total fees and commissions receivable** | **112.3** | **44.5** | **60.2** |
| | | | |
| **Other fees and commissions payable** | | | |
| Money transfer fees | -10.9 | -13.6 | -13.6 |
| Fee on securities to Norwegian Registry of Securities | -1.3 | -1.3 | -1.1 |
| Commissions real estate fund | -47.6 | 0.0 | 0.0 |
| Commissions structured products | -1.3 | 0.0 | 0.0 |
| Commissions stockbroking | -1.4 | 0.0 | 0.0 |
| Commissions Storebrand Optimèr ASA | -3.4 | 0.0 | 0.0 |
| Commission for distribution of the bank's products | -13.7 | -11.8 | 0.0 |
| Other commission expenses | -0.7 | -0.1 | -1.3 |
| **Total fees and commissions payable** | **-80.3** | **-26.9** | **-16.0** |

## 04 Losses on loans and guarantees

| NOK million | 2006 | 2005 |
|---|---|---|
| **Write-downs of loans and guarantees for the period** | | |
| Change in individual write-downs for the period | 29.6 | 95.0 |
| Change in grouped write-downs for the period | 15.9 | 26.5 |
| Other corrections to write-downs[1] | 22.4 | -6.8 |
| Realised losses in period on commitments specifically provided for previously | -17.2 | -81.9 |
| Realised losses on commitments not specifically provided for previously | -6.2 | -0.9 |
| Recoveries on previously realised losses | 2.4 | 2.1 |
| **Write-downs of loans and guarantees for the period** | **47.0** | **34.0** |
| | | |
| Interest recognised to profit on loans subject to write-downs | 7.5 | 15.3 |

| 1 *Other corrections to write-downs:* | | |
|---|---|---|
| *Interest recognised to profit in accordance with the effective interest rate method* | | |
| *Deviation caused by changes in expected cash flow* | *-4.7* | *-23.5* |
| *Correction to volume and write-down of debt recovery portfolio* | *17.5* | *0.0* |
| *Sale of Finansbanken AS* | *9.3* | *22.7* |
| *Other changes* | *0.3* | *-6.0* |
| *Total other corrections to write-downs* | *22.4* | *-6.8* |

## 05 Other operating income

| NOK Million | 2006 | 2005 | 2004 |
|---|---|---|---|
| Income from distribution of loan portfolios | 0.0 | 0.0 | 7.7 |
| Income from distribution of mutual fund products | 0.0 | 0.0 | 13.6 |
| Income from distribution of life insurance products | 0.0 | 0.0 | 115.0 |
| Income from distribution of health insurance products | 0.0 | 0.0 | 3.8 |
| Income from distribution of mutual fund insurance products | 0.0 | 0.0 | 19.0 |
| Other operating income | 0.1 | 11.4 | 13.6 |
| **Total other operating income** | **0.1** | **11.4** | **172.6** |

Storebrand Bank ASA distributed and managed loan portfolios for Storebrand Livsforsikring AS and Storebrand Skadeforsikring AS until autumn 2004. The Storebrand Skadeforsikring AS loan portfolio and the major part of the Storebrand Livsforsikring AS portfolio were then purchased by Storebrand Bank ASA and included in the bank's own lending portfolio. Storebrand Bank ASA distributed products for other group companies until 1 October 2004, when the distribution unit was sold to Storebrand Livsforsikring AS. The bank's 2004 accounts include income from distribution for the first nine months.

## 06 Pensions

Employees are assured a retirement pension equivalent to 70% of pensionable salary at the time of retirement. The ordinary retirement age is 65. Staff pensions are provided by a group pension scheme with Storebrand Livsforsikring AS. Pension payments from the this scheme come into effect from the pension age, which is 67. Pension payments between 65 and 67are paid directly by the company. Pension rights are part of the group's collective employment agreement.

### Reconciliation of pension assets and liabilities in the balance sheet

| NOK million | 2006 | 2005 | 2004 |
|---|---|---|---|
| Present value of insured pension liability including employer's social security contributions | 112.1 | 75.8 | 75.5 |
| Pension assets at fair value | -76.0 | -58.3 | -51.3 |
| Net pension liability/surplus for the insured schemes | 36.0 | 17.5 | 24.3 |
| Present value of uninsured pension liability including employer's social security contributions | 34.1 | 35.9 | 32.1 |
| Experience adjustments not applied to profit and loss | 28.6 | 50.2 | 42.2 |
| Changes to the pension scheme | | -2.3 | |
| **Net pension liabilities in the balance sheet** | **98.7** | **101.3** | **98.6** |

### Reconciliation to show the change in net defined benefit pension liability in the period

| NOK million | 2006 | 2005 | 2004 |
|---|---|---|---|
| Net pension liability at 1.1. including provision for employment taxes | 110.0 | 107.6 | 274.7 |
| Net pension cost recognised in the period including provision for employment taxes | 15.2 | 12.8 | 19.6 |
| Interest on pension liabilities | 4.9 | 4.4 | 11.2 |
| Experience adjustments | 17.9 | -6.1 | -48.0 |
| Pensions paid | -1.8 | -1.0 | -4.9 |
| Changes to the pension scheme | | -6.1 | |
| Internal transfers of liabilities | | | -145.0 |
| **Net pension liability at 31.12.** | **146.1** | **111.7** | **107.6** |

### Reconciliation to show the change in fair value of pension assets in the period

| NOK million | 2006 | 2005 | 2004 |
|---|---|---|---|
| Fair value of pension assets at 1.1. | 58.3 | 51.3 | 169.6 |
| Expected return | 3.5 | 3.5 | 9.2 |
| Experience adjustments | 2.6 | | -5.7 |
| Premiums paid in | 12.4 | 9.0 | 19.2 |
| Changes to the pension scheme | | -5.0 | |
| Pensions paid | -0.8 | -0.5 | -3.9 |
| Internal transfers of pension assets | | | -137.1 |
| **Net pension assets at 31.12.** | **76.0** | **58.3** | **51.3** |

| **Net pension liability at 31.12.** | 2006 | 2005 | 2004 |
|---|---|---|---|
| Discounted present value of defined benefit pension liability | 146.1 | 111.7 | 107.6 |
| Fair value of pension assets | 76.0 | 58.3 | -51.3 |
| Deficit/(surplus) | 70.1 | 53.4 | 56.4 |

### Net pension cost in the profit and loss account, specified as follows

| NOK million | 2006 | 2005 | 2004 |
|---|---|---|---|
| Current service cost including provisions for employment taxes | 11.1 | 13.6 | 21.2 |
| Interest on pension liabilities | 4.9 | 4.4 | 11.2 |
| Expected return on pension assets | -3.5 | -3.0 | -9.2 |
| Experience adjustments | -1.7 | -1.5 | 0.0 |
| Changes to the pension scheme | | -1.1 | 0.0 |
| Effect of reduction or discontinuation of pension arrangements | | | -1.5 |
| **Net pension cost booked to profit and loss in the period** | **10.8** | **12.3** | **21.6** |
| | | | |
| Book (realised) investment return on assets managed by Storebrand Livsforsikring | 7.10% | 6.90% | 6.40% |

Net pension cost is included in "Staff expenses and general administration expenses". See note 7.

### Main assumptions used when calculating net pension liability

| | 31.12.06 | 31.12.05 | 31.12.04 |
|---|---|---|---|
| **Financial:** | | | |
| Discount rate | 4.3% | 4.7% | 4.7% |
| Expected return on pension fund assets in the period | 5.6% | 6.0% | 6.0% |
| Expected salary growth | 4.3% | 3.0% | 3.0% |
| Expected annual increase in social security pensions | 4.3% | 3.0% | 3.0% |
| Expected annual increase in pensions in payment | 1.7% | 2.0% | 2.0% |

**Actuarial:**
Standardised assumptions on mortality/disability and other demographic factors as produced by the Norwegian Financial Services Association.
Average employee turnover rate of 2-3% of entire workforce.

## 07 Operating expenses

| NOK million | 2006 | 2005 | 2004 |
|---|---|---|---|
| Ordinary wages and salaries | 105.4 | 103.0 | 205.5 |
| Employer's social security contributions | 15.4 | 17.6 | 30.0 |
| Other staff expenses | 9.6 | 8.5 | 15.2 |
| Pension costs (see note 6) | 10.8 | 12.3 | 21.6 |
| Total staff expenses | 141.3 | 141.4 | 272.3 |
| IT costs | 53.3 | 51.9 | 64.1 |
| Printing, postage etc. | 5.5 | 4.2 | 8.6 |
| Travel, entertainment, courses, meetings | 3.9 | 3.8 | 6.6 |
| Other sales and publicity costs | 1.3 | 0.8 | 7.4 |
| Total administration expenses | 64.1 | 60.8 | 86.6 |
| **Total staff and general administration expenses** | **205.3** | **202.2** | **358.9** |
| | | | |
| **Depreciation** | **18.6** | **15.8** | **15.7** |
| | | | |
| Contracted personnel | 27.6 | 22.2 | 25.5 |
| Operating expenses on rented premises | 19.5 | 18.1 | 44.0 |
| Inter-company charges for services | 46.1 | 48.0 | 56.1 |
| Other operating expenses | 21.4 | 16.8 | 17.5 |
| **Total other operating expenses** | **114.6** | **105.2** | **143.1** |
| **Total operating expenses** | **338.5** | **323.2** | **517.7** |

Storebrand Bank ASA distributed products for other companies in the Storebrand group until 1 October 2004, when the distribution unit was sold to Storebrand Livsforsikring AS. The consequences of the sale included a reduction in headcount at Storebrand Bank ASA of approximately 250.
The bank's 2004 accounts include the cost of the distribution unit for the first nine months. for 2004.

## 08 Tax

### Tax charge for the year

| NOK million | 2006 | 2005 | 2004 |
|---|---|---|---|
| Tax payable for the period | 0.0 | 0.0 | 0.0 |
| Adjustments in respect of previous periods | 0.0 | 0.0 | 0.0 |
| **Total tax charge** | **0.0** | **0.0** | **0.0** |
| | | | |
| **Changes in deferred tax/deferred tax asset** | | | |
| Deferred tax caused by temporary differences/reversals of temporary differences | 42.8 | 46.1 | 61.3 |
| **Total changes in deferred tax/deferred tax asset** | **42.8** | **46.1** | **61.3** |
| **Total tax cost** | **42.8** | **46.1** | **61.3** |
| | | | |
| **Reconciliation of expected and actual tax charge** | | | |
| Ordinary pre-tax profit | 190.3 | 268.6 | 127.7 |
| Expected tax on income at nominal rate | 53.3 | 75.2 | 35.8 |
| Tax effect of: | | | |
| Realised shares | -7.5 | -12.0 | |
| Associated companies | -0.3 | -1.8 | |
| Permanent differences | 1.7 | -14.1 | 25.6 |
| Corrections for previous years | -4.4 | -1.1 | |
| **Tax charge** | **42.8** | **46.1** | **61.3** |

### Analysis of the tax effect of temporary differences and tax losses carried forward

| NOK million | 2006 | 2005 | 2004 |
|---|---|---|---|
| **Tax increasing timing differences** | | | |
| Securities | | 2.9 | 0.3 |
| Lending | 1.2 | 9.7 | 9.7 |
| Derivatives | 26.1 | 12.1 | 12.1 |
| Other | 29.8 | | 13.9 |
| **Total tax increasing timing differences** | **57.1** | **24.7** | **35.9** |
| | | | |
| **Tax reducing timing differences** | | | |
| Pensions | -98.7 | -101.3 | -98.6 |
| Securities | | | -8.2 |
| Operating assets | -23.5 | -22.2 | -33.8 |
| Provisions | | | -8.6 |
| Fees and commissions | -20.1 | -20.3 | |
| Equity index bonds | -404.8 | -359.5 | -243.3 |
| Bonds issued | -48.7 | -8.5 | |
| Other | | -9.5 | -13.3 |
| **Total tax reducing timing differences** | **-595.8** | **-521.3** | **-405.8** |
| Losses/allowances carried forward | -106.8 | -306.2 | -622.5 |
| Net base for deferred tax and deferred tax asset | -645.5 | -802.7 | -992.4 |
| **Net deferred asset/liability in the balance sheet** | **180.7** | **224.7** | **277.9** |
| Change to 2005 opening balance / other changes | | | -7.1 |
| Net deferred tax/tax asset at 1.1.2005 | | | 270.8 |
| | | | |
| **Analysis of tax payable and deferred tax applied directly to equity** | | | |
| Bonds and commercial paper | | 0.0 | -2.1 |
| Loan loss provisions | | -10.4 | 0.0 |
| Hedging | | 0.0 | -3.3 |
| Derivatives | | 0.0 | -1.3 |
| Bonds issued | | 0.0 | 1.1 |
| Structured products | | 0.0 | 24.8 |
| **Total** | **0.0** | **-10.4** | **19.2** |

The change is result of the introduction of new accounting principles from 1.1.2005.

Deferred tax assets principally relate to tax reducing temporary differences on fixed assets, pension liabilities, financial instruments and losses carried forward. The bank produces an annual profit, and this is expected to continue in future years. Deferred tax assets in respect of Storebrand Bank ASA are capitalised to the extent that it is considered likely that it will be possible to make use of the assets.

## 09 Cash and deposits with central banks

| NOK million | 2006 | 2005 | 2004 |
|---|---|---|---|
| Cash | 2.4 | 2.0 | 2.1 |
| Deposits with central banks | 392.0 | 421.9 | 488.6 |
| **Total cash and claims on central banks** | **394.4** | **423.9** | **490.7** |

## 10 Loans to and deposits with credit institutions

| NOK million | 2006 | 2005 |
|---|---|---|
| Total loans to and deposits with credit institutions without fixed maturity[1] at amortised cost | 107.7 | 33.7 |
| Total loans to and deposits with credit institutions with fixed maturity[2] at amortised cost | 7.1 | 8.0 |
| **Total loans to and deposits with credit institutions at amortised cost** | **114.9** | **41.7** |

*1 Relates to current accounts held with other banks, principally in foreign currencies.*
*2 Relates to one loan that mature in October 2020. Effective interest rate is 4.62%.*

## 11 Assets repossessed

Company

| NOK million | Registered office | Ownership/ voting | Share capital (NOK 1,000) | Book value 31.12.06 | Book value 31.12.05 |
|---|---|---|---|---|---|
| Filipstad Tomteselskap AS | Oslo | 100.00% | 100 | 10.3 | 9.6 |
| Filipstad Eiendom AS[1] | Oslo | 100.00% | 500 | 0.0 | 2.6 |
| Neskollen Eiendom AS[2] | Oslo | 100.00% | 1 485 | 7.0 | 9.0 |
| Kragerø Golfpark | Kragerø | 25.00% | 306 | 1.9 | 1.9 |
| Virtual Garden AS | Oslo | 12.60% | 119 | 0.0 | 3.3 |
| Seilduksgaten 25/31 AS | Oslo | 50.00% | 4 500 | 30.0 | 30.0 |
| Others | | | | 0.0 | 0.1 |
| **Total assets repossessed** | | | | **49.3** | **56.5** |

*1 Shares in Filipstad Eiendom AS reclassified as shares in a group company as of 31.12.06 since the company no longer has any loans outstanding subject to monitoring. See also note 12.*
*2 A debt to equity conversion for Neskollen Eiendom AS was registered with the Register of Business Enterprises on 20.12.2006.*

## 12 Shares in subsidiaries and other shares

### Shares in subsidiaries

| NOK million | Registered office | Ownership interest | Share of votes | Share capital | Cost price | Book value 31.12.06 | Book value 31.12.05 |
|---|---|---|---|---|---|---|---|
| Ring Eiendomsmegling AS | Oslo | 70% | 70% | 15.0 | 15.3 | 10.7 | 11.1 |
| Skipsinvest I AS | Oslo | 100% | 100% | 0.1 | 0.1 | 0.0 | 0.1 |
| Storebrand Finans AS | Oslo | 100% | 100% | 20.1 | 95.9 | 0.0 | 23.5 |
| Filipstad Eiendom AS | Oslo | 100% | 100% | 0.5 | 0.5 | 0.5 | 0.0 |
| Storebrand I AS | Oslo | 100% | 100% | 0.2 | 0.2 | 0.2 | 0.0 |
| Storebrand II AS | Oslo | 100% | 100% | 0.2 | 0.2 | 0.2 | 0.0 |
| Storebrand III AS | Oslo | 100% | 100% | 0.2 | 0.2 | 0.2 | 0.0 |
| **Total** | | | | | **112.2** | **11.7** | **34.7** |

Storebrand Finans AS and Skipsinvest I AS were wound up in autumn 2006. Shares in Filipstad Eiendom AS reclassified from assets repossessed as at 31.12.06 since the company no longer has any loans outstanding subject to monitoring. See also note 11.

### Other shares

| NOK million | Share capital by class (NOK 1000) | Ownership interest | Cost price | Book value 31.12.06 | Fair value 31.12.06 | Book value 31.12.05 | Fair value 31.12.05 |
|---|---|---|---|---|---|---|---|
| IMAREX NOS ASA | 10 322 | 0.50% | 1.4 | 2.1 | 4.6 | 2.1 | 3.4 |
| Storebrand Institusjonelle Investor ASA | 1 943 | 5.15% | 1.0 | 1.0 | 1.3 | 1.0 | 1.0 |
| Other | | | 0.7 | 0.5 | 0.5 | 0.5 | 0.5 |
| **Total** | | | **3.1** | **3.6** | **6.4** | **3.6** | **4.9** |

## 13 Bonds and other fixed income securities

| | 2006 | | | 2005 | | |
|---|---|---|---|---|---|---|
| NOK million | Commercial paper | Bonds | Total | Commercial paper | Bonds | Total |
| Commercial paper and bonds, book value | 885.2 | 813.5 | 1 698.6 | 941.8 | 761.3 | 1 703.1 |
| Of which listed | 885.2 | 813.5 | 1 698.6 | 941.8 | 761.3 | 1 703.1 |
| Nominal value | 900.0 | 812.5 | 1 712.5 | 950.0 | 757.7 | 1 707.7 |
| **Analysis by sector of issue** | | | | | | |
| Public sector | 885.2 | 15.0 | 900.2 | 941.8 | 36.4 | 978.2 |
| Financial institutions | | 798.5 | 798.5 | | 724.9 | 724.9 |
| **Total** | **885.2** | **813.5** | **1 698.6** | **941.8** | **761.3** | **1 703.1** |
| Modified duration | 0.43 | 0.13 | 0.29 | 0.36 | 0.15 | 0.27 |
| Average effective yield at 31.12. | 3.67% | 3.74% | 3.70% | 2.32% | 2.81% | 2.48% |

All securities are denominated in NOK. The effective yield for each security is calculated using the observed market price. Calculated effective yields are weighted to give an average effective yield on the basis of each security's share of the total interest rate sensitivity.

## 14 Financial derivatives

### Nominal volume

Financial derivative contracts are related to underlying amounts which are not capitalised in the balance sheet. In order to quantify a derivative position, reference is made to underlying amounts such as nominal principal, nominal volume, etc. Nominal volume is calculated differently for different classes of derivatives, and gives an indication of the size of the position and risk the derivative creates. Gross nominal volume principally indicates the size of the exposure, whilst net nominal volume gives an indication of the risk exposure. However nominal volume is not a measure which necessarily provides a comparison of the risk represented by different types of derivatives. In contrast to gross nominal volume, net nominal volume also takes into account the direction of the instruments' market risk exposure by differentiating between long (asset) positions and short (liability) positions. An asset position in an equity derivative produces a gain in value if the share price increases. For interest rate derivatives, an asset position produces a gain if interest rates fall, as is the case for bonds. An asset position in a currency derivative produces a gain if the currency strengthens against the NOK. Average gross nominal volume is based on monthly calculations of gross nominal volume.

| | 2006 | | | | |
|---|---|---|---|---|---|
| | | | | Fair value[1] | |
| NOK million | Gross nom. value[1] | Average nom. value[2] | Net nom. value[1] | Asset | Liability |
| Equity options | 4 186.9 | 4 939.0 | 33.2 | 478.9 | 469.9 |
| Interest rate swaps | 16 141.6 | 11 640.4 | 4 787.6 | 149.3 | 132.6 |
| Forward foreign exchange contracts | 3 490.3 | 3 636.9 | 3 225.2 | 14.6 | 4.7 |
| **Total derivatives** | **23 818.8** | **20 216.3** | **8 046.0** | **642.9** | **607.2** |

| | 2005 | | | | |
|---|---|---|---|---|---|
| | | | | Fair value[1] | |
| NOK million | Gross nom. value[1] | Average nom. value[2] | Net nom. value[1] | Asset | Liability |
| Equity options | 5 336.0 | 5 610.0 | 176.6 | 417.4 | 404.9 |
| Interest rate swaps | 8 836.0 | 6 917.0 | 6 881.0 | 52.6 | 33.5 |
| Forward foreign exchange contracts | 4 294.0 | 6 644.0 | 2 410.0 | 62.1 | 18.1 |
| **Total derivatives** | **18 466.0** | **19 171.0** | **9 467.6** | **532.1** | **456.6** |

*1 Value at 31.12.*
*2 Average for the year.*

Fair value of derivatives (assets and liabilities) also include value of hedging derivatives which are booked with the underlying hedging objects in the balance sheet. This represents NOK 17.1 million and NOK 4.3 million respectively. Remaining amounts are booked as derivatives assets and liabilities in the balance sheet.

## 15 Analysis of loan portfolio and guarantees

| NOK million | Lending to customers 2006 | 2005 | 2004 | Guarantees 2006 | 2005 | 2004 |
|---|---|---|---|---|---|---|
| **Sector and industry classification** | | | | | | |
| Financial aid agencies | 0.3 | 0.0 | 0.0 | 0.0 | 0.0 | 147.7 |
| Agriculture, forestry, fishing etc. | 0.0 | 0.0 | 3.5 | 0.0 | 0.0 | 0.0 |
| Oil and gas | 0.1 | 0.2 | 0.5 | 0.0 | 0.0 | 0.0 |
| Industry and mining | 32.5 | 42.5 | 54.1 | 0.0 | 0.7 | 1.4 |
| Water and power supply, building and construction | 31.0 | 82.3 | 84.5 | 4.9 | 8.1 | 4.4 |
| Wholesale/retail trade, hotels and restaurants | 31.0 | 64.2 | 130.3 | 1.1 | 1.4 | 1.8 |
| International shipping and pipelines | 103.3 | 130.4 | 142.5 | 0.0 | 0.5 | 25.8 |
| Other transportation and communications | 53.0 | 15.3 | 84.3 | 1.1 | 1.1 | 1.2 |
| Services and real estate operations | 10 012.0 | 8 490.0 | 6 050.8 | 270.0 | 193.3 | 243.7 |
| Other service industries | 58.2 | 53.7 | 200.7 | 0.3 | 1.9 | 0.4 |
| Retail customers | 20 578.5 | 17 513.2 | 16 026.5 | 12.7 | 30.0 | 21.5 |
| Other | 0.7 | 11.7 | 11.8 | 0.0 | 0.0 | 16.7 |
| Foreign | 280.6 | 362.9 | 396.0 | 0.0 | 0.0 | 28.7 |
| **Total** | **31 181.5** | **26 766.4** | **23 185.5** | **290.2** | **237.1** | **493.4** |
| **Geographic distribution** | | | | | | |
| Eastern Norway | 25 034.8 | 22 374.6 | 19 187.0 | 288.3 | 224.9 | 454.0 |
| Western Norway | 3 142.6 | 2 102.5 | 2 036.0 | 0.1 | 0.1 | 5.5 |
| Southern Norway | 571.3 | 479.9 | 382.4 | 0.1 | 0.0 | 1.7 |
| Mid-Norway | 1 646.2 | 997.2 | 788.8 | 1.6 | 12.1 | 3.4 |
| Northern Norway | 506.0 | 449.3 | 395.2 | 0.0 | 0.0 | 0.0 |
| Foreign | 280.6 | 362.9 | 396.0 | 0.0 | 0.0 | 28.7 |
| **Total** | **31 181.5** | **26 766.4** | **23 185.5** | **290.2** | **237.1** | **493.4** |
| **Analysis of guarantee liabilites** | | | | | | |
| Loan guarantees | | | | 0.0 | 0.0 | 0.0 |
| Payment guarantees | | | | 125.5 | 115.8 | 222.2 |
| Performance guarantees | | | | 153.8 | 108.4 | 108.3 |
| Commercial Banks' Guarantee Fund | | | | 0.0 | 0.0 | 147.7 |
| Other guarantee liabilities | | | | 10.9 | 12.9 | 15.2 |
| **Total** | | | | **290.2** | **237.1** | **493.4** |

| | Non-performing and loss-exposed commitments | Of which loss-exposed loans with identified impairment | Write-downs of individual loans | Net non-performing and loss-exposed commitments | Individual write-downs as % of loss-exposed loans with identified impairment |
|---|---|---|---|---|---|
| **Non-performing and loss-exposed commitments** | | | | | |
| Water and power supply, building and construction | 7.3 | 0.3 | 0.3 | 7.0 | 100.0% |
| Wholesale/retail trade, hotels and restaurants | 2.7 | 2.6 | 1.6 | 1.1 | 61.5% |
| International shipping and pipelines | 98.1 | 98.1 | 102.7 | -4.6 | 104.7% |
| Services and real estate operations | 135.1 | 121.1 | 94.5 | 40.6 | 78.0% |
| Retail customers | 236.9 | 157.1 | 121.9 | 115.1 | 77.6% |
| Other | 52.6 | 43.8 | 39.1 | 13.5 | 89.3% |
| **Total** | **532.7** | **422.9** | **360.0** | **172.7** | **85.1%** |

Write-downs of groups of loans totalled NOK 73.3 million at 31.12.2006. See note 16.

## 16 Write-downs of loans and guarantees

| NOK million | 2006 | 2005 |
|---|---|---|
| Write-downs of individual loans NGAAP 31.12.04 | | 366.5 |
| IAS 39 effect on opening balance of individual loans | | 122.0 |
| Write downs om individual loans 1.1. | 389.6 | 488.5 |
| Losses realised in the period on individual loans previously written down | -17.2 | -81.9 |
| Write-downs of individual loans for the period | 43.1 | 66.8 |
| Reversals of write-downs of individual loans for the period | -59.6 | -103.4 |
| Other corrections to write-downs[1] | 4.0 | 19.6 |
| **Write-downs of individual loans at 31.12.** | **360.0** | **389.7** |
| Write-downs of groups of loans and guarantees NGAAP 31.12.04 | | 194.3 |
| IAS 39 efffect on opening balance of grouped write-downs | | -78.6 |
| Write-downs of groups of loans and guarantees 1.1. | 89.2 | 115.7 |
| Grouped write-downs for the period | -15.9 | -26.5 |
| **Write-downs of groups of loans and guarantees etc. 31.12.** | **73.3** | **89.2** |
| **Total write-downs** | **433.3** | **478.9** |

| | | |
|---|---|---|
| *1 Other corrections to write-downs:* | | |
| *Corrections to holding of / write-downs to debt recovery portfolio* | *4.0* | *22.7* |
| *Other corrections* | *0.0* | *-3.1* |
| *Total other corrections* | *4.0* | *19.6* |

Provisions for losses on guarantees amounted to NOK 4.0 million at 31.12.06 and are included in the item "Write-downs of individual guarantees" in the balance sheet.

## 17 Companies accounted for by the equity method

| NOK million | Ownership | Acquisition kost | Book value at 1.1. | Additions / disposals | Share of profit | Book value at 31.12. |
|---|---|---|---|---|---|---|
| Bertel O. Steen Finans AS | 0% | 5.0 | 8.3 | -10.2 | 1.9 | 0.0 |
| **Total** | | **5.0** | **8.3** | **-10.2** | **1.9** | **0.0** |

Storebrand Bank ASA sold its interest in Bertel O. Steen Finans AS in 2006. The gain realised on the sale of the shares was NOK 9.5 million.

## 18 Intangible assets and fixed assets

| NOK million | Vehicles, fixtures and fittings | Real estate | Intangible assets | Total 2006 | Total 2005 | Total 2004 |
|---|---|---|---|---|---|---|
| Book value at 1.1. | 4.8 | 5.2 | 26.0 | 36.0 | 29.8 | 36.6 |
| Additions | 0.7 | | 36.2 | 37.0 | 22.4 | 15.2 |
| Disposals | -1.3 | | | -1.3 | -0.6 | -6.5 |
| Depreciation | -1.9 | -0.4 | -16.2 | -18.6 | -15.7 | -15.5 |
| **Book value at 31.12.** | **2.3** | **4.7** | **46.1** | **53.1** | **36.0** | **29.8** |
| Opening acquisition cost | 12.8 | 6.8 | 53.2 | 72.8 | 97.8 | 138.8 |
| Closing acquisition cost | 7.1 | 6.8 | 89.4 | 103.4 | 72.8 | 147.5 |
| Opening accumulated depreciation and write-downs | 8.1 | 1.6 | 27.2 | 36.9 | 68.0 | 102.2 |
| Closing accumulated depreciation and write-downs | 4.9 | 2.1 | 43.4 | 50.3 | 36.9 | 117.7 |

### For each class of fixed assets

| | | | |
|---|---|---|---|
| Method for measuring cost price | Acquisition cost | Acquisition cost | Acquisition cost |
| Depreciation method | linear | linear | linear |
| Depreciation period and economic life | 4–6 years | 15 years | 3–8 years |

There are no restrictions on rights to fixed assets. No fixed assets have been pledged as collateral for liabilities.

Intangible assets comprise costs incurred on developing systems and data warehouses, as well as licences for systems and similar costs. All capitalised costs relate to systems development work carried out by external contractors. In addition, costs of NOK 6.1 million in respect of systems development were charged to profit and loss since they did not meet the criteria for capitalisation. Storebrand Bank ASA changed the expected commercial life applied to certain intangible assets in 2006 following a review of the expected commercial life of such assets. Estimated commercial life is subject to annual review.

## 19 Hedge accounting

The bank uses fair value hedging to hedge interest rate risk. Hedging effectiveness is monitored at the individual item level except for structured bond loans where hedging effectiveness is monitored at the portfolio level. Each portfolio comprises swaps and hedged items with maturity within the same half year period.

| | 2006 | | | 2005 | | |
|---|---|---|---|---|---|---|
| | Contract/ | Fair value[1] | | Contract/ | Fair value[1] | |
| NOK million | nominal value | Assets | Liabilities | nominal value | Assets | Liabilities |
| Interest rate swaps | 3 802.0 | 0.3 | 79.5 | 3 166.0 | 17.1 | 4.3 |
| Total interest rate derivatives | 3 802.0 | 0.3 | 79.5 | 3 166.0 | 17.1 | 4.3 |
| | | | | | | |
| **Total derivatives** | **3 802.0** | **0.3** | **79.5** | **3 166.0** | **17.1** | **4.3** |
| | Contract/ | Hedge value[1] | | Contract/ | Hedge value[1] | |
| | nominal value | Assets | Liabilities | nominal value | Assets | Liabilities |
| Underlying items | 3 695.1 | 132.8 | 3 418.0 | 3 159.1 | 142.9 | 2 964.0 |
| Hedging effectiveness - prospective | | 111% | 96% | | 81% | 91% |
| Hedging effectiveness - retrospective | | 116% | 101% | | 87% | 95% |

### Gain/loss on fair value hedging[2]

| NOK million | 2006 Gain / loss | 2005 Gain / loss |
|---|---|---|
| On hedging instruments | -85.1 | -57.9 |
| On items hedged | 83.3 | 61.1 |

*1 Book value at 31.12.*
*2 Amounts included in the line "Net interest income".*

Hedging effectiveness when the hedge is created measures the relationship between changes in the hedged value of the interest rate hedging instrument and the item hedged in the event of a 2-percentage point interest rate shock. Subsequently, hedging effectiveness is measured on the basis of the simple Dollar Offset method for both prospective and retrospective calculations.

## 20 Liabilities to credit institutions

| NOK million | 2006 | 2005 |
|---|---|---|
| **Total liabilities to credit institutions without fixed maturity** | **8.9** | **76.5** |
| | | |
| NOK 200 million, maturity 02.01.2007, interest rate 4.25% | 200.0 | |
| NOK 350 million, maturity 22.12.2012, 3 month NIBOR + 0.10%, interest rate 3.90% | 350.0 | 350.0 |
| NOK 250 million, maturity 22.11.2013, 3 month NIBOR + 0.12%, interest rate 3.80% | 250.0 | |
| EUR 30 million, maturity 22.12.2010, 3 month EURIBOR + 0.20%, interest rate 3.83% | 247.1 | 239.6 |
| EUR 10 million, maturity 24.11.2011, 3 month EURIBOR + 0.15%, interest rate 3.78% | 82.4 | |
| EUR 100 million, maturity 14.04.2010, 3 month EURIBOR + 0.30%, interest rate 3.96% | 823.8 | |
| EUR 100 million, maturity 14.04.2010, 3 month EURIBOR + 0.30%, interest rate 3.93% | 823.8 | 798.5 |
| **Total liabilites to credit institutions with fixed maturity at amortised cost** | **2 777.1** | **1 388.1** |
| **Total liabilites to credit institutions at amortised cost** | **2 786.0** | **1 464.6** |

## 21 Analysis of Customer Deposits

| NOK million | 2006 | 2005 | 2004 |
|---|---|---|---|
| Call loans and deposits from customers | 13 050.8 | 10 890.9 | 10 363.1 |
| Term loans and deposits from customers | 496.0 | 329.6 | 372.0 |
| **Total deposits from and due to customers** | **13 546.8** | **11 220.5** | **10 735.1** |

| NOK million | 2006 | 2005 | 2004 |
|---|---|---|---|
| **Sector and industry classification** | | | |
| Central government | 0.0 | 0.0 | 9.6 |
| County and municipal authorities | 32.5 | 6.8 | 7.5 |
| Agriculture, forestry, fishing etc. | 7.1 | 3.1 | 9.8 |
| Oil and gas | 0.4 | 0.4 | 7.4 |
| Industry and mining | 99.1 | 54.1 | 63.0 |
| Water and power supply, building and construction | 55.7 | 45.7 | 36.0 |
| Wholesale/retail trade, hotels and restaurants | 188.4 | 206.9 | 267.8 |
| International shipping and pipelines | 31.2 | 37.8 | 57.5 |
| Other transportation and communications | 40.7 | 35.6 | 52.2 |
| Services and real estate operations | 4 436.5 | 3 363.6 | 2 426.4 |
| Other service industries | 293.8 | 318.3 | 370.4 |
| Retail customers | 7 569.8 | 6 380.8 | 6 715.4 |
| Other | 405.7 | 485.2 | 358.2 |
| Foreign | 385.9 | 282.0 | 353.8 |
| **Total** | **13 546.8** | **11 220.5** | **10 735.1** |
| | | | |
| **Geographic distribution** | | | |
| Eastern Norway | 10 787.4 | 8 952.9 | 8 270.7 |
| Western Norway | 1 320.8 | 1 140.4 | 1 279.1 |
| Southern Norway | 220.4 | 192.2 | 209.3 |
| Mid-Norway | 431.8 | 337.2 | 330.7 |
| Northern Norway | 400.5 | 315.8 | 291.5 |
| Foreign | 385.9 | 282.0 | 353.8 |
| **Total** | **13 546.8** | **11 220.5** | **10 735.1** |

## 22 Securities issued and subordinated loan capital

### Securities issued

| | 2006 | | 2005 | |
|---|---|---|---|---|
| NOK million | Nominal value | Book value | Nominal value | Book value |
| Bonds issued: | | | | |
| EUR FRN August 2005-August 2007 3 month EURIBOR + 0,25% | 1 647.6 | 1 647.6 | 1 597.0 | 1 597.0 |
| NOK FRN April 2001-April 2006 3 month NIBOR + 0.15% | 0.0 | 0.0 | 138.0 | 138.0 |
| NOK FRN April 2001-April 2006 3 month NIBOR + 0.21% | 0.0 | 0.0 | 894.0 | 893.9 |
| NOK FRN June 2003 - June 2006 3 month NIBOR + 0.45% | 0.0 | 0.0 | 510.0 | 509.8 |
| NOK Fixed rate, September 2003 - September 2006, 4.85% | 0.0 | 0.0 | 565.3 | 566.3 |
| NOK FRN June 2004 - December 2007 3 month NIBOR + 0.25% | 488.0 | 488.0 | 441.0 | 440.8 |
| NOK Fixed rate, June 2004 - December 2007, 4.1% | 1 000.0 | 1 001.1 | 1 000.0 | 1 002.2 |
| NOK FRN June 2005 - June 2008 3 month NIBOR + 0.12% | 1 500.0 | 1 500.1 | 1 063.0 | 1 062.3 |
| NOK FRN December 2003 - December 2008 3 month NIBOR + 0.45% | 1 000.0 | 1 002.6 | 874.0 | 876.7 |
| NOK FRN Januayr 2005 - January 2010 3 month NIBOR + 0.19% | 1 500.0 | 1 502.6 | 525.0 | 525.2 |
| NOK Fixed rate, November 2005 - November 2010, 4.25% | 970.0 | 968.5 | 300.0 | 300.0 |
| NOK Fixed rate, January 2006 - March 2009, 3.70% | 900.0 | 894.4 | 0.0 | 0.0 |
| NOK FRN August 2006 - August 2009, 3 month NIBOR + 0.06% | 620.0 | 619.6 | 0.0 | 0.0 |
| Total bonds issued | 9 625.6 | 9 624.5 | 7 907.3 | 7 912.2 |
| | | | | |
| Other bonds issued (equity index linked bonds + hedge fund linked bonds)[1] | 2 443.1 | 2 326.8 | 3 282.2 | 3 142.4 |
| Total bonds issued | 12 068.7 | 11 951.3 | 11 189.5 | 11 054.5 |
| | | | | |
| Bonds repurchased | 865.9 | 866.8 | 1 311.1 | 1 311.9 |
| Other bonds repurchased (equity index linked bonds + hedge fund linked bonds) | 419.4 | 409.6 | 561.1 | 542.6 |
| Total bonds repurchased | 1 285.3 | 1 276.4 | 1 872.2 | 1 854.5 |
| | | | | |
| Amortised costs | | -6.0 | | -8.1 |
| **Net bonds issued** | **10 783.4** | **10 668.9** | **9 317.3** | **9 192.0** |
| | | | | |
| Commercial paper issued | 3 930.0 | 3 926.7 | 4 520.0 | 4 520.2 |
| Commercial paper repurchased | 199.0 | 198.9 | 55.0 | 55.0 |
| **Commercial paper issued** | **3 731.0** | **3 727.8** | **4 465.0** | **4 465.2** |
| | | | | |
| **Total bonds and commercial paper issued** | **14 514.4** | **14 396.7** | **13 782.3** | **13 657.2** |

Average interest rate on bonds is 3.70%.
Average interest rate on commercial paper is 3.62%, whilst average duration is 10.1 months.
Calculated effective yields are weighted to give an average effective yield on the basis of each security's share of the total interest rate sensitivity.

### Subordinated loan capital

| | 2006 | | 2005 | |
|---|---|---|---|---|
| NOK Million | Nominal value | Book value | Nominal value | Book value |
| **Tier 1 hybrid capital** | | | | |
| Subordinated perpetual bond 2004, 3 month NIBOR + 1.50%, call 2014 | 168.0 | 166.6 | 168.0 | 166.4 |
| Subordinated perpetual bond 2004, 5.9%, call 2014 | 107.0 | 108.5 | 107.0 | 108.1 |
| **Subordinatede loan capital with conversion rights** | | | | |
| Perpetual subordinated loan 1995, 8.5% coupon | 9.3 | 9.3 | 9.3 | 9.3 |
| **Other subordinated loan capital** | | | | |
| Subordinated loan 2002-2012, 3 month NIBOR + 2.0%, call 2007 | 100.0 | 100.0 | 100.0 | 100.0 |
| Subordinated loan 2003-2013, 3 month NIBOR + 2.25%, call 2008 | 100.0 | 100.0 | 100.0 | 100.0 |
| Subordinated loan 2005-2015, 3 month NIBOR + 0.70%, call 2010 | 175.0 | 175.0 | 175.0 | 175.0 |
| Subordinated loan 2006-2016, 3 month NIBOR + 0.57%, call 2011 | 100.0 | 99.8 | | |
| **Total** | **759.3** | **759.3** | **659.3** | **658.9** |

| NOK Million | 2006 | 2005 |
|---|---|---|
| Subordinated loan capital included in capital adequacy calculation | 759.3 | 658.9 |
| | | |
| **Interest expense** | | |
| Subordinated loan interest charged in the accounts | 31.1 | 30.4 |

All loans are denominated in NOK.

## 23 Other debt

| NOK million | 2006 | 2005 | 2004 |
|---|---|---|---|
| Payable to Storebrand group companies | 20.1 | 19.2 | 13.2 |
| Money transfers | 71.0 | 63.3 | 48.5 |
| Provision for dividend payment | 0.0 | 222.4 | 61.7 |
| Debt to stockbrokers | 68.8 | 0.0 | 0.0 |
| Other debt | 13.3 | 13.9 | 3.0 |
| **Total debt** | **173.1** | **318.8** | **126.4** |

## 24 Changes in equity

| | 2006 | | | 2005 | | | 2004 | | |
|---|---|---|---|---|---|---|---|---|---|
| NOK million | Paid in equity | Other equity | Total equity | Paid in equity | Other equity | Total equity | Paid in equity | Other equity | Total equity |
| Equity 31.12. | 916.6 | 573.3 | 1 489.9 | 1 315.9 | 546.5 | 1 862.4 | 2 030.4 | -53.5 | 1 976.9 |
| | | | | | | | | | |
| Change in accounting principle pensions and deferred tax on pensions | | | | | | | | -61.0 | -61.0 |
| Change in accounting principle structured products | | | | | | | | -106.1 | -106.1 |
| Change in accounting principle bonds | | | | | | | | 6.6 | 6.6 |
| Change in accounting principe hedging | | | | | | | | 10.7 | 10.7 |
| Change in accounting principle derivatives | | | | | | | | 8.1 | 8.1 |
| Change in accounting principle write-downs | | | | | 37.2 | 37.2 | | | 0.0 |
| Change in accounting principle deferred tax | | | | | -10.4 | -10.4 | | 19.2 | 19.2 |
| Other changes | | | | | | | | 3.3 | 3.3 |
| **Equity 1.1.** | **916.6** | **573.3** | **1 489.9** | **1 315.9** | **573.3** | **1 889.2** | **2 030.4** | **-172.7** | **1 857.7** |
| Transfer from share premium reserve to other equity | | | | | | | -714.5 | 714.5 | |
| Profit for the year | | 147.4 | 147.4 | | 222.4 | 222.4 | | 66.4 | 66.4 |
| Receipts of group contribution[1] | 200.0 | | 200.0 | | | | | | |
| Provision for dividend payment | | | 0.0 | | -222.4 | -222.4 | | -61.7 | -61.7 |
| Reduction in equity | | | 0.0 | -399.3 | | -399.3 | | | 0.0 |
| **Equity 31.12.** | **1 116.6** | **720.7** | **1 837.3** | **916.6** | **573.3** | **1 489.9** | **1 315.9** | **546.5** | **1 862.4** |

1 *Storebrand Bank ASA receives NOK 200 million in group contribution from the parent company Storebrand ASA.*

The entire share capital of NOK 916.6 million made up of 64,037,183 shares (of nominal value NOK 14.313) is owned by Storebrand ASA.

## 25 Off balance sheet liabilities and contingent liabilities

| NOK million | 2006 | 2005 | 2004 |
|---|---|---|---|
| Guarantees | 290.2 | 237.1 | 493.4 |
| Undrawn credit limits | 1 687.4 | 1 285.7 | 1 001.5 |
| **Total contingent liabilities** | **1 977.6** | **1 522.8** | **1 494.9** |

Guarantees are mainly payment guarantees and contract guarantees. See also note 15. Undrawn credit limits relate to limits granted on customer accounts and credit cards that are not fully drawn down.

### Collateral and security pledged

| NOK million | 2006 | 2005 | 2004 |
|---|---|---|---|
| Book value of bonds pledged as security for the bank's D-loan facility with Norges Bank | 1 698.6 | 1 703.1 | 1 982.1 |
| **Total** | **1 698.6** | **1 703.1** | **1 982.1** |

Collateral pledged as security relates to the bank's loan facility with Norges Bank (the Norwegian central bank). It is a statutory requirement that such borrowing is fully secured by interest-bearing securities and/or is matched by the bank's deposits with Norges Bank. Storebrand Bank ASA had no borrowings from the Norges Bank at 31.12.06 .

## 26 Capital Adequacy

### Specification of capital base

| NOK million | 2006 | 2005 | 2004 |
|---|---|---|---|
| Equity 31.12. | 1 837.3 | 1 489.9 | 1 969.1 |
| Tier 1 hybrid capital | 275.1 | 227.8 | 273.0 |
| Intangible assets | -226.8 | -198.9 | -237.1 |
| Proportion of pension experience adjustments not amortised | 38.9 | 0.0 | 0.0 |
| Core capital | 1 924.5 | 1 518.8 | 2 005.0 |
| Subordinated loan capital less own holdings | 484.1 | 431.9 | 379.7 |
| Net capital base (A) | 2 408.6 | 1 950.7 | 2 384.7 |
| Asset base for calculation (B) | 21 926.4 | 18 772.1 | 16 389.1 |
| **Capital ratio (A/B)** | **11.0%** | **10.4%** | **14.6%** |
| Excess primary capital NOK million | 448.9 | 448.9 | 996.1 |
| **Core capital ratio** | **8.8%** | **8.1%** | **12.2%** |

### Specification of asset base for calculation

| NOK Million | 2006 | 2005 | 2004 |
|---|---|---|---|
| Total risk-weighted assets | 21 876.9 | 18 889.4 | 16 573.2 |
| Total off-balance sheet items | 482.8 | 355.6 | 344.0 |
| Foreign exchange risk | 4.0 | 9.9 | 32.7 |
| Deduction for loss provisions | -437.3 | -482.8 | -560.8 |
| **Basis of calculation** | **21 926.4** | **18 772.1** | **16 389.1** |

## 27 Risk management

Risk management in Storebrand Bank addresses the areas of credit risk, market risk, liquidity risk and operational risk. The bank has implemented risk management models and limits, and continues to develop its risk management with the objective of improving the overall commercial management of the bank.

### Credit risk/counterparty risk

Storebrand Bank is exposed to credit risk through its lending, and is exposed to counterparty risk in connection with transactions in financial instruments.

Storebrand Bank pays particular attention to maintaining close relationships with its corporate customers and routinely monitoring credit risk. The bank has standard rules for regular reviews of its exposure to corporate customers. These reviews, together with close monitoring of conditions in the real estate market in Eastern Norway, ensure that credit risk is constrained to an acceptable level. Credit approvals for corporate customers over a certain amount require the approval of either the credit committee chaired by the managing director or the board of directors.

Lending to retail customers is subject to a different credit approval process. Loans to private individuals are granted on the basis of credit scoring combined with case-by-case evaluation of debt service capacity. Loans are principally granted against security in real estate or structured products.

The bank's counterparty risk (i.e. its credit exposure to other financial institutions) is regulated on the basis of the counterparties' credit ratings and the amounts involved.

### Market risk

Market risk is the risk that the bank suffers a loss as a result of unexpected unfavourable market movements in interest rates or exchange rates. Storebrand Bank manages its exposure to interest rate risk so that the net interest rate exposure of both assets and liabilities is as small as possible. Interest-rate hedging is structured so that it has little accounting impact. All instruments with an interest rate fixing period in excess of six months are subject to a hedging policy for economic hedging. The bank's total economic interest rate risk is calculated on the basis of a stress test using a two-percentage point interest rate shock. The bank's policy is for total accounting and commercial exposure to interest rate risk not to exceed 3% of capital base.

Storebrand Bank discontinued its foreign exchange trading activities in 2005, and has since minimised the foreign exchange risk associated with investments, lending and funding in foreign currency. Storebrand's policy is to fully hedge currency exposure. The managers responsible for currency hedging are subject to specific exposure limits to allow efficient, practical implementation of hedging. Hedging is largely managed by rolling short-term forward foreign exchange contracts. The bank's policy is for total accounting and commercial exposure to exchange rate risk not to exceed 1% of capital base.

In view of the limits described above, Storebrand Bank's exposure to market risk is minimal in relation to the bank's total activities.

### Liquidity

Liquidity risk is the risk that the bank is not able to meet all financial commitments as they fall due for payment without this requiring any significant deviation from its normal commercial and capital budgets. It is Storebrand's policy to always have sufficient liquidity to support balance sheet growth as well as to repay loans and deposits. Liquidity management shall ensure that sufficient funding is available to avoid liquidity problems in situations such as:

- Uncertainty among investors over the bank's customer lending and/or financial condition;
- Uncertainty in respect of the bank's owner/other group companies;
- Unplanned reductions in deposits;
- Moderate growth in lending in excess of forecast growth;
- Uncertainty among investors regarding the banking sector in general, including concerns over losses or financial crime.

The bank pays particular attention to maintaining a diversified funding structure in terms of both sources of funding and maturities, maintaining uncommitted and committed credit lines to meet its liquidity requirements and holding liquid assets in excess of the necessary minimum levels.

For high-level control of liquidity, Storebrand Bank monitors liquidity gap and the proportion of long-term funding for liquidity management. Liquidity gap measures the surplus of liquidity over the next 90 days relative to the necessary minimum level of liquidity taking into account all funding maturities. In addition, customer deposits withdrawals are calculated on the basis of an abnormally high withdrawal rate of 25% annually. The long-term funding ratio is calculated in accordance with the liquidity risk indicators stipulated by the Norwegian FSA (Kredittilsynet).

### Operational risk

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

The bank's internal controls and procedures for evaluating, monitoring and reporting risk exposure satisfy the requirements of the Norwegian authorities in this respect.

## 28 Credit risk

### Analysis of credit risk by type of financial instrument

| NOK million | Maximum credit exposure 2006 | 2005 |
|---|---|---|
| Investment portfolio | 1 698.6 | 1 703.1 |
| Net loans to and due from customers[1] | 32 721.8 | 27 797.6 |
| Equity options | 478.9 | 417.4 |
| Interest-rate swaps | 149.6 | 60.5 |
| Forward foreign exchange contracts | 14.6 | 62.2 |
| **Total** | **35 063.5** | **30 040.8** |
| *1 Of which net loans to and amounts due from customers measured at fair value:* | *258.5* | *252.8* |

### Investment portfolio credit risk

**Interest-bearing securities at fair value through profit and loss**

| NOK million Issuer category | AAA Acquisition cost | AAA Fair value | AA Acquisition cost | AA Fair value | A Acquisition cost | A Fair value | BBB Acquisition cost | BBB Fair value | Total 2006 Acquisition cost | Total 2006 Fair value | Total 2005 Acquisition cost | Total 2005 Fair value |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Public sector | 895.4 | 900.2 | | | | | | | 895.4 | 900.2 | 977.0 | 978.2 |
| Financial institutions | | | | | 798.2 | 798.5 | | | 798.2 | 798.5 | 724.3 | 724.9 |
| **Total** | **895.4** | **900.2** | **0.0** | **0.0** | **798.2** | **798.5** | **0.0** | **0.0** | **1 693.6** | **1 698.6** | **1 701.3** | **1 703.1** |

### Credit exposure for lending activities

In order to identify the credit risk in its lending portfolio, Storebrand Bank classifies all corporate customers and selected retail customers (including private investors etc). Classification is carried out both when first establishing a credit relationship and whenever changes are made. In addition, corporate customer classifications are reviewed annually and/or whenever circumstances indicate the need for such review. Customer classification thus provides a picture of the credit risk at any time. Retail customers are subject to the overall limits for loan to value and debt service (as defined by the bank's credit policy for the segment) that apply to this portfolio. The loan to value ratio is almost entirely below 80%, with a significant proportion of the portfolio below 60%. This portfolio is deemed to have low credit risk.

Security for the lending portfolio takes the form, on the whole, of charges over investment/commercial property for the commercial lending portfolio and residential mortgages for the retail portfolio.

Risk classification for lending to corporate customers takes the form of three scores, each from 1 to 5, where 1 represents the best score. The first score is for the quality of the borrower/financial condition (debt service capacity). The second score is for the quality of the collateral (loan to value ratio). The third score is for commercial factors (internal/external risk). The analysis shown below is based on the scores for financial condition and collateral, giving a matrix of 25 risk groups. In addition, some credit relationships are still awaiting classification. The analysis shown here is somewhat simplified, with a breakdown into four risk levels.

### Loans to and due from customers

| Risk group | Lending | Undrawn credit facilities | Guarantees | Total commitment | Write-downs of individual loans | Write-downs of guarantees | Write-downs of groups of loans and guarantees | Total net credit exposure 2006 | Total net credit exposure 2005 |
|---|---|---|---|---|---|---|---|---|---|
| Low risk | 30 041.9 | 1 186.4 | 245.7 | 31 474.0 | - | - | 56.3 | 31 417.7 | 25 822.4 |
| Moderate risk | 403.7 | 95.5 | 30.6 | 529.8 | - | - | 13.6 | 516.2 | 1 087.1 |
| High risk | 8.0 | 1.6 | 4.7 | 14.3 | - | - | - | 14.3 | 195.9 |
| Unclassified | 195.3 | 403.9 | 4.2 | 603.3 | - | - | 3.4 | 599.9 | 335.2 |
| Non-performing/loss-exposed | 532.7 | - | 5.0 | 537.8 | 360.0 | 4.0 | - | 173.8 | 357.0 |
| **Total** | **31 181.5** | **1 687.4** | **290.2** | **33 159.1** | **360.0** | **4.0** | **73.3** | **32 721.8** | **27 797.6** |

Total commitments and credit exposure analysed by segment are shown below.

| Credit exposure | Real estate and other commercial services | Other commercial lending | Retail lending | Total 2006 | Total 2005 |
|---|---|---|---|---|---|
| Lending | 9 880.7 | 426.4 | 20 342.1 | 30 649.2 | 26 006.5 |
| Undrawn credit facilities | 816.6 | 26.3 | 844.1 | 1 687.0 | 1 282.7 |
| Guarantees | 270.0 | 7.5 | 12.7 | 290.2 | 228.8 |
| Non-performing/loss-exposed | 131.7 | 164.2 | 236.8 | 532.7 | 762.4 |
| Total commitments | 11 099.0 | 624.4 | 21 435.7 | 33 159.1 | 28 280.4 |
| Write-downs of individual loans | 85.9 | 151.6 | 122.5 | 360.0 | 389.6 |
| Write-downs of guarantees | 4.0 | - | - | 4.0 | 4.0 |
| Grouped write-downs | 12.4 | 5.3 | 55.6 | 73.3 | 89.2 |
| **Net credit exposure** | **10 996.7** | **467.5** | **21 257.6** | **32 721.8** | **27 797.6** |

### Loans subject to individual write-downs

| | 2006 | | | 2005 | | |
|---|---|---|---|---|---|---|
| NOK million | Gross non-performing loans | Individual write-downs | Net non-performing loans | Gross non-performing loans | Individual write-downs | Net non-performing loans |
| Customer groups: | | | | | | |
| Retail customers | 236.8 | 121.9 | 114.9 | 411.7 | 177.8 | 233.9 |
| Real estate and other commercial services | 131.7 | 94.5 | 37.2 | 204.0 | 92.0 | 112.0 |
| Other | 164.2 | 143.6 | 20.6 | 138.3 | 119.8 | 18.5 |
| **Total** | **532.7** | **360.0** | **172.7** | **754.0** | **389.6** | **364.4** |

### Non-performing loans

| NOK million | 2006 | 2005 | 2004 | 2003 | 2002 |
|---|---|---|---|---|---|
| Non-performing loans without identified impairment | 109.0 | 112.9 | 52.5 | 364.4 | 927.3 |
| Non-performing and loss-exposed loans with identified impairment | 423.7 | 641.1 | 792.6 | 1 283.8 | 1 360.6 |
| **Gross non-performing loans** | **532.7** | **754.0** | **845.1** | **1 648.2** | **2 287.9** |
| | | | | | |
| Individual write-downs | 360.0 | 389.6 | 366.5 | 509.4 | 481.6 |
| **Total write-downs** | **172.7** | **364.4** | **478.6** | **1 138.8** | **1 806.3** |

Net non-performing loans Group write-downs totalled NOK 73.3 million in 2006 compared to NOK 89.2 million in 2005. In addition to the figures shown in the table, a provision of NOK 4.0 million has been made against non-performing and loss-exposed guarantees (unchanged from 2005).

The category non-performing loans without identified impairment includes commitments with missed payments/defaults over 90 days.

### Overdue loans without impairment

| NOK million | 2006 | 2005 |
|---|---|---|
| Number of days overdue | | |
| 1-29 days | 0.1 | 0.1 |
| 30-59 days | 0.3 | 0.1 |
| 60-89 days | 0.0 | 0.0 |
| >90 days | 0.1 | 0.1 |
| **Total overdue loans without impairment** | **0.5** | **0.3** |

The table shows overdue amounts on lending, current accounts and credit cards analysed by number of days overdue.

**Loans at fair value through profit and loss**

| NOK million | 2006 | 2005 |
|---|---|---|
| Book value | 258.5 | 252.8 |
| Maximum exposure to credit risk | 258.5 | 252.8 |
| Book value of related credit derivatives that reduce credit risk | 0.0 | 0.0 |
| Change in fair value of loans to and receivables due from customers due to changes in credit risk | 0.0 | 0.0 |
| Change in fair value of related credit derivatives | 0.0 | 0.0 |

**Liabilities at fair value through profit and loss**

| NOK million | 2006 | 2005 |
|---|---|---|
| Change in fair value of liabilities due to changes in credit risk | 0.0 | 0.0 |
| Difference between book value of liabilities and contractual amount due at maturity | 4.0 | 0.0 |

**Stock options, interest rate swaps and forward contracts**

Derivative transactions are entered into with counterparties rated at least "investment grade".

## 29 Liquidity risk

### Analysis of balance sheet items by remaining maturity

| NOK million | | ‹ 1 month | › 1 month ‹ 3 months | › 3 months ‹ 1 year | › 1 year ‹ 5 year | › 5 year | No fixed maturity[2] | Total |
|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | |
| Cash and deposits with central banks | NOK | 392.0 | 0.0 | 0.0 | 0.0 | 0.0 | 2.1 | 394.1 |
| | foreign currency | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.3 | 0.3 |
| Loans to and receivables from | NOK | 70.7 | 0.0 | 0.0 | 0.0 | 7.1 | 0.0 | 77.8 |
| credit institutions | foreign currency | 37.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 37.1 |
| Loans to and receivables from customers | NOK | 1 320.3 | 164.5 | 1 251.1 | 2 817.1 | 25 339.0 | -415.8 | 30 476.2 |
| | foreign currency | 289.4 | 0.0 | 0.0 | 0.0 | 0.0 | -17.5 | 271.9 |
| Bonds and commercial paper | NOK | 15.0 | 397.0 | 488.2 | 798.5 | 0.0 | 0.0 | 1 698.6 |
| | foreign currency | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Derivatives[1] | NOK | 0.0 | 0.0 | 6.5 | 0.8 | 18.5 | 0.0 | 25.8 |
| | foreign currency | 6.7 | -2.9 | 0.0 | 0.0 | 6.1 | 0.0 | 9.9 |
| Other assets | NOK | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 767.8 | 767.8 |
| | foreign currency | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 4.3 | 4.3 |
| **Total assets 2006** | | **2 131.2** | **558.6** | **1 745.8** | **3 616.4** | **25 370.7** | **341.3** | **33 763.9** |
| | NOK | 1 798.0 | 561.5 | 1 739.3 | 3 615.6 | 25 346.1 | 354.1 | 33 440.4 |
| | foreign currency | 326.5 | 0.0 | 0.0 | 0.0 | 0.0 | -12.9 | 313.6 |
| Total assets 2005 | | 1 762.9 | 722.1 | 2 405.8 | 3 608.6 | 20 067.1 | 467.9 | 29 034.4 |
| **Liaibilities and equity** | | | | | | | | |
| Debt to credit institutions | NOK | 208.7 | 0.0 | 0.0 | 0.0 | 600.0 | 0.0 | 808.7 |
| | foreign currency | 824.0 | 0.0 | 0.0 | 1 153.3 | 0.0 | 0.0 | 1 977.3 |
| Deposits from and debt to customers | NOK | 13 178.3 | 187.6 | 58.3 | 0.0 | 10.9 | 0.0 | 13 435.1 |
| | foreign currency | 106.2 | 5.4 | 0.0 | 0.0 | 0.0 | 0.0 | 111.6 |
| Securities issued | NOK | 200.0 | 781.1 | 4 463.3 | 7 527.1 | 0.0 | 0.0 | 12 971.5 |
| | foreign currency | 0.0 | 0.0 | 0.0 | 1 425.2 | 0.0 | 0.0 | 1 425.2 |
| Other debt | NOK | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 437.9 | 437.9 |
| | foreign currency | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Subordinated loan capital | NOK | 0.0 | 0.0 | 0.0 | 0.0 | 759.3 | 0.0 | 759.3 |
| | foreign currency | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Equity | NOK | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1 837.3 | 1 837.3 |
| | foreign currency | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Total liabilities and equity 2006** | | **14 517.2** | **974.1** | **4 521.6** | **10 105.6** | **1 370.2** | **2 275.2** | **33 763.9** |
| | NOK | 13 587.0 | 968.7 | 4 521.6 | 7 527.1 | 1 370.2 | 2 275.2 | 30 249.8 |
| | foreign currency | 930.2 | 5.4 | 0.0 | 2 578.5 | 0.0 | 0.0 | 3 514.1 |
| Total liabilities and equity 2005 | | 11 241.9 | 1 621.1 | 5 153.2 | 8 197.2 | 1 018.4 | 1 802.6 | 29 034.4 |

*1 Derivatives are shown net in this note.*
*2 Loans to and receivables from customers with no fixed maturity mainly represent loan loss provisions.*

## 30 Markets risk

### Interest rate risk

| NOK million | < 1 month | > 1 month < 3 months | > 3 months < 1 year | > 1 year < 5 year | > 5 year | No fixed interest rate period[2] | Total |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Cash and deposits with central banks | 394.4 | | | | | | 394.4 |
| Loans to and receivables from credit institutions | 114.9 | | | | | | 114.9 |
| Loans to and receivables from customers | 0.1 | | 234.6 | 556.6 | 114.3 | 29 842.5 | 30 748.1 |
| Bonds and commercial paper | 157.4 | 1 053.1 | 488.2 | | | | 1 698.6 |
| Derivatives[1] | -420.3 | -4 226.4 | 2 356.4 | 2 306.8 | 19.2 | | 35.7 |
| Other assets | | | | | | 772.1 | 772.1 |
| **Total assets 2006** | **246.5** | **-3 173.3** | **3 079.2** | **2 863.4** | **133.5** | **30 614.6** | **33 763.9** |
| Total assets 2005 | -427.9 | -2 637.3 | 3 631.2 | 2 704.9 | 119.0 | 25 644.6 | 29 034.5 |
| **Lialbilities and equity** | | | | | | | |
| Debt to credit institutions | 1 032.7 | 1 753.3 | | | | | 2 786.0 |
| Deposits from and due to customers | 78.0 | 195.3 | 58.3 | | | 13 215.1 | 13 546.7 |
| Securities issued | 1 902.6 | 5 964.8 | 3 526.6 | 3 002.7 | | | 14 396.7 |
| Other debt | | | | | | 437.9 | 437.9 |
| Subordinated loan capital | 441.6 | 199.8 | 1.7 | | 116.1 | | 759.3 |
| Equity | | | | | | 1 837.3 | 1 837.3 |
| **Total liabilities and equity 2006** | **3 454.9** | **8 113.2** | **3 586.6** | **3 002.7** | **116.1** | **15 490.3** | **33 763.9** |
| Total liabilities and equity 2005 | 1 648.3 | 7 981.1 | 5 010.9 | 1 516.7 | 9.3 | 12 868.2 | 29 034.5 |
| **Net to next interest rate change on balance sheet items 2006** | **-3 208.4** | **-11 286.5** | **-507.5** | **-139.3** | **17.3** | **15 124.3** | **0.0** |
| Net to next interest rate change on balance sheet items 2005 | -2 076.2 | -10 618.4 | -1 379.7 | 1 188.2 | 109.7 | 12 776.4 | 0.0 |

*1 Derivatives are shown net in this note.*
*2 Deposits and loans without agreed interest fixing period are included in this column in accordance with the guidelines for reporting banking statistics to the Norwegian authorities. The Financial Agreements Act requires that customers are given a minimum of six weeks notice of a change in interest rate.*

### Interest rate sensitivity

| NOK million | < 1 month | > 1 month < 3 months | > 3 months < 1 year | > 1 year < 5 year | > 5 year | Total |
|---|---|---|---|---|---|---|
| CHF | | 0.1 | | | | 0.1 |
| EUR | -0.1 | -3.3 | | | | -3.4 |
| NOK | -1.0 | 15.1 | -7.7 | -2.6 | -1.0 | 2.9 |
| SEK | 0.0 | 0.1 | | | | 0.1 |
| USD | 0.0 | 0.1 | | | | 0.0 |
| **Total quantified interest rate sensitivity 2006** | **-1.1** | **12.1** | **-7.7** | **-2.6** | **-1.0** | **-0.3** |
| Total quantified interest rate sensitivity 2005 | | | | | | 0.0 |

All figures in NOK.
The table shows how the value of financial assets and liabilities would be affected by a one percentage point increase in all interest rates.

### Foreign exchange risk

| Financial assets and liabilities in foreign currency | Balance sheet items | | Forwards | Net position | |
|---|---|---|---|---|---|
| NOK million | Assets | Liabilities | Net sales | in currency | in NOK |
| CHF | 11.8 | 0.0 | -11.9 | -0.1 | -0.4 |
| DKK | 0.3 | 0.0 | 0.0 | 0.3 | 0.3 |
| EUR | 14.5 | 417.3 | 402.7 | -0.1 | -1.0 |
| GBP | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 |
| JPY | 390.5 | 0.0 | -388.6 | 1.9 | 0.1 |
| SEK | 63.6 | 3.8 | -59.5 | 0.2 | 0.2 |
| USD | 10.4 | 11.3 | 1.5 | 0.6 | 3.9 |
| **Total 2006** | | | | | **3.1** |
| Total 2005 | | | | | -0.1 |

Storebrand Bank ASA hedges the net currency position in its balance sheet with forward contracts, accordingly forward sales and forward purchases are not shown separately in respect of assets and liabilities.

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To the Annual Shareholders' Meeting of Storebrand Bank ASA

# AUDITOR'S REPORT FOR 2006

We have audited the annual financial statements of Storebrand Bank ASA as of 31 December 2006, showing a profit of NOK 147,4 million for the parent company and a profit of NOK 147,3 million for the group. We have also audited the information in the Board of Directors' report concerning the financial statements, the going concern assumption and the proposal for the allocation of the profit. The annual financial statements comprise the parent company's financial statements and the group accounts. The parent company's financial statements comprise the balance sheet, the statements of income and cash flows, and the accompanying notes. The group accounts comprise the balance sheet, the statements of income and cash flows, the statement of changes in equity and the accompanying notes. The rules of the Norwegian Accounting Act and generally accepted accounting practice in Norway have been applied to prepare the parent company's financial statements. International Financial Reporting Standards as adopted by the EU have been applied to prepare the group accounts. These financial statements are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We have conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and generally accepted auditing practice in Norway, including standards on auditing adopted by Den norske Revisorforening. These auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and generally accepted auditing practice, an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- the parent company's financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as of 31 December 2006, and the results of its operations and its cash flows for the year then ended, in accordance with generally accepted accounting practice in Norway
- the group accounts are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Group as of 31 December 2006, and the results of its operations and its cash flows and the changes in equity for the year then ended, in accordance with International Financial Reporting Standards as adopted by the EU
- the Company's management has fulfilled its duty to see to proper and well arranged recording and documentation of accounting information in accordance with law and generally accepted bookkeeping practice in Norway
- the information in the Board of Directors' report concerning the financial statements, the going concern assumption and the proposal for the allocation of the profit, is consistent with the financial statements and complies with law and regulations.

Oslo, 13 February 2007
Deloitte AS

*Translation - not to be signed*

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

Audit.Tax & Legal.Consulting.Financial Advisory.

Member of
**Deloitte Touche Tohmatsu**

Org.nr.: 980 211 282

# Control Committee's Statement and Board of Representatives' Statement

## Control Committee's Statement for 2006

At its meeting on 2 March 2007, the Control Committee of Storebrand Bank ASA reviewed the Board of Directors' proposed Annual Report and Accounts for 2006 for Storebrand Bank ASA and the Storebrand Bank Group.

With reference to the auditor's report of 13 February 2007, the Control Committee recommends that the Annual Report and Accounts proposed be adopted as the Annual Report and Accounts of Storebrand Bank ASA and the Storebrand Bank Group for 2006.

Oslo, 2 March 2007
Translation – not to be signed

Finn Myhre
Chairman of the Control Committee

## Board of Representatives' Statement 2006

The Board of Directors' proposal for the Annual Report and Accounts, together with the Auditor's report and the Control Committee's statement have, in the manner required by law, been presented to the Board of Representatives. The Board of Representatives recommends that the Annual General Meeting approve the Board of Directors proposal for the Annual Report and Accounts of Storebrand Bank ASA and Storebrand Bank Group.

The Board of Representatives raises no objections to the Board's proposal regarding the allocation of the result for the year of Storebrand Bank ASA.

Oslo, 6 March 2007
Translation – not to be signed

Arvid Grundekjøn
Chairman of the Board of Representatives

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