storebrand

Manage your personal finances efficiently in an integrated manner. Storebrand offers all the products and services you need, including banking.

Cecilie Andersen
Storebrand

Annual report 2016
Storebrand Bank ASA

Company information

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Content

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

Key figures - Storebrand Bank Group

(NOK million)	2016	2015
Profit and Loss account: (as % of avg. total assets)		
Net interest income	1.11 %	1.13 %
Other operating income [2]	0.39 %	0.06 %
Main balance sheet figures:		
Total assets	32 373.0	33 613.7
Average total assets [1]	33 720.3	33 390.0
Gross lending to customers	27 333.5	29 350.8
Deposits from customers	15 238.4	17 824.7
Deposits from customers as % of gross lending	55.7 %	60.7 %
Equity	2 546.3	2 404.2
Other key figures:		
Loan losses and provisions as % of average total lending [4]	0.06 %	0.16 %
Gross non-performing and loss-exposed loans as % of total average lending	0.7 %	0.6 %
Cost/income ratio [3]	55.3 %	67.7 %
Return on equity after tax [6]	6.4 %	2.5 %
Core capital ratio excl. Hybrid Tier 1 capital	14.0 %	13.8 %
LCR [5]	183.0 %	95.0 %

Definitions:

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

2) Other operating income includes net fee and commission income.

3) Total operating expenses as % of total income.

4) Loan losses and provisions for Storebrand Bank Group includes the items loan losses for the period and losses real estate at fair value, assets repossessed, in the profit & loss account.

5) Liquidity coverage requirement.

6) Profit after tax for continued operations as % of average equity.

ANNUAL REPORT 2016

(Figures in brackets are the comparative figures for 2015)

MAIN TRENDS

Storebrand Bank ASA is a wholly owned subsidiary of Storebrand ASA. The activities of the bank are managed as an integral part of the activities of the Storebrand Group. Storebrand Bank ASA is a commercial bank with licenses under the Securities Trading Act. Its head office is in Lysaker, in the municipality of Bærum.

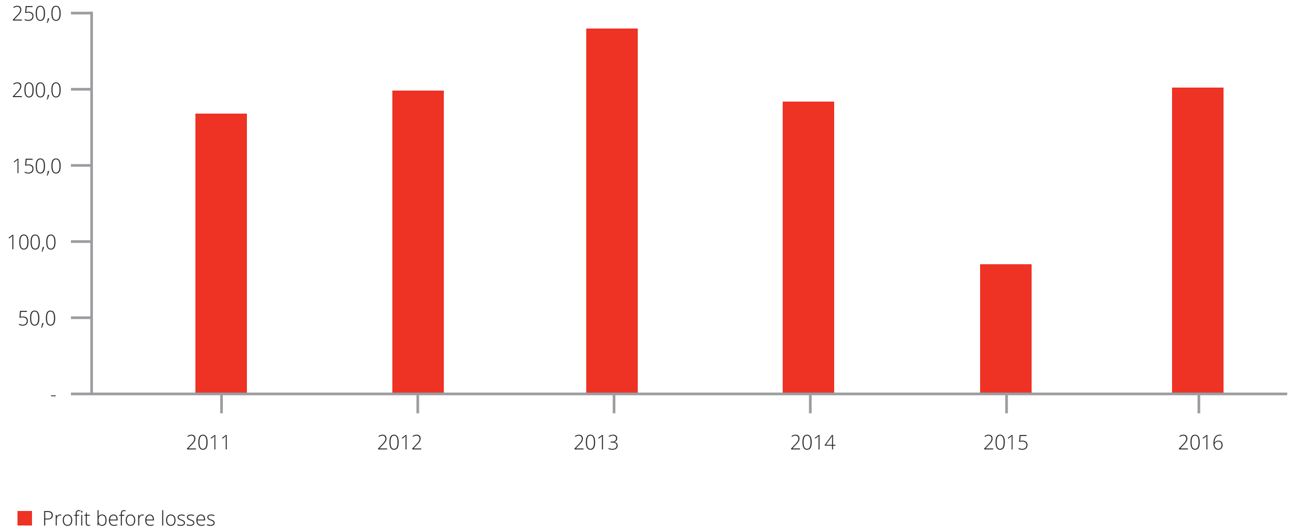
Storebrand Bank ASA is a web-based bank that offers traditional bank products to the Norwegian market. The bank's main target group is persons who have an occupational pension with Storebrand. These customers are also members of the Group's loyalty programme, Storebrand Fordel. The bank's offerings are also integrated with the Group's loyalty programme.

At Storebrand, the group unit Commercial Norway is responsible for the general commercial activities in the Norwegian part of the Group. This means that distribution, market activities and product development in Norway are gathered under the same management, with the goal to increase the force of the market. The bank delivers products to the different market and customer concepts.

Storebrand Bank ASA has decided to wind up the corporate market at the bank. The market is being wound up in a controlled manner over time.

FINANCIAL PERFORMANCE

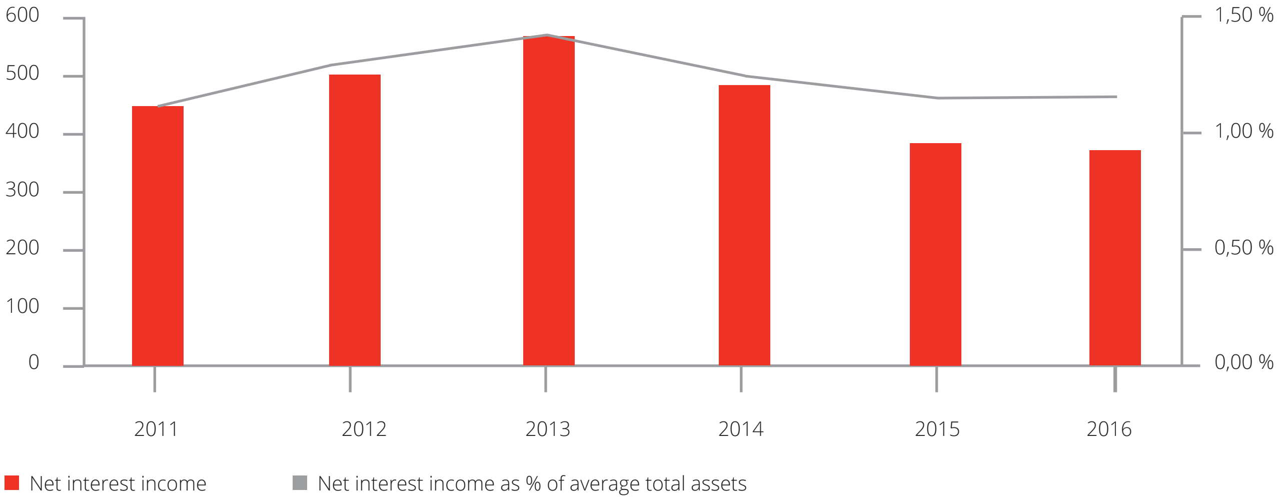
TRENDS IN PROFIT BEFORE LOSSES



The bank group achieved a profit before taxes of NOK 203 million for 2016 compared with NOK 86 million in 2015 for continued operations. Lower volume due to the planned winding up of the corporate market portfolio and lower lending margins in the retail market is reducing net interest income. Other income increased due to a dividend recognised as income from the membership in Visa Norge FLI of NOK 25 million in connection with the sale of Visa Europe. In addition, other income is positively influenced by changes in value and realisation of financial instruments. The bank group achieved a profit after tax of NOK 158 million in 2016, compared with NOK 59 million in 2015.

NET INTEREST INCOME

NET INTEREST INCOME AND NET INTEREST INCOME AS A PERCENTAGE OF AVERAGE TOTAL ASSETS



Net interest income for the bank group amounted to NOK 373 million compared with NOK 377 million in the previous year. Net interest income as a percentage of average total assets was 1.11 per cent in 2016, 0.02 percentage points lower than in 2015. The interest margin contracted due to more competitive pricing in the retail market and a reduced proportion of loans in the corporate market. Net interest income as a percentage of average total assets related to the retail market of the bank group was 1.12 per cent (1.24 per cent) for the year.

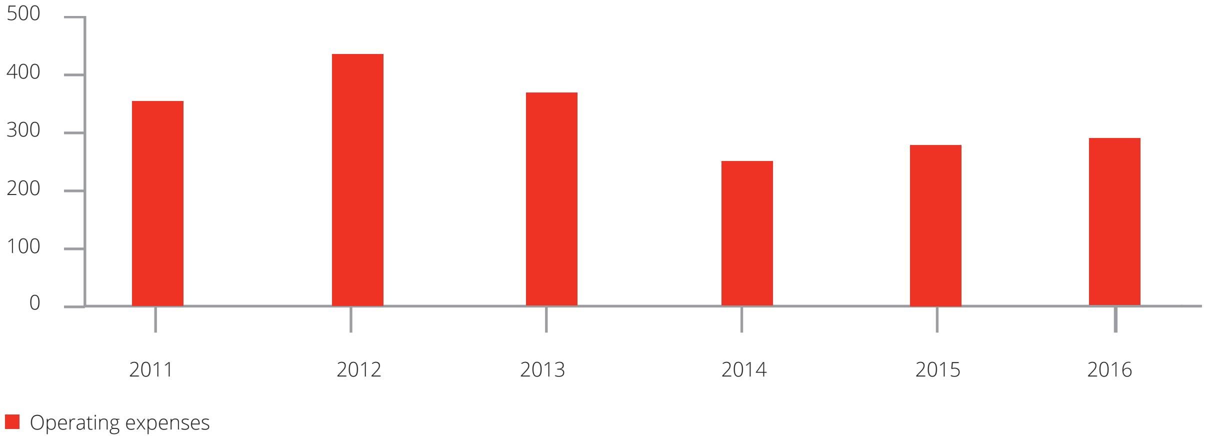
OTHER INCOME

The bank group's net commission income totalled NOK 48 million, compared with NOK 41 million in 2015. The income is largely positively influenced by management fees from the managing of loans on behalf of Storebrand Livsforsikring AS.

Other operating income increased from minus NOK 20 million in 2015 to NOK 83 million in 2016. The increase in 2016 principally applies to a dividend recognised as income from the membership in Visa Norge FLI of NOK 25 million in the second quarter of 2016 in connection with the sale of Visa Europe. Furthermore, in 2016 other income was principally influenced by changes in unrealised losses on fixed-rate loans of NOK 25 million, and changes in unrealised gains in the liquidity portfolio of NOK 18 million and realised gains in the liquidity portfolio of NOK 9 million. Realised and unrealised gains on derivatives and foreign exchange amounted to NOK 72 million in 2016. The change in value of the membership share in VISA Norge FLI was included through total comprehensive income and shows a decrease of NOK 3 million for the year to date. In 2015, other income was negatively influenced by changes in unrealised losses in the liquidity portfolio of minus NOK 26 million, changes in unrealised losses on fixed-rate loans of NOK 7 million and the redemption of a subordinated convertible loan resulted in a realised loss of NOK 24 million in 2015.

OPERATING EXPENSES

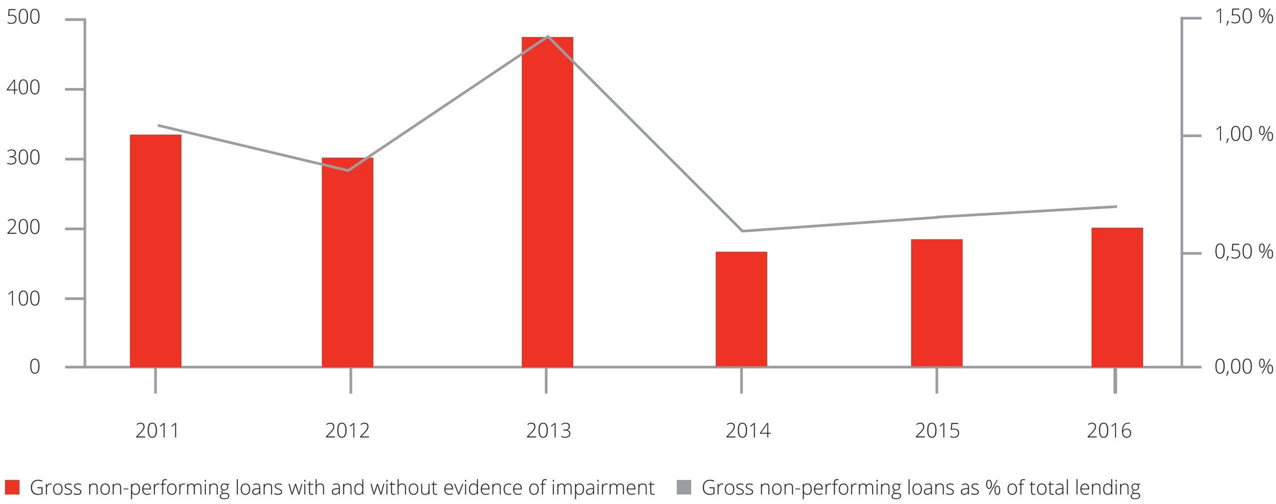
TRENDS IN OPERATING EXPENSES



The operating expenses in the bank group totalled NOK 285 million (NOK 267 million). The increase is primarily due to increased sales and marketing activity. The cost percentage was 56 per cent in 2016 (68 per cent).

LOSSES AND NON-PERFORMING LOANS

DEVELOPMENTS IN GROSS NON-PERFORMING LOANS WITH AND WITHOUT IMPAIRMENT AND IN THE PERCENTAGE OF AVERAGE GROSS LENDING.



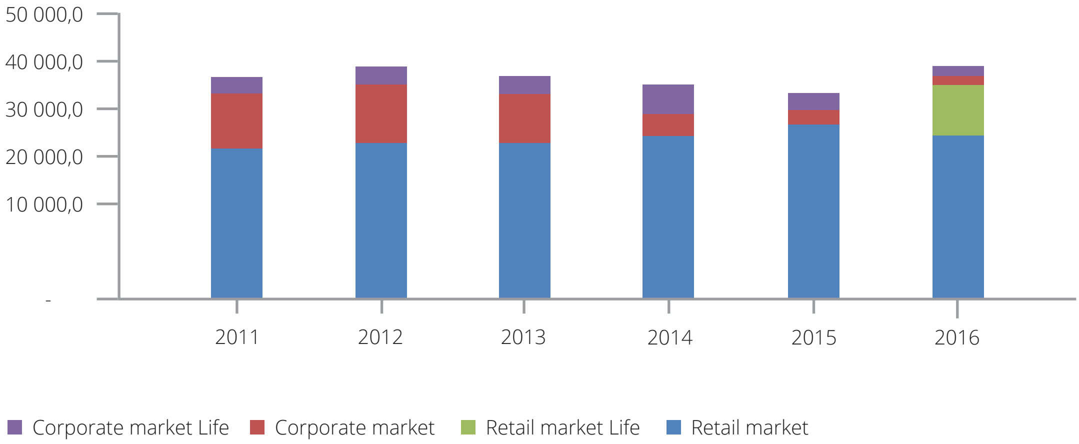
Total loan losses amounted to NOK 17 million for the bank group, compared with NOK 45 million in 2015.

Non-performing loans that are not impaired increased in 2016 and amounted to NOK 107 million (NOK 87 million). The volume of impaired non-performing loans also fell to NOK 88 million (NOK 100 million) in 2016. The total volume of non-performing loans represents 0.7 per cent of gross lending (0.6 per cent).

Group write-downs increased from NOK 31 million in 2015 to NOK 38 million at the end of 2016. The reduction is mainly the result of the ongoing winding up of the bank's corporate market portfolio.

BALANCE SHEET

DEVELOPMENT OF GROSS LENDING IN BOTH THE RETAIL MARKET AND CORPORATE MARKET



At the end of 2016 the bank group had NOK 32.4 billion in assets under management. Gross lending to customers was NOK 27.3 billion at year-end. This is a reduction of NOK 2.0 billion, corresponding to 7 per cent since the end of 2015. In 2016 the bank entered into an agreement with Storebrand Livsforsikring AS for the sale of loans to the retail market. The bank sold loans for NOK 11.3 billion in 2016 and the portfolio of loans to the retail market in Storebrand Livsforsikring AS amounted to NOK 9.7 billion as at 31 December 2016. A syndication agreement has also been established with Storebrand Livsforsikring AS for commercial property loans.

The loan portfolio in the retail market, including loans managed on behalf of Storebrand Livsforsikring AS amounted to NOK 35.4 billion at the end of the year. Retail market loans in the bank group amounted to NOK 25.7 billion. The retail market portfolio in the bank group was reduced by NOK 1.2 billion in 2016 and the corporate market portfolio was reduced according to plan and amounted to NOK 1.5 billion at the end of the year.

The bank group's Retail Market portfolio represents 94 per cent of total loans, and mainly consists of low risk home mortgages. The weighted average loan-to-value ratio in the bank group for the retail market portfolio is approximately 56 per cent for home mortgage loans, compared with 58 per cent at the end of 2015. Loan-to-value ratio is calculated based on amounts drawn in the case of flexible secured loans. Corporate loans account for 6 per cent of the portfolio and at the end of 2016 and about 96 per cent of these loans were for income-generating properties. About 62 per cent of the portfolio relates to Group debtors with total loans of over NOK 200 million. Loans to income-generating properties are secured by mortgages in rental properties.

The bank group has a balanced funding structure and bases its funding on customer deposits, issuance of securities and covered bonds, as well as borrowing in the Norwegian and international capital markets. The bank has established good liquidity buffers and attaches great importance to having a balanced funding structure with varying terms to maturity and issuances in various markets. The volume of deposits from customers was NOK 15.2 billion (17.8 billion) at the end of the year, which represents a deposit-to-loan ratio of 56 per cent (61 per cent).

The bank group issued NOK 1.0 billion in senior bonds and NOK 2.5 billion in covered bonds during 2016. Total amount maturing in 2016 was NOK 1.4 billion.

BUSINESS SEGMENTS

RETAIL MARKET

Storebrand Bank ASA is a web-based bank that offers traditional bank products to the Norwegian market. Employees with an occupational pension with Storebrand are the bank's main target group and part of the group's benefit programme, Storebrand Fordel. The programme includes favourable home mortgages and bank saving, and an attractive everyday banking package with a credit card. In addition, the bank caters especially to young people in the establishment phase and favourable mortgages for young people under the age of 41 are an attractive product in the market. In 2016, the bank entered into a cooperative agreement with UNIO that gives members the offer of mortgages at one of the best interest rates in the market. The agreement is Norway's largest association agreement for banking services and applies for 230,000 members. In the 4th quarter of 2016, Storebrand Bank ASA launched its sustainable mortgage which combines low interest with a focus on environmentally-friendly homes.

At the end of 2016, the bank group had approximately 78,000 active retail market customers, with a lending volume of NOK 25.7 billion and a volume of deposits of NOK 14.9 billion. The bank had high lending growth in strategic focus areas in 2016.

CORPORATE MARKET

Storebrand Bank ASA decided in 2013 to wind up the corporate market at the bank. This is also a strategic assessment of the future direction of the Group, and the bank's corporate market is not a prioritised core activity.

The area is being wound up in a controlled manner over time, meaning that the bank is not becoming involved in new projects, granting new loans or through other means bringing in new customers in the Corporate Market.

GROUP STRUCTURE AND SUBSIDIARIES

Subsidiary Storebrand Boligkreditt AS holds a licence to issue covered bonds secured by mortgages in residential property. The company's balance was NOK 13.7 billion at the end of 2016, and it mainly serves as a funding tool. NOK 11.4 million in covered bonds were issued. The portfolio had 0.2 per cent non-performance at the end of 2016. The established lending programme has a Aaa rating from S&P Global Rating Services.

RISK MANAGEMENT

A bank's core activities are linked to creating value through exposure to acceptable risk. The bank group is proactive in managing the risks in its business activities and continuously works to develop its routines and processes for risk management. The risk profile is considered low.

The risk in the bank group is closely monitored in accordance with guidelines for risk management and internal control approved by the Board that are based on the appetite for risk and risk frameworks stipulated by the Board. Policy documents stating the measurement parameters are prepared for each of the forms of risk defined in the guidelines. The development of these parameters is monitored through risk reports to the Board.

Credit risk and liquidity risk are the most significant forms of risk for the bank group, which is also exposed to operational risk, including IT risk, compliance risk and, to a lesser extent, market risk.

CREDIT RISK

The bank group has lending to customers totalling NOK 27.3 billion, in addition to unused credit facilities of NOK 3.6 billion as at 31 December 2016.

Lending to the corporate market segment will be wound up and the portfolio is being reduced. The lending volume, including unused credit facilities and guarantees on the bank's own balance sheet, has declined from NOK 2.4 billion to NOK 1.6 billion. Correspondingly, the lending volume, including unused credit facilities and guarantees, to the retail market amounted to NOK 29.3 billion.

The portfolio consists almost exclusively of loans to commercial property and mortgage-backed commitments in which the ongoing cash flows cover the commitment's interest expenses.

Of loans that are not non-performing or in arrears in the corporate market portfolio, about 52 per cent have a loan-to-value ratio of within 80 per cent compared with 85 per cent at the end of 2015. About 73 per cent of the loans are within a 90 per cent loan-to-value ratio. The development in the probability of default indicates that the credit risk for the remaining portfolio is, in relative terms, increasing in line with the portfolio being reduced. There were no loans in default without impairment in value as of 31 December 2016. For impaired non-performing loans, the write downs that have been made have taken into account that the pledged assets do not cover the value of the loans and other costs related to the non-performance. The write-downs that have been made are considered to be sufficient. However, on the whole the risk level is considered moderate.

The credit quality of the retail market portfolio is considered good. Almost the entire portfolio is secured on real estate. The portfolio's high collateral coverage indicates a limited risk of loss. New loans are granted in accordance with the regulations relating to new loans secured by a mortgage on residential property.

The weighted average loan-to-value ratio in the bank group for the Retail Market portfolio is approximately 56 per cent for home loans. Approximately 89 per cent of home loans have a loan-to-value ratio within 80 per cent and about 98 per cent are within a 90 per cent loan-to-value ratio. In the bank group, about 51 per cent of housing loans are within a 60 per cent loan-to-value ratio. The loan-to-value ratio of the portfolio was reduced during the year. The portfolio is regarded as having a low to moderate credit risk in accordance with the bank's risk appetite.

The retail market portfolio has historically had low losses and the proportion of loans in the retail market as a percentage of the bank's total lending was 94 per cent at the end of 2016.

Out of the total exposure in the Retail Market portfolio, the residential mortgage product is about 24 per cent with an average degree of utilisation of 66 per cent. In isolation, this structure contributes to an increase in portfolio risk, but the risk is counteracted by stricter loan criteria for residential mortgages, monitoring customers with a high degree of utilisation, and follow-up of those who do not pay interest and instalments on a regular basis.

The bank group's guarantee portfolio amounted to NOK 24 million at year-end. The majority of the guarantees have been made for customers in connection with property development in Oslo and Akershus.

At year-end, the bank group had deposited securities with a fair value of NOK 880 million as collateral for drawing rights to overnight loans and F-loans in Norges Bank. In addition, there are deposited securities with a fair value of NOK 151 million to other credit institutions.

LIQUIDITY RISK

The proportion of long-term funding (more than 1 year) was over 100 per cent throughout 2016. The deposit-to-loan ratio showed a downward trend throughout 2016, and was 56 per cent at the end of the year. The bank attaches great importance to having a balanced funding structure in relation to the different maturities and issuing in different markets.

The liquidity coverage requirement (LCR) measures the size of the company's liquid assets, in relation to the net liquidity outflow 30 days in the future, given a stress situation in the money and capital markets. A minimum LCR with escalation has been introduced. From and including 31 December 2016, the bank group must comply with an LCR of 80 per cent. The requirement will be increased to 100 per cent from 31 December 2017. The bank has measured and reported its monthly LCR figures to the Financial Supervisory Authority of Norway over the past year and is within the applicable requirement. The bank group's LCR was 183 per cent at the end of the year.

Due to the cost programme, Storebrand has ended its involvement with Moody's Investors Service. In the future, the Storebrand companies will only pay for credit ratings from Standard & Poor's Rating Services.

MARKET RISK

The bank group's aggregate market risk through interest rate and exchange rate exposure and the maximum risk of loss on its liquidity portfolio are restricted through low exposure limits and there is no active investment strategy for shares.

OPERATIONAL RISK

The bank group manages operational risk by focusing on establishing good work and control routines. It also works systematically to create the right attitude among the bank group's employees. The most important measures to reduce operational risk are systematic risk reviews carried out at least every six months on all of the bank group's activities, and also when starting projects or with special events. The last risk review was performed in autumn 2016.

Among other things, the bank group's IT systems are vital for product establishment, credit approval, portfolio follow-up and accounting. Errors and disruptions can have consequences for operations and impact on customer trust. In the worst case, abnormal situations may result in penalties from supervisory authorities. Operations of the IT systems are outsourced to a considerable extent. The bank's system platform is based on purchased standard systems that are operated and monitored through service agreements. A lateral management model has been established with close supplier follow-up and internal control activities to reduce the risk associated with the development, management and operation of the IT systems and information security.

COMPLIANCE RISK

The risk of incurring public sanctions or financial losses due to failure to comply with external and internal regulations is defined as the bank group's compliance risk. Storebrand Bank ASA is particularly focused on the risk relating to compliance and implementation of changes in the current legislation regarding capital adequacy, liquidity management and the application of international accounting standards.

LEGAL DISPUTES

In 2016, Storebrand Bank ASA reported seven cases to the police. Four of these concerned falsifying documents and the others involved ID theft or fraud.

The bank received four complaints relating to contract establishment/termination. Of these, one was reported to the Financial Complaints Board, but was dismissed due to expiry of the limitation period, while another was dismissed by the Conciliation Board. All cases are now closed and no compensation was paid.

In 2016, Storebrand Bank ASA received 12 new complaints from customers who had invested in the Storebrand Private Investor product during the period from 2005 to 2008. The complaints referred to both the advice and product. Union Corporate ASA was the arranger of the product. The bank has not accepted the complaints nor agreed to any settlement. One of the cases was appealed to the Financial Complaints Board, but the Board did not find in favour of the customer. The principal reason was expiry of the limitation period. No legal proceedings were instituted or threatened against the bank in connection with claims concerning investments in this product in 2016.

CAPITAL MANAGEMENT

CAPITAL ADEQUACY

The bank group had net primary capital of NOK 2.4 billion (NOK 2.6 billion) at the end of 2016. The capital adequacy ratio was 17.7 per cent and the pure core capital ratio was 14.0 per cent, compared to 17.1 per cent and 13.8 per cent respectively at the end of 2015. The bank group has adapted to the new capital requirements and aims to comply with the applicable buffer capital requirements at any given time. The company has satisfactory financial strength and liquidity based on its operations. The bank group, parent bank and home mortgage company all satisfy the current statutory requirements.

Due to the discontinuation of the corporate market, the bank will not enter into new projects, grant new loans or otherwise acquire new corporate market customers.

PERSONNEL, ORGANISATION, CORPORATE BODIES AND THE ENVIRONMENT

SUSTAINABILITY - A FUTURE TO LOOK FORWARD TO

The Storebrand Group has worked on sustainability in a systematic and goal-oriented manner for almost 20 years. Our sustainability work originated in asset management, where sustainability is currently part of the fundamental pillar of Storebrand's investment strategy.

During 2016 we established our driving force. Our driving force is what Storebrand stands for We create security today and a future you can look forward to. Our objective describes what we work towards every day: a safe, sustainable future with financial freedom to experience what you want to experience. We shall ensure that our customers have a future they can look forward to. We shall do this by thinking long-term, demonstrating that this together with sustainability is the way forward and always putting the needs of the customers first.
Storebrand bases its work on sustainability and sustainable investments on global standards for environmental and human rights. We also support UN conventions and guidelines and have signed the UN Principles for Responsible Investment (PRI) and the UN Principles for Sustainable Insurance (PSI).

Sustainability is integrated into everything we do and is based on 10 clear guidelines for the Group. The Group has published environmental reports since 1995 and sustainability reports since 1999 and these are now an integrated part of the annual report of Storebrand ASA. The reports follow the GRI 4 guidelines for reporting.

ETHICS AND TRUST

Trust is the lifeblood of Storebrand. The company sets strict requirements concerning high ethical standards for the Group's employees.
Storebrand also has ethical rules, which are an important tool in our daily operations, and are followed up every year through training and monitoring. Management teams at all levels of the Group discuss ethical dilemmas and review the rules at least annually. The Group's rules relating to anti-corruption, notification and work against internal fraud are included in the ethical rules and apply to all employees and consultants that work for Storebrand.

THE ENVIRONMENT

The company makes a focused effort to reduce the impact of its business activities on the environment, through their own operations, investments, purchasing and property management. The emissions that we nevertheless have, through travel and the consumption of energy, are compensated for through purchasing verified emission allowances. The Storebrand Group places strict environmental demands on its suppliers and companies in which it invests. The company's head office is a low-emission building that uses renewable energy sources like solar energy and district heating. The building is also Eco-Lighthouse certified.

Human resources and organisation
The bank group and Storebrand Bank ASA had 110 full-time equivalents at the end of the year, compared with 102 at the beginning of the year. Gender distribution is 55 per cent men and 45 per cent women. The average age of our employees is 42. The average term of service is 11 years.

DIVERSITY

Storebrand makes a focused effort to strengthen the development and have an even distribution of women and men in all areas and at all levels in the company. In 2016, 50 per cent of the company's Board members were women. At the end of the year, 38 per cent of the employees with managerial responsibility in the company were women.

The company has increased its cultural diversity along the same lines as society in general. The company seeks to ensure equal treatment and opportunities for all the internal and external recruitment and development processes. The head office is a universal design building.

COMPETENCE

A high level of skill is one of Storebrand's most important factors for success, and it forms the foundation for renewed growth. At Storebrand, skills are synonymous with the ability that each individual employee has to perform and manage certain tasks and situations. This ability is based on knowledge and experience, skills, motivation and personality.

At Storebrand, all of the employees should have an opportunity to develop in step with the company's needs. In 2016, the company has focused on the fact that the greatest and most important part of skills development takes place through facilitating development as part of the everyday work. Skills development should take place be assigning challenging tasks to employees in their positions, and that they are allowed to develop themselves for new requirements and tasks.

WORKING ENVIRONMENT AND ABSENCE DUE TO ILLNESS

Storebrand has worked systematically to prevent absence due to illness for several years, and it has placed health and satisfaction high on its agenda. The company had absence due to illness of 4.3 per cent in 2016, which is a decrease of 1.2 percentage points over the previous year. The company has been an "inclusive workplace (IA)" company since 2002, and the managers have over the years built up good routines for following up sick employees. All managers must complete a mandatory HSE course, in which part of the training involves following up illnesses. Storebrand has its own health clinic to reduce absence due to illness. Employees can exercise in the spinning room, weights room and in a separate sports hall during working hours. The company sports association is responsible for activities in the hall.

No personal injuries, property damage or accidents were reported in the company in 2016.

CORPORATE GOVERNANCE

The bank group's systems for internal control and risk management linked to the accounting process adhere to Storebrand Group guidelines. The Board decides upon the guidelines annually. In addition, the bank group purchases all bookkeeping and financial reporting services from Storebrand Livsforsikring AS through service contracts.

The management and Board of Storebrand ASA consider the principles for corporate governance every year. Storebrand ASA established principles for corporate governance in 1998. In accordance with Section 3-3b of the Accounting Act and the Norwegian recommendation for corporate governance (most recently revised on 30 October 2014), Storebrand presents a report on its principles and practices for corporate governance. For a more detailed report on Storebrand's corporate governance in accordance with Section 3-3b of the Accounting Act, see the specific article on this in the Storebrand Group's annual report for 2016.

The bank group publishes four interim financial statements, in addition to the ordinary annual financial statements. The financial statements must satisfy legal and regulatory requirements and be prepared in accordance with the adopted accounting policies and published according to the schedule adopted by the Board of Storebrand ASA. The bank's accounts are prepared by the Group Accounts department of Storebrand Livsforsikring AS, which is under the Storebrand Group's CFO. Key managers in Group Accounts have a fixed annual remuneration that is not affected by the group's financial results. A series of risk assessment and control measures have been established in connection with the preparation of the financial statements. Internal meetings are held, as well as meetings in which external auditors participate, to identify risk conditions and measures in connection with significant accounting items or other circumstances. Corresponding quarterly meetings are also held with various professional centres in the group that are key to the assessment and valuation of lending and financial instruments, as well as other items for assessment. These meetings have a particular focus on any market changes, specific conditions relating to default trends, individual loans and investments, transactions and operational conditions etc. Assessments relating to significant accounting items and any changes in principles etc. are described in a separate document (assessment item memo). The external auditor participates in board meetings that deal with the quarterly accounts and annual accounts, as well as in meetings of the audit committee of Storebrand ASA. Monthly and quarterly operating reports are prepared in which the results per business area and product area are analysed and assessed against set budgets. The operating reports are reconciled against other financial reporting. Otherwise, continuous reconciliation of specialist systems, etc. takes place against the accounting system.

The work of the Board is regulated by special rules of procedure for the Board. The Board of Storebrand ASA has also adopted an executive "Steering Document for Management and Control in the Storebrand Group" and a set of instructions for the Boards of subsidiary companies. These documents describe how guidelines, plans and strategies adopted by the Group's Board of Directors are expected to be followed, as well as how risk management and control is to be performed in the Group. The Board of Storebrand ASA has three advisory sub-committees that are common to the Storebrand Group: The Compensation Committee, Audit Committee and Risk Committee.

The bank has no provisions in the Articles of Association or authorities that enable the Board to decide that the company may buy back or issue its own shares or capital certificates.

CHANGES IN THE COMPOSITION OF THE BOARD

At the Extraordinary General Meeting on 18 April 2016, Odd Arild Grefstad was elected as Chairman of the Board and Hege Hodnesdal was elected as an ordinary board member. Heidi Skaaret and Geir Holmgren left the Board. Faisal Khan also replaced Nils Robert Hodnesdal as an alternate board member. At the Extraordinary General Meeting on 2 November 2016, Geir Holmgren was reelected to the Board and replaced Hege Hodnesdal. Vivi Gevelt was also elected as a new board member. There have otherwise not been any other changes to the composition of the Board.

CONTROL COMMITTEE AND BOARD OF REPRESENTATIVES DISBANDED

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

SOCIAL RESPONSIBILITY

Reference is made to the detailed description regarding sustainability, included in the 2016 annual report of the Storebrand Group.

GOING CONCERN

The Board confirms that the prerequisites for the going concern assumption exist and accordingly the annual report has been prepared based on the going concern principle.

EVENTS AFTER THE BALANCE SHEET DATE

During the normal course of its business, the Storebrand Bank Group is involved in legal proceedings and disputes. The Board is not aware of any events of material importance to the annual and Group financial statements that have occurred since the balance sheet date.

STOREBRAND BANK ASA

The annual profit for the parent bank Storebrand Bank ASA was NOK 174 million (NOK 8 million) in 2016. Net interest income for Storebrand Bank ASA was NOK 255 million (NOK 208 million) in 2016. NOK 17 million (NOK 44 million) was expensed for write-downs on loans for the year.

The parent bank had total assets of NOK 21.6 billion at year-end. Gross lending in the parent bank amounted to NOK 14.0 billion (NOK 15.1 billion). Equity in the parent bank at the end of the year amounted to NOK 2.1 billion (NOK 2.3 billion). The net capital base at year-end after giving group contributions amounted to NOK 2.3 billion (NOK 2.5 billion). The company's capital adequacy was 21.4 per cent (20.0 per cent) and the pure core capital adequacy was 16.8 per cent (16.0 per cent).

The bank group's activities, with the exception of activities in Storebrand Boligkreditt AS, are run by the parent bank. Part of the bank group's retail market business area is in Storebrand Boligkreditt AS. Storebrand Bank ASA's corporate market portfolio is being wound up and the increased proportion of retail market loans reduces net interest income as a percentage of average total assets, including for the parent bank. The description of profit and balance sheet trends for the bank group thus also covers the parent bank.

ALLOCATION OF PROFIT

Storebrand Bank ASA (the parent bank) achieved an annual profit for 2016 of NOK 173.8 million.

The Board proposes that a group contribution of NOK 339.0 million, of which the group contribution with tax effect is NOK 120.9 million (NOK 90.7 million after tax) be paid to Storebrand ASA. The Board considers the bank group and Storebrand Bank ASA's capital situation to be good given the risk profile and proposes the following allocation of the profit for the year to the bank's general meeting:

(NOK million)	
Group contribution paid after tax	-339.0
Transferred from other equity	165.2
Total allocations	**-173.8**

Storebrand Bank ASA provides group contributions to subsidiaries of NOK 4.4 million with tax effect (NOK 3.3 million after tax) and NOK 125 million without tax effect.

STRATEGY AND OUTLOOK FOR 2017

In 2017, the Storebrand Bank group will continue to work on improving the business' profitability, combined with growth within strategic segments in the retail market. The development in the housing market in different parts of the country will be closely monitored. The bank will also prioritise maintaining a moderate to low risk profile with a good balance sheet and good funding composition.

In the retail market, the bank will continue to work on developing attractive products and digital services that support Storebrand's focus on sustainability. Improving competitiveness through better efficiency is a priority and the bank shall continue to reduce costs and increase the degree of automation in customer and work processes. The cooperative agreement that was entered into with Cognizant in 2015 will also be of key importance to the improvement efforts in 2017.

Due to the discontinuation of the corporate market, the bank will not enter into new projects, grant new loans or otherwise acquire new corporate market customers.

Sound management of the bank's credit and liquidity risk, and control of the operational risk in key work processes will also be a vital focus in 2017. The bank will continue to closely monitor developments in non-performing loans and loan losses. Developments in the Norwegian and international capital markets, interest rates, unemployment and the property market, particularly in Oslo, are regarded as the key risk factors that can affect the results of the Storebrand Bank group in 2017.

Lysaker, 7 February 2017
The Board of Directors of Storebrand Bank ASA

Translation – not to be signed

Odd Arild Grefstad
Chairman of the Board

Geir Holmgren
Deputy Chairman

Leif Helmich Pedersen
Board Member

Inger Roll-Matthiesen
Board Member

Vivi Gevelt
Board Member

Maria Skotnes
Board Member

Bernt H. Uppstad
CEO

Notes to the account Storebrand Bank Group

Storebrand Bank Group

Profit and loss account
1 January - 31 December

(NOK million)	Note	2016	2015
Interest income		765.9	948.8
Interest expense		-393.3	-571.6
Net interest income	10	**372.7**	**377.3**
Fee and commission income from banking services		63.6	52.0
Fee and commission expense for banking services		-15.2	-11.4
Net fee and commission income	11	**48.5**	**40.6**
Net gains on financial instruments	10	86.9	-26.0
Other income		-3.5	5.6
Total other operating income		**83.4**	**-20.4**
Staff expenses	13, 14	-96.8	-117.2
General administration expenses	13	-48.5	-50.7
Other operating costs	12, 13, 26, 27	-139.4	-98.7
Total operating costs		**-284.7**	**-266.6**
Operating profit before loan losses		**219.8**	**130.9**
Loan losses for the period	15	-17.2	-45.4
Profit before tax		**202.7**	**85.5**
Tax	16	-45.0	-26.0
Result after tax sold/discontinued operations		0.5	-0.5
Profit for the year		**158.1**	**59.0**
Profit for the year is attributable to:			
Portion attribuable to shareholders		147.2	50.4
Portion attribuable to additional Tier 1 capital holders		11.0	8.6
Profit for the year		**158.1**	**59.0**

Statement of comprehensive income

(NOK million)	Note	2016	2015
Profit for the year		158.1	59.0
Other result elements not to be classified to profit/loss			
Pension experience adjustments	14	-6.6	-10.1
Tax on pension experience adjustments	16	1.7	2.9
Total other result elements not to be classified to profit/loss		**-5.0**	**-7.2**
Other result elements that may be classified to profit/loss			
Unrealised gain/loss financial instruments available for sale		-2.8	9.0
Total other result elements that may be classified to profit/loss		**-2.8**	**9.0**
Total comprehensive income		**150.4**	**60.7**
Total comprehensive income for the period is attributable to:			
Portion attributable to shareholders		139.4	52.1
Portion attributable to additional Tier 1 capital holder		11.0	8.6
Total comprehensive income		**150.4**	**60.7**

Storebrand Bank Group

Statement of financial position - balance sheet
31 December

ASSETS

(NOK million)	Note	2016	2015
Cash and deposits with central banks	4, 17	464.5	188.6
Loans to and deposits with credit institutions	4, 8, 17, 18	272.0	122.9
Financial assets designated at fair value through the profit and loss account:			
Equity instruments	8, 17	15.5	10.6
Bonds and other fixed-income securities	4, 8, 17, 19, 21	3 431.9	2 653.5
Derivatives	4, 5, 8, 17, 22	254.1	423.0
Bonds at amortised cost	4, 8, 17, 20	530.6	780.7
Other current assets	17	30.5	48.3
Gross lending, amortised cost	4, 8, 17, 24	25 375.0	28 135.9
Gross lendnig, FVO	4, 8, 17, 24	1 958.5	1 214.8
Loan loss provisions	4, 8, 17, 25	-65.7	-88.6
Net lending to customers	4, 8, 17, 24	27 267.8	29 262.1
Tangible assets	27	1.0	2.0
Intangible assets and goodwill	26	80.1	88.5
Deferred tax assets	16	24.0	33.3
Assets sold/discontinued operations		0.8	
Total assets		**32 373.0**	**33 613.7**

Storebrand Bank Group
Statement of financial position - balance sheet
31 December

LIABILITIES AND EQUITY

(NOK million)	Note	2016	2015
Liabilities to credit institutions	5, 8, 17	407.2	415.7
Deposits from and due to customers	5, 17, 28	15 238.4	17 824.7
Other financial liabilities:			
Derivatives	5, 8, 17, 22	208.3	331.3
Commercial papers and bonds issued	5, 8, 17	13 521.0	12 214.2
Other liabilities	5, 17, 31	153.7	113.4
Liabilities sold/discontinued operations			
Provision for accrued expenses and liabilities	30	7.3	8.2
Pension liabilities	14	13.6	25.3
Subordinated loan capital	5, 8, 17	277.2	277.0
Total liabilities		**29 826.6**	**31 209.6**
Share capital		960.6	960.6
Share premium		156.0	156.0
Other paid-in share capital		474.4	400.3
Retained earnings		729.4	661.3
Additional Tier 1 capital		226.0	226.0
Total equity	**34**	**2 546.3**	**2 404.2**
Total liabilities and equity		**32 373.0**	**33 613.7**

Lysaker, 7 February 2017
The Board of Directors of Storebrand Bank ASA

Translation - not to be signed

Odd Arild Grefstad
Chairman of the Board

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Board Member

Maria Skotnes
Board Member

Bernt H. Uppstad
CEO

Storebrand Bank Group
Statement of changes in equity

(NOK million)	Paid-in equity: Share capital	Share premium	Other paid-in equity	Total paid-in equity	Other equity: Other equity	Total retained earnings	Additional Tier 1 capital	Total equity
Equity at 31.12.2014	960.6	156.0	400.3	1 516.8	1 009.9	1 009.9	0.0	2 526.7
Profit for the period					50.4	50.4	8.6	59.0
Pension experience adjustments (see note 15)					-7.2	-7.2		-7.2
Total other result elements not to be classified to profit/loss	**0.0**	**0.0**	**0.0**	**0.0**	**-7.2**	**-7.2**	**0.0**	**-7.2**
Unrealised gain/loss financial instruments available for sale					9.0	9.0		9.0
Total other result elements that may be classified to profit/loss	**0.0**	**0.0**	**0.0**	**0.0**	**9.0**	**9.0**	**0.0**	**9.0**
Total comprehensive income for the period	**0.0**	**0.0**	**0.0**	**0.0**	**52.1**	**52.1**	**8.6**	**60.7**
Equity transactions with owners:								
Additional Tier 1 capital classified as equity					1.5	1.5	226.0	227.5
Payment to additional Tier 1 holders							-8.6	
Group contribution paid					-402.2	-402.2		-402.2
Equity at 31.12.2015	**960.6**	**156.0**	**400.3**	**1 516.8**	**661.3**	**661.3**	**226.0**	**2 404.2**
Profit for the period					147.2	147.2	11.0	158.1
Pension experience adjustments (see note 15)					-5.0	-5.0		-5.0
Total other result elements not to be classified to profit/loss	**0.0**	**0.0**	**0.0**	**0.0**	**-5.0**	**-5.0**	**0.0**	**-5.0**
Unrealised gain/loss financial instruments available for sale					-2.8	-2.8		-2.8
Total other result elements that may be classified to profit/loss	**0.0**	**0.0**	**0.0**	**0.0**	**-2.8**	**-2.8**	**0.0**	**-2.8**
Total comprehensive income for the period	**0.0**	**0.0**	**0.0**	**0.0**	**139.4**	**139.4**	**11.0**	**150.4**
Equity transactions with owners:								
Additional Tier 1 capital classified as equity					2.7	2.7		2.7
Payment to additional Tier 1 holders							-11.0	
Group contribution received			74.1	74.1				74.1
Group contribution paid					-74.1	-74.1		-74.1
Equity at 31.12.2016	**960.6**	**156.0**	**474.4**	**1 590.9**	**729.4**	**729.4**	**226.0**	**2 546.3**

The equity changes with the result for the individual period, equity transactions with the owners and items that are entered directly to total comprehensive income. Share capital, the share premium reserve and other equity is evaluated and managed together. The share premium and other equity may be used in accordance with the provisions of the Public Limited Liabilities Company Act.

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

Storebrand Bank ASA is a financial group subject to statutory requirements regarding primary capital under the capital adequacy regulations. Primary capital encompasses both equity and subordinated loan capital. For Storebrand Bank ASA, these legal requirements are most important in its capital management.
For further information on the group's fulfilment of the capital requirements, see note 34.

Storebrand Bank Group
Statement of cash flow
1 January - 31 December

(NOK million)	Note	2016	2015
Cash flow from operations			
Receipts of interest, commissions and fees from customers		835.5	972.1
Payments of interest, commissions and fees to customers		-135.5	-314.9
Net disbursement/payments on customer loans		1 986.8	-853.6
Net receipts/payments of deposits from banking customers		-2 586.3	-1 533.4
Net receipts/payments - securities		1 205.9	1 544.5
Net receipts/payments - real estate at fair value			6.6
Payments of operating costs		-331.6	-302.7
Net receipts/payments on other operating activities		-0.2	0.5
Net cash flow from operating activities		**974.6**	**-481.0**
Cash flow from investment activities			
Net payments on purchase/sale of fixed assets etc.	26, 27	-15.7	-4.6
Net cash flow from investment activities		**-15.7**	**-4.6**
Cash flow from financing activities			
Payments - repayments of loans and issuing of bond debt		-3 902.5	-2 091.8
Receipts - new loans and issuing of bond debt		3 698.6	2 900.0
Payments - interest on loans		-272.1	-280.4
Payments - repayments of subordinated loan capital			-32.6
Payments - interest on subordinated loan capital		-10.8	-13.9
Payments - interest on additional Tier 1 capital		-11.0	-8.6
Net receipts/payments of liabilities to credit institutions		-8.6	396.5
Receipts - group contribution		74.1	
Payments - group contribution		-101.5	-460.0
Net cash flow from financing activities		**-533.8**	**409.0**
Net cash flow in the period		**425.1**	**-76.6**
Net cash flow in the period		425.1	-76.6
Cash and bank deposits at the start of the period for sold companies		311.5	388.1
Cash and bank deposits at the end of the period		**736.6**	**311.5**
Cash and deposits with central banks		464.5	188.6
Loans to and deposits with credit institutions	18	272.0	122.9
Total cash and bank deposits in the balance sheet		**736.6**	**311.5**

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

OPERATIONAL ACTIVITIES
A substantial part of the activities in a financial group will be classified as operational.

INVESTMENT ACTIVITIES
Includes cash flows for holdings in group companies and tangible fixed assets.

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

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

Notes
Storebrand Bank Group

Note 1 - Company information and accounting policies

1. COMPANY INFORMATION

Storebrand Bank AS is a Norwegian public limited company with bonds listed on the Oslo Stock Exchange. The consolidated financial statements for 2016 were approved by the Board of Directors on 7 February 2017.

Storebrand Bank ASA is a web-based bank that offers traditional bank products to the Norwegian market. The bank's main target group is persons who have an occupational pension with Storebrand. These customers are also members of the Group's loyalty programme, Storebrand Fordel. The bank's offerings are also integrated with the Group's loyalty programme. Storebrand Bank ASA comprises the business areas of Corporate Market, Retail Market and Treasury. Storebrand Bank ASA is headquartered at Professor Kohts vei 9, Lysaker.

2. BASIS FOR PREPARATION OF THE FINANCIAL STATEMENTS

The accounting policies applied in the consolidated financial statements are described below. The policies are applied consistently to similar transactions and to other events involving similar circumstances.

Storebrand Bank ASA's consolidated financial statements are presented using EU-approved International Financial Reporting Standards (IFRS) and related interpretations, as well as other Norwegian disclosure requirements laid down in legislation and regulations.

USE OF ESTIMATES IN PREPARING THE ANNUAL FINANCIAL STATEMENTS.
The preparation of the annual financial statements in accordance with IFRS requires the management to make judgements, estimates and assumptions that affect assets, liabilities, revenue, expenses, the notes to the financial statements and information on potential liabilities. Actual amounts may differ from these estimates. See Note 2 for further information.

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

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

The accounting policies are described in more detail below

4. CHANGES IN ACCOUNTING POLICIES

New accounting standards that have a significant impact on the consolidated financial statements have not been implemented in 2016.

No new accounting standards that will have a significant impact on Storebrand's consolidated financial statements are expected to be implemented in 2017.

NEW STANDARDS AND CHANGES IN STANDARDS THAT HAVE NOT COME INTO EFFECT
IFRS9
An important standard for the company will be IFRS9 Financial Instruments, that will replace IAS39 with effect from 1 January 2018. Among other things, IFRS9 deals with classification and measurement of financial instruments (use of fair value and amortised cost), and rules for writing down financial instruments.

IFRS9 involves rules for classification based on the business model, altered hedge accounting requirements and rules for write-downs of financial assets that result in losses being recorded earlier than under IAS39. Under IAS39, impairment losses will be entered when there are objective criteria for an actual loss having taken place, while under IFRS9, the probability of loss (expected loss) must be calculated based on the elements relating to the financial instrument and elements relating to more general macroeconomic factors

Storebrand is working on adapting models and IT systems to IFRS9. It is expected that impairment losses on loans will increase due to the implementation of the standard.

IFRS15
The standard for revenue from contracts with customers enters into force on 1 January 2018. Storebrand does not expect this standard to have any major effect on the company's financial statements.

5. CONSOLIDATION

The consolidated financial statements combine Storebrand Bank ASA and companies where Storebrand Bank ASA has a controlling interest. A controlling influence is normally achieved when the Group owns, either directly or indirectly, more than 50 per cent of the shares in the company and the Group is in a position to exercise actual control over the company. Minority interests are included in the Group's equity.

Storebrand Boligkreditt AS, Ring Eiendomsmegling AS, Bjørndalen Panorama AS and MPV 7 Holding AS are subsidiaries that are owned directly by Storebrand Bank ASA.

ELIMINATION OF INTERNAL TRANSACTIONS

Internal receivables and payables, internal gains and losses, interest, dividends and similar between companies in the Group are eliminated in the consolidated financial statements. This also includes Storebrand Bank ASA's investments in covered bonds issued by Storebrand Boligkreditt AS.

6. BUSINESS COMBINATIONS

The acquisition method is applied when accounting for acquisition of businesses. The consideration is measured at fair value. The direct acquisition expenses are recognised when they arise, when the exception of expenses related to raising debt or equity (new issues).

When making investments, a decision is made as to whether the purchase constitutes acquisition of a business pursuant to IFRS 3. When such acquisitions are not regarded as an acquisition of a business, the acquisition method pursuant to IFRS 3 Business Combinations is not applied, and a provision is not set aside for deferred tax as would have occurred in a business combination.

7. INCOME RECOGNITION

INTEREST INCOME – BANKING

Interest income related to loans and bonds is recognised in the income statement using the effective interest method.

INCOME FROM FINANCIAL ASSETS

Income from properties and financial assets is described in Section 9.

OTHER INCOME

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

8. GOODWILL AND INTANGIBLE ASSETS

Excess value when acquiring a business that cannot be directly attributed to assets or liabilities on the date of the acquisition is classified as goodwill on the statement of financial position. Goodwill is valued at acquisition cost on the date of the acquisition. Goodwill arising from the acquisition of subsidiaries is classified as an intangible asset.

Goodwill is not amortised, instead it is tested for impairment. Goodwill is reviewed for impairment if there are indications that its value has become impaired. The review is conducted at least annually and determines the recoverable amount of goodwill.

If the discounted present value of the pertinent future cash flows is less than the carrying value, goodwill will be written down to its fair value. The write-down of goodwill will not be reversed even if information is available in subsequent periods indicating that there is no longer any need for the write-down or the write-down need is no longer so great. For subsequent testing of the need to write down goodwill, this will be allocated to the relevant cash flow generating units that are expected to benefit from the acquisition. Cash flow generating units are identified in accordance with the operating segments.

Goodwill arising from the acquisition of interests in associated companies is included in investments in associated companies, and is tested for impairment as part of the book value of the write-down.

Intangible assets with limited useful economic lives are measured at the acquisition cost less accumulated amortisation and any write-downs. The useful life and amortisation method are measured each year. If new intangible assets are carried, it must be possible to prove that it is likely that future economic benefits that can be attributed to the asset will pass to the group. In addition, the must be possible to estimate the cost price of the asset reliably. The write-down needs will be assessed if there are indications of an impairment in value, and the write-down of intangible assets and reversal of write-downs will otherwise be handled in the same manner as described for tangible fixed assets.

Intangible assets with unlimited useful economic lives are not amortised, but are tested for impairment annually or whenever there are indications that the value has been impaired.

9. FINANCIAL INSTRUMENTS

9-1. GENERAL POLICIES AND DEFINITIONS

Recognition and derecognition

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

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

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

Definition of amortised cost

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

Definition of fair value

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

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

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

IMPAIRMENT OF DOUBTFUL FINANCIAL ASSETS

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

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

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

9-2. CLASSIFICATION AND MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES

Financial assets are classified into one of the following categories:

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

Held for trading

A financial asset is classified as held for trading if:

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

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

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

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

A significant proportion of Storebrand's financial instruments are classified in the category fair value through profit or loss because:

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

The accounting is the same for the group held for trading (the instruments are assessed at the fair value and changes in value are listed on the income statement).

Loans and receivables

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

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

Loans and receivables that are designated as hedged items are subject to measurement under the hedge accounting requirements.

9-3. DERIVATIVES

Definition of a derivative

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

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

Accounting treatment of derivatives that are not hedging

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

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

9-4. HEDGE ACCOUNTING

Fair value hedging

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

9-5. FINANCIAL LIABILITIES

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

10. PENSION LIABILITIES FOR OWN EMPLOYEES

In Storebrand Bank ASA, the pension scheme from 1 January 2015 changed from a defined benefit to a defined contribution scheme. The scheme is recognised in accordance with IAS 19. The effect of this change was recognised in the accounts as at 31 December 2014. Storebrand participates in the Norwegian AFP scheme (collective agreement pension). The Norwegian AFP scheme is regarded as a defined-benefit scheme, but there is insufficient quantitative information to be able to estimate reliable liabilities and costs for accounting purposes. In connection with new rules for disability pensions in the Norwegian Occupational Pensions Act, Storebrand has altered the disability pension scheme for own employees in Norway in 2016.

10-1. DEFINED BENEFIT SCHEME

Pension costs and pension liabilities for defined benefit pension schemes are determined using a linear accrual formula and expected final salary as the basis for the entitlements, based on assumptions about the discount rate, future salary increases, pensions and National Insurance benefits, future returns on pension plan assets as well as actuarial estimates of mortality, disability and voluntary early leavers. The net pension cost for the period comprises the total of the accrued future pension entitlements during the period, the interest cost on the calculated pension liability and the expected return on pension plan assets.

Actuarial gains and losses and the effects of changes in assumptions are recognised in total comprehensive income in the income statement for the period in which they occur. Storebrand Bank ASA has insured and uninsured pension schemes. The insured scheme in Norway is managed by Storebrand Livsforsikring AS. Employees who resign before reaching retirement age or leave the scheme will be issued ordinary paid-up policies.

10-2. DEFINED-CONTRIBUTION SCHEME

The defined contribution pension scheme involves the Group in paying an annual contribution to the employees' collective pension savings. The future pension will depend on the size of the contribution and the annual return on the pension savings. The Group does not have any further obligation related to work performed after the annual contribution has been paid. There are no provisions for accrued pension liabilities in such schemes. Defined-contribution pension schemes are recognised directly in the financial statements.

11. TANGIBLE FIXED ASSETS AND INTANGIBLE ASSETS

The Group's tangible fixed assets and intangible assets comprise equipment, fixtures and fittings and IT systems. Equipment, fixtures and fittings and IT systems are valued at acquisition cost less accumulated depreciation and any write-downs

The depreciation period and method are reviewed annually to ensure that the method and period being used both correspond to the useful economic life of the asset. This applies correspondingly to the disposal value. Properties are split into components if different parts have different useful economic lives. The depreciation period and method of depreciation are evaluated separately for each component.

The value of a tangible fixed asset is tested when there are indications that its value has been impaired. Any write-down is recognised in the income statement as the difference between the book value and the recoverable amount. The recoverable amount is the greater of the fair value less costs of sale and the value in use. On each reporting date a determination is made as to whether to reverse previous impairment losses on non-financial assets..

12. TAX

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

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

FINANCIAL TAX

In connection with the national budget for 2017, it was agreed to introduce a financial tax consisting of two elements:

- Financial tax on salaries. This is set at 5 per cent and will follow the rules for employer's National Insurance contributions.
- The tax rate on the ordinary income for companies subject to the financial tax will be continued at the 2016 level (25 per cent), while it will otherwise be reduced to 24 per cent.

The financial tax applies from and including the 2017 financial year.

The Storebrand Bank Group includes companies that are both subject to and not subject to the financial tax. Therefore, when capitalising deferred tax/deferred tax assets in the consolidated financial statements, the company tax rate that applies for the individual companies is used (24 or 25 per cent).

13. PROVISION FOR GROUP CONTRIBUTIONS AND DIVIDENDS

Pursuant to IAS 10, which deals with events after the balance sheet date, proposed dividends/group contributions are classified as equity until approved by the general meeting.

14. LEASING

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

15. STATEMENT OF CASH FLOWS

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

Note 2 - Critical accounting estimates and judgements

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

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

LOAN WRITE-DOWNS

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

INDIVIDUAL WRITE-DOWNS

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

GROUP WRITE-DOWNS

On the statement of financial position date, one estimates the impairment of commitments not identified by the individual assessments. The bank differentiates between the corporate market and retail customers, and further categorisation is carried out to ensure as similar risk characteristics as possible within the various categories. Group write-downs are carried out when objective impairment criteria have been met. These criteria are i) change in risk class and ii) change in macroeconomic conditions.

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

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

BONDS AT AMORTISED COST

See the description above concerning loans at amortised cost. The same assessments must be made to value bonds at amortised cost.

FINANCIAL INSTRUMENTS AT FAIR VALUE

There will be some uncertainty associated with the pricing of financial instruments not priced in an active market. This is particularly true of the types of securities priced on the basis of non-observable assumptions. Various valuation techniques are applied to these investments in order to determine the fair value. They include fixed-rate loans and other financial instruments where theoretical models are used for pricing Any changes to the assumptions could affect recognised amounts.

There will be uncertainty regarding the pricing of fixed-rate loans recognised at fair value, as there is a great variation in the interest rate terms offered by banks, while the demand for fixed-rate loans has declined. As a result, it has been more difficult to find observable conditions.

Reference is also made to Note 8 in which the valuation of financial instruments at fair value is described in more detail.

INTANGIBLE ASSETS

Intangible assets with undefined useful lives are tested annually for impairment. The test's valuation method requires estimating the cash flows that arise in the relevant cash flow generating unit, as well as applying the relevant discount rate. Tangible fixed assets and other intangible assets are measured annually to ensure that the method and time period used correspond with economic realities.

CONTINGENT LIABILITIES

Companies in the Storebrand Bank Group can be a party in legal disputes. Contingent liabilities are assessed in each case and will be based on legal considerations.

Note 3 - Risk management

Continuous monitoring and active risk management are core areas of the bank's activities and organisation. The basis of risk management follows from the board's annual discussion of the strategy and planning process and determination of general risk ceilings for the activities. At the Storebrand group, responsibility for risk management and internal control is an integral part of management responsibility.

Organisation of risk management
The Storebrand group's organisation of risk management responsibility follows a model based on 3 lines of defence. The objective of the model is to safeguard the responsibility for risk management at both company and Group level.

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

Managers at all levels in the company are responsible for risk management within their own area of responsibility. Good risk management requires targeted work on objectives, strategies and action plans, identification and assessment of risks, documentation of processes and routines, prioritisation and implementation of improvement measures, and good communication, information and reporting.

All employees must be familiar with the concept that awareness of risks and risk management are vital elements of the company's culture.

All managers in the bank and in group areas which delivers services to the bank, in addition to the CEO of Storebrand Boligkreditt AS, must submit an annual confirmation that documents how risk management has functioned during the period.

INDEPENDENT CONTROL FUNCTIONS

Storebrand Bank ASA has independent control functions for the company's risk management (Chief Risk Officer) and for compliance (Chief Compliance Officer) who are responsible directly to the CEO and report to the bank's board. In terms of function the independent control functions are affiliated with the Group CRO, who is responsible to the group CEO and reports to the board of Storebrand ASA.

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

Note 4 - Credit risk

Credit risk is the risk of loss if a counterparty does not fulfil its debt obligations. This risk includes losses on lending and losses related to bank deposits or failure of counterparties to perform under reinsurance agreements or financial derivatives.

RISK MANAGEMENT

The risk strategy reflects how much credit risk the bank group is willing to accept. The willingness to accept risk is adjusted to the bank's risk appetite and goals regarding risk profile, capital adequacy and growth. Credit policies establish general principles for granting credit. The bank group's procedures for credit management are set out in credit manuals for the Corporate and Retail Markets. The credit manuals are primarily designed for account managers and others who are involved in case management processes. The credit manuals contain common guidelines (or regulations) for the bank group's credit activities, and are intended to safeguard uniform and consistent credit management practices.

The risk strategy reflects how much credit risk the bank group is willing to accept. The willingness to accept risk is adjusted to the bank's risk appetite and goals regarding risk profile, capital adequacy and growth. Credit policies establish general principles for granting credit. The bank group's procedures for credit management are set out in credit manuals for the Corporate and Retail Markets. The credit manuals are primarily designed for account managers and others who are involved in case management processes. The credit manuals contain common guidelines (or regulations) for the bank group's credit activities, and are intended to safeguard uniform and consistent credit management practices.

The credit manuals and adopted routines provide specific criteria for monitoring non-performance, loan covenants, loss assessments and the annual loan review. Furthermore, the models ensure uniform portfolio risk assessment classifications and reporting on risk development. Specialised functions have been established for deposits, loan establishment and administration of the customer portfolio. Credit is granted in accordance with an authorisation structure determined by the board.

Treasury has the credit risk for its counterparties in the investment portfolio. Permitted counterparties and the composition of the portfolio are set out in the bank's counterparty risk policy.

Counterparty risk in connection with the trading of financial derivatives with customers as the counterparty is included in credit risk, and is governed following a dedicated policy, based on the rating and size of the management portfolio. Customer derivatives trades are hedged using derivatives. Financial derivatives permitted by the bank are outlined in the interest rate risk policy.

RISK CONTROL

The most important control of credit risk is carried out and administered by the credit manager, who has ongoing responsibility for making sure that established procedures in the credit areas comply with the adopted risk profile and that they are adhered to on a day-to-day basis.

Exposure relating to trade in financial derivatives for customers is monitored by Back Office. Price development is monitored in respect of the customer's situation, cleared lines and breach clauses. The Middle Office conducts running spot checks with regard to this.
Trades with counterparties made by Treasury are checked by the Middle Office in accordance with dedicated procedures and work descriptions.

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

ANALYSIS OF CREDIT RISK BY TYPE OF FINANCIAL INSTRUMENT

The maximum credit exposure is the sum of gross loans, guarantees, amounts drawn from credit lines and undrawn amounts of credit lines. Maximum credit exposure has been reduced from the end of 2015 mainly due to an increase in the liquidity portfolio and loans to and deposits with credit institution and central bank and a decrease in commitments with customers.

	Maximum credit exposure	
(NOK million)	2016	2015
Liquidity portfolio	3 964.6	3 435.2
Loans to and deposits with credit institutions and central bank	736.6	311.5
Total commitments customers *)	30 905.6	33 128.3
Interest rate swaps	254.1	423.0
Forward foreign exchange contracts		0.2
Total	**35 860.9**	**37 298.2**
*) Of which net loans to and amounts due from customers measured at fair value:	1 958.5	1 214.8

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

CREDIT RISK LIQUIDITY PORTFOLIO

INTEREST-BEARING SECURITIES AT FAIR VALUE
CREDIT RISK PER COUNTERPARTY

Short-term holdings of interest-bearing securities
Issuer category

(NOK million)	AAA Fair value	AA Fair value	A Fair value	BBB Fair value	NIG Fair value	Total 2016 Fair value	Total 2015 Fair value
Sovereign and Government Guaranteed bonds	424.2	100.0				524.2	219.2
Mortgage and asset backed bonds	2 857.4	50.4				2 907.7	2 237.8
Total	**3 281.6**	**150.3**				**3 431.9**	**2 457.0**

Rating classes are based on Standard & Poors.

Change in value:							
Total change in value on the balance sheet	-0.3	0.1				-0.2	-18.3
Change in vaule recognised in the profit and loss during period	17.7	0.3				18.0	-36.1

INTEREST-BEARING SECURITIES AT AMORTISED COST
CREDIT RISK PER COUNTERPARTY

Short-term holdings of interest-bearing securities
Issuer category

(NOK million)	AAA Fair value	AA Fair value	A Fair value	BBB Fair value	NIG Fair value	Total 2016 Fair value	Total 2015 Fair value
Public issuers and/or Government Guaranteed bonds	200.9					200.9	401.4
Mortgage and asset backed bonds	281.5				50.3	331.8	380.2
Total	**482.3**				**50.3**	**532.7**	**781.7**

Rating classes are based on Standard & Poors.

CREDIT RISK ON LOANS TO AND DEPOSITS WITH CREDIT INSTITUTIONS AND CENTRAL BANK

CREDIT RISK PER COUNTERPARTY

(NOK million)	AAA Fair value	AA Fair value	A Fair value	BBB Fair value	NIG Fair value	Total 2016 Fair value	Total 2015 Fair value
Norway	464.5					464.5	188.6
Total deposits with central bank	**464.5**					**464.5**	**188.6**
Norway		141.2				141.2	71.6
Denmark			130.8			130.8	51.2
Total loans to and deposits with credit institutions		**141.2**	**130.8**			**272.0**	**122.9**
Total loans to and deposits with credit institutions and central bank	**464.5**	**141.2**	**130.8**			**736.6**	**311.5**

CREDIT EXPOSURE FOR LENDING ACTIVITIES

CORPORATE MARKET

Gross lending in the Corporate Market represents approximately NOK 1.6 billion. In addition, there are guarantees of approximately NOK 24 million. In addition, loans of nearly NOK 1.3 billion are under management, which are syndicated to Storebrand Livsforsikring AS.

As a result of group prioritizations regarding use of capital at Storebrand and a strategic assessment of the future direction of the Group, the Corporate Market segment at the bank is no longer prioritised as a core activity, and will be dismantled and eventually wound up.

In 2013, Storebrand Bank ASA adopted an internal model for classification of the bank's Corporate Market loans. The model estimates the probability of default (PD) of the loans. The portfolio of income-generating properties (IGE) and development properties consists of few customers and few defaults, and there is comprehensive and complex risk assessment of debtors. The PD model for the Corporate Market has accordingly been developed as an expert model, unlike the statistical model for the Retail Market.

The PD is set in two steps. First a PD score is calculated based on a risk assessment of the debtor and affiliated project that Storebrand Bank ASA finances for each debtor. The PD score is a number between 0 and 100. The PD score is then mapped over to the risk class and associated PD, where the bank's master scale is applied. The master scale consists of 11 risk classes from A to K, with A indicating the lowest default probability and K containing non-performing loans.

When assessing the quality of the security of the loans, numerical grades of 1 to 5 are applied, with 1 being the best.

Based on the Corporate Market expert model, about 96 per cent of loans are for IGE. The remaining loans are loans for different purposes or loans outside the area of validity of the model. The Corporate Market portfolio is generally secured on commercial property.

About 62 per cent of the portfolio relates to Group debtors with total loans of over NOK 200 million. The definition of a Group debtor is given in the regulations relating to large loans. 20 per cent of the portfolio relates to Group debtors with total loans under NOK 50 million. 18 per cent of the loans have been made to customers with consolidated exposure of between NOK 50 million and NOK 200 million. The bank has 4 group debtors (with 5 debtors in total) with total loans exceeding NOK 200 million, and 3 group debtors (with 4 debtors in total) with total borrowings of between NOK 50 million and NOK 200 million.

The bank's exposure is secured by pledged assets in Oslo, equivalent to almost 41 per cent. A further 38 per cent of the bank's exposure is secured by assets pledged in the area surrounding Oslo and the rest of Eastern Norway. The remaining loans are secured primarily in and around Rogaland County. Assets pledged are valued at their realisable values in addition to separate assessments based on return considerations.

At the end of 2016, approximately 74 per cent of the amount granted was linked to loans in risk classes A to D, while approximately 3 per cent was in risk classes G to J. The loans must be classified both on establishment and when there are changes in the loans. In addition, corporate market customers are to be reclassified annually or as necessary. The classifications thereby provide an overview of the risk exposure in the portfolio at all times. The bank measures the Corporate Market portfolio's distribution into risk classes on a quarterly basis.

Of loans that are not non-performing or in arrears, about 52 per cent of the loans have a loan to value ratio of under 80 per cent. Approximately 73 per cent of the loans have a loan to value ratio within 90 per cent. The remaining healthy loans have a loan to value ratio of under 100 per cent for the most part.

There are no loans/customers in default without impairment in value at the end of 2016.

For impaired non-performing loans, the write downs that have been made have taken into account that the pledged assets do not cover the value of the loans and other costs related to the non-performance. The losses that have been recorded are considered to be sufficient. The bank does not believe that new losses will be forthcoming from these customers at this time.

In the event of non-performance the bank will sell the securities or take over the assets if that is most appropriate. In the current portfolio, no properties have been taken over.

RETAIL MARKET

Retail customers are evaluated according to their capacity and intent to repay the loan. In addition to their capacity to service debt, the customers are checked regarding policy regulations and the customers are scored using a scoring model. For other retail market customers the overall loan to value ratio and debt servicing capability (as determined by the bank's credit policy for the segment) that apply to the portfolio is used as a basis. The securities for the portfolio are principally in properties for the retail market portfolio.

Storebrand Bank ASA has developed internal models for classifying home loans. The models estimate a loan's Probability of Default (PD), Loss Given

Default (LGD), and Exposure at Default (EAD). PD estimates are based on a logistical regression model where late payment notices, reminders, overdrafts and information about assets are key explanatory variables when predicting defaults. When estimating the LGD, the loan-to-value ratio is the most important explanatory variable. Mortgage loans are classified according to the bank's master scale, consisting of 11 risk classes from A to K, with A indicating the lowest default probability and K containing non-performing loans. The classification of home loans is automatically updated on a monthly basis. At the end of 2016, about 56 per cent of the EAD was linked to home loans in risk class A, while less than 3 per cent of the EAD was in risk classes G to J. The models must be validated at least once a year, with the models' accuracy compared to actual outcomes.

When arranging home loans Storebrand Bank ASA gathers information of significance to the value of the property. Each quarter the bank obtains an updated, independent valuation of residential properties from Eiendomsverdi AS. For homes where Eiendomsverdi AS does not have an up to date valuation (for example, certain housing cooperative apartments, owner-tenant apartments and some leisure properties) the last-updated market value is used until further notice. Where Eiendomsverdi AS cannot determine the market value of a property with a high degree of certainty, a "haircut" is used so as to reduce the risk of giving an inflated estimate of market value. If Eiendomsverdi AS has never received information regarding the property's market value, the value recorded at the time of entering into the contract (the deposit value) will be used. Loans like those mentioned here constitute just under 1 per cent of the total portfolio exposure.

In the retail market, most of the loans are secured by way of home mortgages. NOK 25.4 billion has been lent in home loans, with a further NOK 2.3 billion in undrawn credit facilities. Total commitments in housing are therefore about NOK 27.7 billion
The weighted average loan-to-value ratio is 56.2 per cent for home mortgage loans. Approximately 89 per cent of loans have a loan-to-value ratio lower than 80 per cent and approximately 98 per cent are lower than 90 per cent. Approximately 51 per cent of the home mortgage loans have a loan-to-value ratio within 60 per cent.
The portfolio is regarded as having a low to moderate credit risk in accordance with the bank's risk appetite.

There is largely good security on non-performing loans that are not impaired for retail market customers. The average loan to value ratio for these loans is 61 per cent. Housing loans that are part of the volume of non-performing loans total NOK 93 million. Approximately NOK 85 million of these loans have a loan-to-value ratio within 80 per cent. All home loans in default have a loan-to-value ratio lower than 100 per cent. The security is also good on home mortgages which are between 1 and 90 days past due. Assets pledged as collateral are sold in the retail market. They are not taken over by the bank.

In the credit card portfolio about NOK 201 million has been drawn, and approximately NOK 898 million is available as unused credit facilities. For credit accounts about NOK 66 million has been drawn, and approximately NOK 270 million is available as unused credit facilities.

COMMITMENTS PER CUSTOMER GROUP

		2016		
(NOK million)	Loans to and due from customers	Guarantees	Undrawn credit limits	Total commitments
Development of building projects	22.4	2.1		24.5
Sale and operation of real estate	974.0	21.4		995.3
Service providers	596.9		3.6	600.5
Wage-earners	25 644.4	0.1	3 522.0	29 166.4
Other	95.9		22.9	118.7
Total	27 333.5	23.6	3 548.5	30 905.6
Loan loss provisions on individual loans	-27.5			-27.5
Loan loss provisions on groups of loans	-38.2			-38.2
Total loans to and due from customers	**27 267.8**	**23.6**	**3 548.5**	**30 839.9**

(NOK million)	2015 Loans to and due from customers	Guarantees [1]	Undrawn credit limits	Total commitments
Development of building projects	29.6	2.1		31.7
Sale and operation of real estate	1 650.8	46.3	0.1	1 697.2
Service providers	696.5		1.6	698.1
Wage-earners	26 808.2	0.8	3 702.2	30 511.1
Other	165.7		24.5	190.2
Total	29 350.8	49.2	3 728.3	33 128.3
Loan loss provisions on individual loans	-57.9			-57.9
Loan loss provisions on groups of loans	-30.7	-0.5		-31.3
Total loans to and due from customers	**29 262.1**	**48.7**	**3 728.3**	**33 039.1**

1) Loan loss provsions on groups of guarantees are recognised in the item "Provision for accrued expenses and liabilities" under liabilites in the balance sheet.

Undrawn credit limits relate to the unused portion of credit limits approved on overdraft accounts and credit cards, as well as the unused portion of lending limits on flexible mortgages.

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

AVERAGE VOLUME ENGAGEMENT PER CUSTOMER GROUP

(NOK million)	2016 Average volume loans to and deposits from customers	Average volume guarantees	Average volume undrawn credit limits	Total average engagement
Development of building projects	26.0	2.1		28.1
Sale and operation of real estate	1 312.4	33.8		1 346.3
Service providers	646.7		2.6	649.3
Wage-earners	26 226.3	0.5	3 612.1	29 838.8
Other	130.8		23.7	154.5
Total	**28 342.1**	**36.4**	**3 638.4**	**32 016.9**

(NOK million)	2015 Average volume loans to and deposits from customers	Average volume guarantees	Average volume undrawn credit limits	Total average engagement
Development of building projects	139.7	2.5	6.6	148.8
Sale and operation of real estate	2 202.9	66.0	17.8	2 286.7
Service providers	924.7		13.0	937.8
Wage-earners	25 474.7	0.7	3 720.9	29 196.3
Other	166.3	0.3	28.0	194.5
Total	**28 908.4**	**69.4**	**3 786.3**	**32 764.1**

COMMITMENTS PER GEOGRAPHICAL AREA

2016

(NOK million)	Loans to and due from customers	Guarantees	Undrawn credit limits	Total commitments	Non-performing loans without evidence of impairment	Non-performing and loss-exposed loans with evidence of impairment	Gross defaulted and loss-exposed loans	Provisions for individual loan losses	Net defaulted and loss-exposed loans
Eastern Norway	20 494.5	23.6	2 719.7	23 237.8	66.5	82.7	149.2	25.5	123.6
Western Norway	4 556.9		579.5	5 136.5	37.2	2.2	39.4	1.2	38.2
Southern Norway	505.6		63.5	569.1	1.7		1.7		1.7
Mid-Norway	824.4		92.6	917.0	0.6	2.4	3.0	0.5	2.6
Northern Norway	793.1		67.2	860.3	0.8	0.3	1.1	0.3	0.8
Rest of world	159.0		25.8	184.8	0.7		0.7		0.7
Total	**27 333.5**	**23.6**	**3 548.5**	**30 905.6**	**107.4**	**87.6**	**195.0**	**27.5**	**167.5**

2015

(NOK million)	Loans to and due from customers	Guarantees	Undrawn credit limits	Total commitments	Non-performing loans without evidence of impairment	Non-performing and loss-exposed loans with evidence of impairment	Gross defaulted and loss-exposed loans	Provisions for individual loan losses	Net defaulted and loss-exposed loans
Eastern Norway	23 043.1	49.1	2 857.1	25 949.3	55.2	90.4	145.6	55.9	89.7
Western Norway	4 365.4	0.1	614.5	4 980.0	19.8	5.4	25.2	1.2	24.1
Southern Norway	423.0		66.6	489.6	3.1	1.9	5.1		5.0
Mid-Norway	759.6		99.2	858.9	3.1	1.3	4.4	0.4	4.0
Northern Norway	608.4		66.1	674.5	1.9	0.4	2.3	0.4	1.9
Rest of world	151.3		24.7	176.0	4.3		4.3		4.3
Total	**29 350.8**	**49.2**	**3 728.3**	**33 128.3**	**87.4**	**99.5**	**186.9**	**57.9**	**129.0**

TOTAL ENGAGEMENT AMOUNT BY REMAINING TERM TO MATURITY

2016

(NOK million)	Loans to and due from customers	Guarantees	Undrawn credit limits	Total commitments
Up to 1 month	2.9			2.9
1 - 3 months	395.9	1.6	21.9	419.4
3 months - 1 year	668.4	2.4	135.8	806.7
1 - 5 years	2 496.4	19.5	1 063.5	3 579.4
More than 5 years	23 769.9		2 327.3	26 097.2
Total	**27 333.5**	**23.6**	**3 548.5**	**30 905.6**

(NOK million)	2015 Loans to and due from customers	Guarantees	Undrawn credit limits	Total commitments
Up to 1 month	17.6			17.6
1 - 3 months	140.1		1.1	141.2
3 months - 1 year	495.9	3.5	62.3	561.6
1 - 5 years	2 823.1	45.8	993.8	3 862.7
More than 5 years	25 874.1		2 671.1	28 545.2
Total	**29 350.8**	**49.2**	**3 728.3**	**33 128.3**

AGE DISTRIBUTION OF OVERDUE ENGAGEMENTS WITHOUT IMPAIRMENT

(NOK million)	2016 Loans to and due from customers	Guarantees	Undrawn credit limits	Total commitments
Overdue 1 - 30 days	346.0	2.4	2.6	351.0
Overdue 31 - 60 days	78.2		0.3	78.5
Ovedue 61- 90 days	54.5		0.1	54.5
Overdue more than 90 days	107.4		2.6	110.0
Total	**586.1**	**2.4**	**5.6**	**594.0**
Engagements overdue more than 90 days by geographical area:				
Eastern Norway	66.5		2.6	69.1
Western Norway	37.2			37.2
Southern Norway	1.7			1.7
Mid-Norway	0.6			0.6
Northern Norway	0.8			0.8
Rest of world	0.7			0.7
Total	**107.4**	**0.0**	**2.6**	**110.0**

(NOK million)	2015 Loans to and due from customers	Guarantees	Undrawn credit limits	Total commitments
Overdue 1 - 30 days	464.9	17.8	5.4	488.1
Overdue 31 - 60 days	89.3		0.2	89.5
Ovedue 61- 90 days	30.3		0.2	30.5
Overdue more than 90 days	87.4		0.6	87.9
Total	**672.0**	**17.8**	**6.4**	**696.1**
Engagements overdue more than 90 days by geographical area:				
Eastern Norway	55.2		0.4	55.7
Western Norway	19.8		0.1	19.9
Southern Norway	3.1			3.1
Mid-Norway	3.1			3.1
Northern Norway	1.9			1.9
Rest of world	4.3			4.3
Total	**87.4**	**0.0**	**0.6**	**87.9**

Only non-performing and loss-exposed loans are classified by geographical area in this overview.
The same definition is used for due commitments as the one in the capital requirements regulations, however the number of days in the definition equals the age distribution.

Commitments are regarded as non-performing and loss-exposed:
- when a credit facility has been overdrawn for more than 90 days
- when an ordinary mortgage has arrears older than 90 days
- when a credit card has arrears older than 90 days and the credit limit has been overdrawn. If
a repayment plan has been agreed with the customer and is being adhered to, the overdraft is not regarded as a non-performing loan.
When one of the three situations described above occurs, the commitment and the rest of the customer's commitments are regarded as non-performing. The number of days is counted from when the arrears exceed NOK 2,000.
The account is given a clean bill of health when there are no longer any arrears. The amount in arrears at the time of reporting can be less than NOK 2,000.

CREDIT RISK PER CUSTOMER GROUP

	2016						
(NOK million)	Non-performing and loss-exposed loans with evidence of impairment	Non-performing loans without evidence of impairment	Gross defaulted and loss-exposed loans	Total provisions for individual loan losses	Net defaulted and loss-exposed loans	Total value changes	Total value change recognised in the profit and loss account during period
Development of building projects							
Sale and operation of real estate	46.8		46.8	10.3	36.5		-23.2
Service providers							
Wage-earners	38.8	106.7	145.5	15.8	129.7		-7.8
Other	2.0	0.7	2.7	1.4	1.3		0.6
Total	**87.6**	**107.4**	**195.0**	**27.5**	**167.5**		**-30.4**

	2015						
(NOK million)	Non-performing and loss-exposed loans with evidence of impairment	Non-performing loans without evidence of impairment	Gross defaulted and loss-exposed loans	Total provisions for individual loan losses	Net defaulted and loss-exposed loans	Total value changes	Total value change recognised in the profit and loss account during period
Development of building projects							
Sale and operation of real estate	32.2		32.2	33.5	-1.3		24.0
Service providers							
Wage-earners	64.9	82.8	147.7	23.6	124.1		1.1
Other	2.4	4.6	7.0	0.8	6.2		0.0
Total	**99.5**	**87.4**	**186.9**	**57.9**	**129.0**		**25.0**

REPOSSESSED ASSETS

In the event of non-performing loans Storebrand Bank ASA will sell the collateral or repossessed assets if this is most appropriate.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (FVO)

	Lending to customers		Liquidity portfolio	
(NOK million)	2016	2015	2016	2015
Book value maximum exposure for credit risk	1 958.5	1 214.8	3 431.9	2 653.5
Book value of related credit derivatives that reduce credit risk				
Collateral				
Net credit risk	**1 958.5**	**1 214.8**	**3 431.9**	**2 653.5**
This year's change in fair value of financial assets due to change in credit risk	16.1	-0.7	17.7	-26.1
Accumulated change in fair value of financial assets due to change in credit risk	0.5	-15.6	-0.2	-18.3
This year's change in value of related credit derivatives				
Accumulated change in value of related credit derivatives				

Lending to customers is measured at fair value based on valuation techniques. The valuation techniques use interest rate curves from Reuters and credit spreads for equivalent new loans as per the end of December.

Financial assets are designated at fair value through the profit and loss account (FVO) the first time they are recognised where another measurement would result in an inconsistency in the profit and loss account.
Objective market prices are used for papers where these exist. Valuation techniques involving the use of interest rate curves from Reuters and credit spreads from external providers are used for the remaining papers.

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS (FVO)

(NOK million)	2016	2015
The year's change in fair value of liabilities due to changes in credit risk	0.5	
Difference between book value of liabilities and contractual amount due at maturity		
Accumulated change in fair value of liabilities due to changes in credit risk		
Difference between book value of liabilities and contractual amount due at maturity		

CREDIT RISK DERIVATIVES

The purpose of the use of financial derivatives is to identify and reduce currency and interest rate risk. Counterparty risk in connection with the trading of financial derivatives is included in credit risk. The bank's risk strategies and policies establish limits for how much credit risk the bank group is willing to accept. Storebrand Bank ASA hedges all customer derivative trades by opposite derivatives to minimise foreign exchange and interest rate exposure. The overview shows gross credit exposure, the bank has only collateral for credit risk against non-financial companies. Net credit exposure for 2016 is NOK 45.8 million, see note 22.

CREDIT RISK PER COUNTERPARTY

	AAA	AA	A	BBB	NIG	Total 2016	Total 2015
(NOK million)	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value
Norway		20.6	125.8	107.8		254.1	422.9
Denmark							0.2
Total		**20.6**	**125.8**	**107.8**		**254.1**	**423.0**
Change in value:							
Total change in value on the balance sheet		20.6	125.8	107.8		254.1	423.0
Change in value recognised in the profit and loss during period		-6.5	-54.9	-107.6		-168.9	-319.1

Equity options, interest rate swaps, basis swaps and forward foreign exchange contracts
Derivatives are entered into for hedging purposes. Derivative transactions are entered into with counterparties that are "investment grade" rated.

Note 5 - Liquidity risk

Liquidity risk is the risk that the company is unable to fulfil its obligations without incurring substantial additional expenses in the form of reduced prices for assets that must be realised, or in the form of especially expensive financing.

RISK MANAGEMENT

The risk strategy establishes overall limits for how much liquidity risk the bank group is willing to accept. The policy for liquidity risk describes principles for liquidity management and specifies stress testing, minimum liquidity holdings and indicators for measuring liquidity risk. In addition, the Treasury department draws up an annual funding strategy and funding plan that set out the overall limits for the bank group's funding activities.

Stress tests are used to illustrate the expected effects of various scenarios on the statement of financial position and cash flows. Results of the stress tests are applied when assessing the framework for liquidity risk. A contingency plan is drawn up annually to safeguard proper management of the liquidity situation during stressful periods.

The Treasury function is responsible for the bank's liquidity management, and the Middle Office monitors and reports on the utilisation of limits pursuant to the liquidity policy.

RISK CONTROL

The means of controlling liquidity risk include monthly reports of the liquidity indicators and monitoring developments in the bank's maturity profile. Both are included in the CRO's ongoing reporting to the board. The liquidity policy specifies which liquidity indicators are followed. The Middle Office performs checks on trades undertaken by Treasury to ensure conformance with the applicable policy rules.

NON-DISCOUNTED CASH FLOWS - FINANCIAL LIABILTIES

(NOK million)	0 - 6 months	6 months - 12 months	1 - 3 years	3 - 5 years	More than 5 years	Total	Book value
Liabilities to credit institutions	407.2					407.2	407.2
Deposits from and due to customers	15 238.4					15 238.4	15 238.4
Commercial papers and bonds issued	3 292.5	462.3	5 294.5	6 238.3		15 287.6	13 521.0
Other liabilities	153.7					153.7	153.7
Subordinated loan capital	155.4	1.8	130.9			288.2	277.2
Undrawn credit limits	3 548.5					3 548.5	
Lending commitments	3 524.2					3 524.2	
Total financial liabilities 2016	**26 319.8**	**464.1**	**5 425.4**	**6 238.3**	**0.0**	**38 447.7**	**29 597.5**
Derivatives related to funding 31.12.2016	**10.7**	**-54.3**	**-89.2**	**-1.2**	**0.0**	**-134.0**	**45.8**
Total financial liabilities 2015	27 618.0	167.2	7 068.7	4 930.7	0.0	39 784.6	30 844.9

The amounts includes accrued interest.

The overview of non-discounted cash flows includes interest. Implicit forward interest rates based on the yield curve on 31 December 2016 are used to calculate interest costs for lending with FRN conditions. The maturity overview does not take account of the fact that the loans have extended maturity date, i.e. the original maturity date is used. Deposits from and liabilities to customers are on call deposits or deposits locked in for less than 6 months.

SPECIFICATION OF SUBORDINATED LOAN CAPITAL

(NOK million) ISIN code	Issuer	Net nominal value	Currency	Interest	Call-date	Book value
Dated subordinated loan capital						
NO0010641657	Storebrand Bank ASA	150.0	NOK	Floating	12.04.2017	151.6
NO0010714314	Storebrand Bank ASA	125.0	NOK	Floating	09.07.2019	125.6
Total subordinated loan capital 2016						**277.2**
Total subordinated loan capital 2015						277.0

SPECIFICATION OF LIABILITES TO CREDIT INSTITUTIONS

(NOK million)	2016	2015
Total liabilites to credit institutions without fixed maturity at amortised cost	**5.0**	**11.6**
Repurchase agreements, maturity 2016		404.1
Repurchase agreements, maturity 2017	402.2	
Total liabilities to credit institutions with fixed maturity at fair value (FVO)	**402.2**	**404.1**
Total liabilities to credit institutions	**407.2**	**415.7**

SPECIFICATION OF COMMERCIAL PAPERS AND BONDS ISSUED

(NOK million) ISIN code	Issuer	Net nominal value	Currency	Interest	Call-date	Book value
Bond loans						
NO0010660806	Storebrand Bank ASA	300.0	NOK	Fixed	08.10.2019	315.4
NO0010762891	Storebrand Bank ASA	500.0	NOK	Fixed	19.04.2021	496.3
NO0010641079	Storebrand Bank ASA	109.0	NOK	Floating	27.03.2017	109.1
NO0010662752	Storebrand Bank ASA	300.0	NOK	Floating	13.11.2017	301.0
NO0010751316	Storebrand Bank ASA	300.0	NOK	Floating	09.11.2018	300.6
NO0010758980	Storebrand Bank ASA	500.0	NOK	Floating	04.03.2019	501.0
NO0010729387	Storebrand Bank ASA	600.0	NOK	Floating	14.01.2020	601.8
Total bond loands		**2 609.0**				**2 625.2**
Covered bonds						
NO0010548373	Storebrand Boligkreditt AS	1 250.0	NOK	Fixed	28.10.2019	1 375.8
NO0010635071	Storebrand Boligkreditt AS	2 014.0	NOK	Floating	21.06.2017	2 014.3
NO0010660822	Storebrand Boligkreditt AS	2 500.0	NOK	Floating	20.06.2018	2 510.6
NO0010736903	Storebrand Boligkreditt AS	2 500.0	NOK	Floating	17.06.2020	2 494.7
NO0010760192	Storebrand Boligkreditt AS	2 500.0	NOK	Floating	16.06.2021	2 500.4
Total covered bonds		**10 764.0**				**10 895.8**
Total commercial papers and bonds issued 2016		**13 373.0**				**13 521.0**
Total commercial papers and bonds issued 2015		11 978.0				12 214.2

The loan agreements contain standard covenants.

Storebrand Bank ASA and Storebrand Boligkreditt AS were in compliance with all relevants covenants in 2015.

For covered bonds ascribed to the cover pool in Storebrand Boligkreditt, an overcollateralization requirement of 109.5 per cent applies.

This means that the company must at all times have assets in its cover pool that exceed at least 109.5 per cent of the total outstanding covered bonds.

Note 6 - Market risk

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

RISK MANAGEMENT

The risk strategy sets general limits for market risk which primarily relate to the bank group's long term investments in equity instruments and fixed income securities. The bank group is also exposed to currency risk to a lesser degree.

Market risk policies specify limits for market risk that the bank group is willing to accept. The bank group's market risk is primarily managed and controlled through daily monitoring of risk exposure pursuant to the policy and continuous analyses of outstanding positions.

The exposure limits are reviewed and renewed by the Board at least once a year. The size of these limits is set on the basis of stress tests and analyses of market movements.

RISK CONTROL

The Middle Office is responsible for the ongoing, independent monitoring of market risk. The means of controlling market risk include monthly reports of the market risk indicators. Market risk indicators that are followed are described in the interest rate risk policy and currency risk policy and are included in the CRO's ongoing reporting to the board

For changes in market risk that occur during the first year, the effect on the result and equity will be as shown below based on the balance sheet as at 31 December 2016:

Effect on accounting income

(NOK million)	Amount
Interest rate -1.0%	5.0
Interest rate +1.0%	-5.0

Effect on accounting result/equity [1)]

(NOK million)	Amount
Interest rate -1.0%	5.0
Interest rate +1.0%	-5.0

1) Before taxes.

Financial interest rate risk

(NOK million)	Amount
Interest rate -1.0%	6.8
Interest rate +1.0%	-6.8

The note presents the accounting effect over a 12 month period and the immediate financial effect of an immediate parallel change in interest rates of +1.0 percentage points and -1.0 percentage points respectively. When the accounting risk is calculated, account is taken of the non-recurring effect that such an immediate change in interest rates would have on the items recognised at fair value and the value of hedging, and the effect that the change in interest rates would have on the net profit for the remaining duration of the interest rate before the change in interest rates has an effect on income and expenses. Items that would be affected by the non-recurring effect and are recorded at fair value are the investment portfolio, fixed interest rate loans repurchase agreements and derivatives. Items that would be affected by the one-time effects and which are recorded using hedging accounting are borrowings with fixed interest rate. The change in market value that such an immediate change in interest rates would have is looked at for all items on the statement of financial position when calculating the financial effect.

See also note 23 regarding foreign exchange risk.

Note 7 - Operational risk

OPERATIONAL RISK

The assessment of operational risks is linked to the ability to achieve targets and to implement plans. Operational risk is defined as the risk of financial loss or damaged reputation due to inadequate or failing internal processes, control routines, systems, human error, or external events.

RISK MANAGEMENT
The Group seeks to reduce operational risk through an effective system for internal control with (1) clear descriptions of responsibilities, (2) clear routines, and (3) documented powers of attorney/authority. Risks are followed-up through the management's risk review, with documentation of risks, measures and follow-up of incidents. In addition, Internal Audit carries out an independent control in accordance with audit projects adopted by the Board.

RISK CONTROL
The CRO supports the risk review process and is responsible for compiling and reporting the area's risk scenario, following up on improvement measures and checking that risk registration is up to date in ERM. The results of the process are reported to the Board.

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

In connection with monthly, quarterly and annual accounts, the bank's staff functions perform various checks and reconciliations so as to control and reduce operational risk. In addition to this, the compliance function and internal auditor carry out spot checks in a number of the most important work processes. The results are reported to the bank's management and the Board.

COMPLIANCE RISK

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

Risk management
The compliance risk in Storebrand Bank ASA is managed through instructions for the compliance function. The function's main responsibility is to support the company's board and management in complying with relevant laws and regulations by independently identifying, evaluating, monitoring and reporting compliance risk. The function must perform preventive work by advising and ensuring that effective processes have been established for information and the implementation of current and future rules. The compliance function must have a risk-based approach.

RISK CONTROL
The compliance function performs control activities in order to ensure actual compliance.

Note 8 - Valuation of financial instruments

SPECIFICATION OF FINANCIAL INSTRUMENTS AT AMORTISED COST

The fair value of lending to customers subject to variable interest rates is stated as amortised cost. However, the fair value of lending to corporate customers with margin loans is slightly lower than amortised cost since some loans have lower margins than they would have had had they been taken out at 31 December 2016. The shortfall is calculated using a discounted difference between the agreed margin and the current market price over the remaining term to maturity. Fair value is also adjusted for individual loan loss provisions. The fair values of lending, liabilities to financial institutions and securities issued are based on valuation techniques. The valuation techniques use interest rate curves and credit spreads from external providers with exception of lending which are assessed to spreads on new loans correspondingly.

(NOK million)	Level 1 Quoted prices	Level 2 Observable assumptions	Level 3 Non-observable assumptions	Fair value 31.12.2016	Fair value 31.12.2015	Book value 31.12.2016	Book value 31.12.2015
Financial assets							
Loans to and deposits with credit institutions		272.0		272.0	122.9	272.0	122.9
Lending to customers - Corporate market		1 477.3		1 477.3	2 282.9	1 513.6	2 314.2
Lending to customers - Retail market		23 795.8		23 795.8	25 733.1	23 795.7	25 733.1
Bonds classified as Loans and receivables		532.7		532.7	781.7	530.6	780.7
Total financial assets 31.12.2016	**0.0**	**26 077.8**	**0.0**	**26 077.8**		**26 111.9**	
Total financial assets 31.12.2015		28 920.6			28 920.6		28 950.9
Financial liabilities							
Deposits from and due to credit institutions		5.0		5.0	11.6	5.0	11.6
Deposits from and due to customers		15 238.4		15 238.4	17 824.7	15 238.4	17 824.7
Commercial papers and bonds issued		13 584.5		13 584.5	12 183.9	13 521.0	12 214.2
Subordinated loan capital		277.6		277.6	277.0	277.2	277.0
Total financial liabiliteis 31.12.2016	**0.0**	**29 105.4**	**0.0**	**29 105.4**		**29 041.6**	
Total financial liabilities 31.12.2015		30 297.1			30 297.1		30 327.5

VALUATION OF FINANCIAL INSTRUMENTS AT FAIR VALUE

Storebrand Bank Group conducts a comprehensive process to ensure that financial instruments are valued as closely as possible to their market value. Publicly listed financial instruments are valued on the basis of the official closing price on stock exchanges, supplied by Reuters and Bloomberg. Bonds are generally valued based on prices collected from Reuters, Bloomberg and Nordic Bond Pricing. Bonds that are not regularly quoted will normally be valued using recognised theoretical models. The latter is particularly applicable to bonds denominated in Norwegian kroner. Discount rates composed of the swap rates plus a credit premium are used as a basis for these types of valuations. The credit premium will often be specific to the issuer, and will normally be based on a consensus of credit spreads quoted by well recognised brokerage houses.

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

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

The Storebrand Group categorises financial instruments that are valued at fair value into three different levels which are described in more detail below. The levels express the differing degrees of liquidity and different measurement methods used. The company has established valuation models that gather information from a wide range of well-informed sources with reference to minimize uncertainty related to the valuation.
The value of fixed-rate loans is determined by discounting the agreed cash flows over the remaining maturity by the current discount rate adjusted for market spread. The discount rate that is used is based on a swap interest rate (mid swap) with a maturity that corresponds to the remaining lock-in period for the underlying loans. The market spread that is used on the date of the balance sheet is determined by assessing the market conditions, market price and the associated swap interest rate.

Under equities, the investment in VISA Norge FLI has been primarily valued based on information on the completion of a transaction between VISA Europe Ltd and VISA Inc.

SENSITIVITY ANALYSIS

LENDING TO CUSTOMERS

The value of fixed-rate loans is determined by discounting the agreed cash flows over the remaining maturity by the current discount rate adjusted for market spread. The discount rate that is used is based on a swap interest rate (mid swap) with a maturity that corresponds to the remaining lock-in period for the underlying loans. The market spread that is used on the date of the balance sheet is determined by assessing the market conditions, market price and the associated swap interest rate.

EQUITIES

This item is included the membership in VISA Norge FLI which has been valued based on information on the completion of a transaction between VISA Europe Ltd and VISA Inc. The transaction was implemented in the second quarter of 2016 and in June 2016 the bank received a dividend of NOK 24.6 million based on the bank's share. At the end of the year, the membership was valued at what the bank expects to receive in deferred settlement, adjusted for uncertainty. The change in value is included through Total comprehensive income.

	Fixed-rate loans to customers		Equities	
	Change in market spread		Change in value	
Increase/reduction in fair value	+ 10 bp	- 10 bp	+ 25 BP	- 25 BP
Increase/reduction in fair value at 31.12.2016 (MNOK)	**-8.4**	**7.8**	**0.4**	**-0.4**
Increase/reduction in fair value at 31.12.2015 (MNOK)	-3.9	3.9	0.2	-0.2

Level 1: Financial instruments valued on the basis of quoted prices in active markets for identical assets

Bonds, certificates or equivalent instruments issued by nation states are generally classified as level 1. When it comes to derivatives, standardised stock index futures and interest rate futures they will also be included at this level.

Level 2: Financial instruments valued on the basis of observable market information not covered by level 1

This category encompasses financial instruments that are valued based on market information that in directly observable or indirectly observable. Market information that is indirectly observable means that the prices can be derived from observable related markets. Level 2 includes shares or equivalent equity instruments for which market prices are available, but where the volume of transactions is too limited to fulfil the criteria in level 1. Shares in this level will normally have been traded during the last month. Bonds and equivalent instruments are generally classified in this level. Moreover, interest rate and foreign exchange swaps, non-standardised interest rate and foreign exchange derivatives are classified in level 2.

Level 3: Financial instruments valued on the basis of information that is not observable according to the definition for level 2 financial instruments

Investments classified as level 3 primarily includes fixed-rate loans, and the investment in VISA Norge FLI.

SPECIFICATION OF FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS ACCOUNT

(NOK million)	Level 1 Quoted prices	Level 2 Observable assumptions	Level 3 Non-observable assumptions	Book value 31.12.2016	Book value 31.12.2015
Financial assets					
Equities		9.3	6.2	15.5	10.6
Total equities 31.12.2016	**0.0**	**9.3**	**6.2**	**15.5**	
Total equitues 31.12.2015		1.6	9.0		
Lending to customers - Corporate Market				0.0	
Lending to customers - Retail Market			1 958.5	1 958.5	1 214.8
Total ending to customers 31.12.2016			**1 958.5**	**1 958.5**	
Total lending to customers 31.12.2015			1 214.8		
Government and government guaranteed bonds		524.2		524.2	219.2
Mortage and asset backed bonds		2 907.7		2 907.7	2 434.3
Total bonds 31.12.2016	**0.0**	**3 431.9**	**0.0**	**3 431.9**	
Total bonds 31.12.2015		2 653.5			
Interest derivatives		45.8		45.8	91.6
Currency derivatives				0.0	0.2
Total derivatives 31.12.2016	**0.0**	**45.8**	**0.0**	**45.8**	
Derivatives with a positive fair value		254.1		254.1	423.0
Derivatives with a negative fair value		-208.3		-208.3	-331.3
Total derivatives 31.12.2015		91.8			
Financial liabilities					
Liabilities to credit institutions		402.2		402.2	404.1
Liabilities to credit institutions 31.12.2016	**0.0**	**402.2**	**0.0**	**402.2**	
Total liabilities to credit institutions 31.12.2015		404.1			

SPECIFICATION OF FINANCIAL INSTRUMENTS PURSUANT TO VALUATION TECHNIQUES (NON-OBSERVABLE ASSUMPTIONS)

(NOK million)	Equities	Lending to customers
Book value 01.01.2016	9.0	1 214.8
Net gains/losses on financial instruments	-2.8	-26.2
Supply / disposal		1 045.7
Sales / due settlements		-275.8
Transferred from observable assumptions to non-observable assumptions		
Translation differences		
Other		
Book value 31.12.2016	**6.2**	**1 958.5**

Note 9 - Segment

ANALYSIS OF PROFIT AND LOSS ACCOUNT BY SEGMENT:

	Corporate		Retail		Treasury/other		Total	
(NOK million)	2016	2015	2016	2015	2016	2015	2016	2015
Profit and loss items:								
Net interest income	42.2	37.7	353.8	365.9	-23.3	-26.3	372.7	377.3
Net fee and commission income	5.8	7.8	41.7	39.6	1.0	-6.8	48.5	40.6
Other income		1.8		-6.8	83.4	-15.4	83.4	-20.4
Total operating costs	-20.5	-42.1	-264.2	-217.8		-6.6	-284.7	-266.6
Operating profit before loan losses	**27.4**	**5.2**	**131.3**	**180.8**	**61.0**	**-55.1**	**219.8**	**130.9**
Loan losses	-12.7	-40.3	-4.4	-5.2		0.2	-17.2	-45.4
Ordinary profit from continuing operations	**14.7**	**-35.1**	**126.9**	**175.6**	**61.0**	**-54.9**	**202.7**	**85.5**
Ordinary profit from discontinued businesses	**0.0**	**0.0**	**0.0**	**0.0**	**0.5**	**-0.5**	**0.5**	**-0.5**
Balance sheet items:								
Gross lending	1 549.8	2 371.8	25 685.9	26 860.8	97.8	118.2	27 333.5	29 350.8
Loan loss provisions	-36.2	-57.6	-29.5	-31.6		0.5	-65.7	-88.6
Net customer lending	1 513.6	2 314.2	25 656.4	26 829.2	97.8	118.7	27 267.8	29 262.1
Deposits from and due to customers	227.7	400.0	14 872.2	17 434.9	138.4	-10.3	15 238.4	17 824.7
Key figures:								
Net interest income as % of total assets	1.69 %	1.05 %	1.12 %	1.24 %			1.11 %	1.13 %
Cost/income ratio	43 %	89 %	67 %	55 %			56 %	67 %
Deposits from customers as % of gross lending	15 %	17 %	58 %	65 %			56 %	61 %
Total level of provisioning	71 %	132 %	21 %	22 %			34 %	48 %

Storebrand Bank is a commercial bank with the head office at Lysaker in the council of Bærum. The Group's activities mainly take place in Norway.

DESCRIPTION OF THE SEGMENTS:

Corporate market: The segment includes corporate customers' deposits and loans, mainly property owners and developers. All capital market business for customers within the bank's corporate market segment is presented under the corporate market segment. Storebrand Bank ASA has decided to wind up the corporate market at the bank. The winding up of operations will be gradual and controlled.

Retail market: Deposits from and loans to retail market customers, including credit cards. Loans comprise primarily home mortgages. The segment includes loans in Storebrand Boligkreditt AS. All capital market business for customers within the bank's retail market segment is presented under the retail market segment. The fee to the Norwegian Banks' Guarantee Fund is accrued over 12 months in the segment accounts.

Treasury/Other: The elimination of double entries refers primarily to customer transactions that are carried out across the segments. The effects of financial risk management and the liquidity portfolio have not been allocated to the business areas and are reported under Treasury/Other. Dividend payment from VISA Norge FLI is reported under Treasury/Other.

Note 10 - Net income from financial instruments

NET INTEREST INCOME

(NOK million)	2016	2015
Interest and other income on loans to and deposits with credit institutions	5.9	9.8
Interest and other income on loans to and due from customers	701.5	870.2
Interest on commercial paper, bonds and other interest-bearing securities	55.9	63.1
Other interest income and related income	2.6	5.7
Total interest income *)	**765.9**	**948.8**
Interest and other expenses on debt to credit institutions	-5.7	-3.2
Interest and other expenses on deposits from and due to customers	-120.4	-303.3
Interest and other expenses on securities issued	-241.8	-234.2
Interest and expenses on subordinated loan capital	-11.0	-14.7
Other interest expenses and related expenses	-14.5	-16.2
Total interest expenses **)	**-393.3**	**-571.6**
Net interest income	**372.7**	**377.3**
*) Of which total interest income on financial assets that are not at fair value through the profit and loss account	651.7	801.7
**) Of which total interest expenses on financial liabilities that are not at fair value through the profit and loss account	-389.3	-570.8

Interest expense and changes in value of issued funding at FVO:	2016	2015
Interest expense issued funding at FVO	-3.8	-0.9
Changes in value of issued funding at FVO	-0.1	
Net expense issued funding at FVO	**-3.9**	**-0.9**

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

	2016	2015
Equity instruments		
Dividends received from equity investments	24.6	0.3
Net change in fair value of equity investments	-0.4	-0.3
Total equity instruments, FVO	24.3	0.1
Commercial papers and bonds		
Realised gain/loss on commercial papers and bonds, FVO	9.3	-8.9
Unrealised gain/loss on commercial papers and bonds, FVO	18.0	-26.1
Total gain/loss on commercial papers and bonds, FVO	27.3	-35.0
Lending to customers		
Unrealised gain/loss on lending to customers, FVO	-25.2	-7.0
Total gain/loss on lending to customers, FVO	-25.2	-7.0
Liabilities to credit institutions and other funding		
Realised gain/loss on liabilities to credit institutions and other funding, FVO		
Unrealised gain/loss on liabilities to credit institutions and other funding, FVO	-0.1	-0.4
Total gain/loss on liabilities to credit institutions and other funding, FVO	-0.1	-0.4
Financial derivatives and foreign exchange		
Realised gain/loss on financial derivatives, held for trading	37.9	66.9
Unrealised gain/loss on financial derivatives, held for trading	34.3	-25.2
Total financial derivatives and foreigh exchange, held for trading	72.2	41.8
Net income and gains from financial assets and liabilities at fair value	**98.4**	**-0.5**
Fair value hedging		
Realised gain/loss on derivatives and bonds issued, fair value hedging		-0.1
Unrealised gain/loss on derivatives and bonds issued, fair value hedging	-5.7	-1.2
Net gain/loss on fair value hedging	**-5.7**	**-1.3**
Commercial papers and bonds		
Realised gain/loss on commercial papers and bonds at amortised cost	0.1	
Total gain/loss on commercial papers and bonds at amortised cost	0.1	0.0
Bonds issued		
Realised gain/loss on bonds issued at amortised cost	-6.0	-24.2
Total gain/loss on bonds issued at amortised cost	-6.0	-24.2
Net income and gains from financial assets and liabilities at amortised cost	**-5.9**	**-24.2**
Net income and gains from financial assets and liabilities	**86.9**	**-26.0**
Net gain/loss on financial assets at fair value through the profit and loss account:		
Financial assets designated at fair value upon initial recognition	27.0	-43.5
Financial assets classified as held for trading	47.1	32.6
Changes in fair value of assets due to changes in credit risk	0.3	-33.9
Net gain/loss on financial liabilities at fair value through the profit and loss account:		
Financial liabilities designated at fair value upon initial recognition	-0.1	
Financial liabilities classified as held for trading		

The note includes gain and loss on investments in bonds and commercial papers, all of the financial derivatives, lending at FVO, other funding at FVO, net gain and loss on fair vaule hedging and total bonds and commercial papers issued. Other financial assets and liabilities are not included in the note.

Note 11 - Net commission income

(NOK million)	2016	2015
Fees related to banking operations	34.9	36.5
Commissions from saving products	4.8	10.2
Fees from and management of loans	20.3	5.3
Other fees and commissions receivable	3.7	
Total fees and commissions receivable *)	**63.6**	**52.0**
Fees and commssisions payable relating to banking operations	-14.1	-8.9
Commissions payable on saving products	-0.1	-1.6
Other fees and commissions payable	-1.0	-0.9
Total fees and commissions payable **)	**-15.2**	**-11.4**
Net commission income	**48.5**	**40.6**
*) Of which total fees and commission income on book value of financial assets and liabilities that are not at fair value through the profit and loss account	58.9	41.8
**) Of which total fees and commission expense on book value of financial assets and liabilities that are not at fair value through the profit and loss account	-14.1	-8.9

Note 12 - Remuneration paid to auditors

REMUNERATION EXCLUDING VALUE ADDED TAX

(NOK 1000)	2016	2015
Statutory audit	769	1 580
Other reporting duties	224	84
Other non-audit services	39	62
Total	**1 032**	**1 726**
Of which remuneration to Deloitte AS (excl. VAT):		
Statutory audit	769	1 580
Other reporting duties	224	84
Other non-audit services	39	62
Total	**1 032**	**1 726**

Note 13 - Operating expenses

(NOK million)	2016	2015
Ordinary wages and salaries	-80.5	-89.5
Employer's social security contributions	-12.2	-11.5
Pension cost (see note 14) [1)]	1.4	-11.4
Other staff expenses	-5.5	-4.7
Total staff expenses	**-96.8**	**-117.2**
IT costs [2)]	-45.1	-45.9
Office operation and other general administration expenses	-3.4	-4.9
Total general administration expenses	**-48.5**	**-50.7**
Depreciation and writed-downs fixed assets and intangible assets (see note 26 and 27)	-25.1	-26.4
Operating expenses on rented premises	-9.6	-9.8
Foreign services (see note 12)	-8.1	-8.3
Inter-company charges for services [2)]	-83.0	-42.9
Other operating expenses	-13.5	-11.2
Total other operating expenses	**-139.4**	**-98.7**
Total operating expenses	**-284.7**	**-266.6**

1) In connection with the discontinuation of disability pension and survivor coverage relating to the pension scheme for employees, a profit of NOK 11 million has been recognised as income. See note 14.

2) Services purchased from the group contain costs relating to bank production, IT services, joint administrative functions, financial and legal services, marketing activities, HR and skills development, purchasing, information services and savings advice.

Note 14 - Pensions

The Storebrand Group has country-specific pension schems. Storebrand's employees in Norway have a defined-contribution pension scheme. In a defined-contribution scheme, the company allocates an agreed contribution to a pension account. The future pension depends upon the amount of the contributions and the return on the pension account. When the contributions have been paid, the company has no further payment obligations relating to the defined-contribution pension and the payment to the pension account is charged as an expense on an ongoing basis. For regulatory reasons, there can be no savings in the defined-contribution pension for salaries that exceed 12G (G = National Insurance Scheme basic amount). Storebrand has pension savings in the savings product Extra Pension for employees with salaries exceeding 12G.

The premiums and content of the defined-contribution pension scheme are as follows:
– Saving starts from the first krone of salary
– Savings rate of 7 per cent of salary from 0 to 12 G (the National Insurance basic amount "G" was NOK 92,576 as at 31 December 2016)
– In addition, 13 per cent of salary between 7.1 and 12 G is saved.
– Savings rate for salary over 12 G is 20 per cent.

In connection with new rules for disability pensions in the Norwegian Occupational Pensions Act, Storebrand altered the disability pension scheme for own employees in Norway effective from 1 June 2016. The survivor coverage associated with the pension scheme came to an end from the same date. These schemes are capitalised as defined-benefit schemes in the accounts. The winding up of this scheme resulted in a reduction in recognised liabilities that has given a profit of NOK 11 million upon derecognition and which reduces the pension costs in the profit and loss account.

The Norwegian companies participate in the Joint Scheme for Collective Agreement Pensions (AFP). The private AFP scheme provides a lifelong supplement to an ordinary pension and is a multi-employer pension scheme, but there is no reliable information available for inclusion of this liability on the statement of financial position. The scheme is financed by means of an annual premium that is defined as a percentage of salaries from 1 G to 7.1 G, and the premium rate was 2.5 % in 2016. Storebrand employees in Norway who were born before 1 January 1956 can choose between drawing an AFP scheme pension or retiring at the age of 65 and receiving a direct pension from the company until they reach the age of 67. Employees can choose to receive benefits from the AFP scheme from the age of 62 and still continue to work. Employees who were on sick leave and partiality disabled during the transition to the defined-contribution pension, remain in the defined-benefit pension scheme. There are also pension liabilities for the defined-benefit scheme related to direct pensions for certain former employees and former board members.

RECONCILIATION OF PENSION ASSETS AND LIABILITIES IN THE STATEMENT OF FINANCIAL POSITION

(NOK million)	2016	2015
Present value of insured pension liabilities	34.8	40.2
Fair value of pension assets	-33.3	-32.1
Net pension liabilities/assets insured scheme	1.4	8.1
Present value of unsecured liabilities	12.2	17.1
Net pension liabilities recognised in statement of financial position	**13.6**	**25.3**

Includes employer contributions on net under-financed liabilities in the gross liabilities.

BOOKED IN STATEMENT OF FINANCIAL POSITION

(NOK million)	2016	2015
Pension assets		
Pension liabilities	13.6	25.3

CHANGES IN THE NET DEFINED BENEFIT PENSION LIABILITIES IN THE PERIOD

(NOK million)	2016	2015
Net pension liabilities 01.01	57.4	64.3
Pensions earned in the period	1.7	2.8
Pension cost recognised in period	1.3	1.7
Estimate deviations	6.1	3.9
Gain/loss on insurance reductions	-11.3	
Pensions paid	-4.4	-14.6
Changes to pension scheme	-3.2	
Employer's NI contribution reversed	-0.7	-0.7
Net pension liabilities 31.12	**46.9**	**57.4**

CHANGES IN THE FAIR VALUE OF PENSION ASSETS

(NOK million)	2016	2015
Pension assets at fair value 01.01	32.1	33.5
Expected return	0.8	0.9
Estimate deviation	-0.5	-6.3
Premiums paid	5.6	4.9
Pensions paid	-0.8	-1.0
Changes to pension scheme	-3.2	
Employer's NI contribution pension assets	-0.7	
Net pension assets 31.12	**33.3**	**32.1**
Expected premium payments (pension assets) in 2017:	0.7	
Expected premium payments (contributions) in 2017:	6.6	
Expected AFP early retirement scheme payments in 2017:	1.3	
Expected payments from operations (uninsured scheme) in 2017:	3.6	

PENSION ASSETS ARE BASED ON THE FINANCIAL ASSETS HELD BY STOREBRAND LIFE INSURANCE COMPOSED AT 31.12

(NOK million)	2016	2015
Real estate	15 %	12 %
Bonds at amortised cost	40 %	45 %
Loans	6 %	
Equities and units	12 %	11 %
Bonds	27 %	27 %
Other short-term financial assets	0 %	4 %
Total	**100 %**	**100 %**

The table shows the percentage asset allocation of pension assets at year-end managed by Storebrand Life Insurance AS.

Realised return on assets	6.4 %	5.4 %

NET PENSION COST BOOKED TO PROFIT AND LOSS ACCOUNT, SPECIFIED AS FOLLOWS:

(NOK million)	2016	2015
Current service cost incl provsion for employer's NI contribution	1.7	2.8
Net interest cost/expected return	0.5	0.8
Changes to pension scheme	-11.3	
Total for defined benefit schemes	**-9.1**	**3.6**
The period's payment to contribution scheme	6.4	6.6
The period's payment to contractual pension	1.2	1.1
Net pension cost recognised in profit and loss account in the period	**-1.4**	**11.4**

Net pension cost includes payroll tax of employer contribution and is included in operating expenses. See note 14.

OTHER COMPREHENSIVE INCOME (OCI) IN THE PERIOD

(NOK million)	2016
Actuarial loss (gain) - change in discount rate	
Actuarial loss (gain) - change in other financial assumptions	
Actuarial loss (gain) - change in mortality table	
Actuarial loss (gain) - change in other demographic assumptions	
Actuarial loss (gain) - experience DBO	6.1
Loss (gain) - experience Assets	0.1
Investment management cost	0.4
Asset ceiling - asset adjustment	
Remeasurements loss (gain) in the period	**6.6**

MAIN ASSUMPTIONS USED WHEN CALCULATING NET PENSION LIABILITY

	31.12.2016	31.12.2015
Discount rate	2.3 %	2.7 %
Expected return	2.00 %	2.3 %
Expected earnings growth	2.00 %	2.3 %
Expected annual increase in pensions payment	0.0 %	0.0 %
Disability table	KU	KU
Mortality table	K2013BE	K2013BE

FINANCIAL ASSUMPTIONS:

The financial assumptions have been determined on the basis of the rules in IAS 19. Long term assumptions such as future inflation, real interest rates, real wage growth and adjustment of the basic amount are particularly subject to a high degree of uncertainty.

In Norway, a discount rate based on covered bonds is used. Based on the market and volume trends observed, the Norwegian covered bond market must be perceived as a deep market.

Specific company conditions including expected direct wage growth are taken into account when determining the financial assumptions.

ACTUARIAL ASSUMPTIONS:

In Norway, there are standardised assumptions for mortality/disability trends, and other demographic factors, that have been prepared by Finance Norway. A new mortality basis K2013 for group pension insurance in life insurance companies and pension funds was introduced effective from 2014. Storebrand has used the mortality table K2013BE (best estimate) for the actuarial calculations as at 31 December 2016.

Note 15 - Loan losses

(NOK million)	2016	2015
Change in loan loss provisions on individual loans for the period	30.7	-23.9
Change in loan loss provisions on groups of loans for the period	-6.9	-10.6
Change in loan loss provisions on individual guarantees		0.1
Realised losses on commitments specifically provided for previously	-35.5	
Realised losses on commitments not specifically provided for previously	-6.6	-12.4
Recoveries on previously realised losses	1.1	1.4
Loan losses for the period	**-17.2**	**-45.4**

Note 16 - Tax

TAX CHARGE FOR THE YEAR

(NOK million)	2016	2015
Tax payable in the balance sheet	-31.3	-27.4
Tax payable in equity	-2.7	-3.3
Tax payable in OCI	-1.7	
Changes in deferred tax/deferred tax asset	-9.3	4.6
Total tax cost	**-45.0**	**-26.0**

TAX PAYABLE IN THE BALANCE SHEET

(NOK million)	2016	2015
Tax payable	-31.3	-27.4
- tax effect of group contribution paid		
Tax payable in the balance sheet (note 31)	**-31.3**	**-27.4**

RECONCILIATION OF EXPECTED AND ACTUAL TAX CHARGE

(NOK million)	2016	2015
Ordinary pre-tax profit	202.7	85.5
Expected tax on income at nominal rate	-50.7	-23.1
Tax effect of:		
Realised shares	-0.1	-0.1
Dividend on shares	6.0	
Permanent differences	-0.2	-0.2
Change in deferred tax assets not recognised in the balance sheet		0.3
Change in tax rules	-0.1	-2.5
Changes earlier years		-0.5
Tax charge	**-45.0**	**-26.0**

The tax charge also reflects tax effects related to earlier years.

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

(NOK million)	2016	2015
Tax-increasing temporary differences		
Gains/losses account	0.1	0.1
Other	0.4	0.6
Total tax-increasing temporary differences	**0.5**	**0.7**
Tax-reducing temporary differences		
Pensions	-13.6	-25.3
Financial instruments	-51.2	-72.7
Fixed assets	-14.4	-16.5
Provisions	-16.1	-18.3
Total tax-reducing temporary differences	**-95.3**	**-132.7**
Losses/allowances carried forward	-1.6	-1.2
Base for deferred tax/tax assets	**-96.4**	**-133.2**
Write-down of deferred tax asset	0.1	
Net base for deferred tax and deferred tax asset	**-96.3**	**-133.2**
Net deferred asset/liability in the balance sheet	**24.0**	**33.3**

In December 2016, the Norwegian Parliament (Storting) agreed to reduce the company tax rate from 25 per cent to 24 per cent effective from 1 January 2017. It was also agreed that a financial tax would be introduced that would come into effect from the same date. Therefore, for companies subject to the financial tax, the company tax rate will be continued at the 2016 level (25 per cent). Since Storebrand Bank ASA has activities within "Section K" (financing and insurance activities as defined in Standard Industrial Classification 2007) which exceed 30 per cent and are therefore subject to the financial tax, a tax rate of 25 per cent has been used for capitalizing deferred tax/deferred tax assets.

The Storebrand Bank Group includes companies that are both subject to and not subject to the financial tax. Therefore, when capitalizing deferred tax/deferred tax assets in the consolidated financial statements, the company tax rate is used that is applicable for the individual companies (24 or 25 per cent).

ANALYSIS OF TAX PAYABLE AND DEFERRED TAX APPLIED DIRECTLY TO EQUITY

(NOK million)	2016	2015
Pension experience adjustments	-1.7	-2.9
Total	**-1.7**	**-2.9**

Deferred tax assets principally relate to tax reducing temporary differences on fixed assets, pension liabilities and financial instruments. The bank produces an annual profit, and is expected to continue to produce a profit 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.

Note 17 - Classifications of financial assets and liabilities

(NOK million)	Loans and Receivables	Fair value, trading	Fair value, FVO	Available for sale	Liabilities at amortised cost	Total book value
Financial assets						
Cash and deposits with central banks	464.5					464.5
Loans to and deposits with credit institutions	272.0					272.0
Equity instruments			9.3	6.2		15.5
Bonds and other fixed-income securities	530.6		3 431.9			3 962.5
Derivatives		254.1				254.1
Lending to customers [1]	25 309.4		1 958.5			27 267.8
Other current assets	30.5					30.5
Total financial assets 2016	**26 607.0**	**254.1**	**5 399.7**	**6.2**	**0.0**	**32 267.0**
Total financial assets 2015	29 187.8	423.0	3 870.0	9.0	0.0	33 489.8
Financial liabilities						
Deposits from and due to credit institutions			402.2		5.0	407.2
Deposits from and due to customers					15 238.4	15 238.4
Commercial papers and bonds issued					13 521.0	13 521.0
Derivatives		208.3				208.3
Other liabilities					153.7	153.7
Subordinated loan capital					277.2	277.2
Total financial assets 2016	**0.0**	**208.3**	**402.2**	**0.0**	**29 195.3**	**29 805.8**
Total financial assets 2015	0.0	331.3	404.1	0.0	30 440.8	31 176.2

1) Loan loss provisions are included in the portfolio classified as "Loan and Receivables".

Note 18 - Loans to and deposits with credit institutions

(NOK million)	2016 Book value	2015 Book value
Total loans to and deposits with credit institutions without fixed maturity at amortised cost	272.0	122.9
Total loans to and deposits with credit institutions at amortised cost	**272.0**	**122.9**

Note 19 - Bonds and other fixed-income securities at fair value through profit and loss account

(NOK million)	2016 Fair value	2015 Fair value
Sovereign and Government Guaranteed bonds	524.2	219.2
Mortgage and asset backed bonds	2 907.7	2 434.3
Total bonds and other fixed-income securities at fair value through the profit and loss account	**3 431.9**	**2 653.5**
Modified duration	0.25	0.31
Average effective yield per 31.12.	1.36 %	1.55 %

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

Note 20 - Bonds at amortised cost - Loans and receivables

	2016		2015	
(NOK million)	Book value	Fair value	Book value	Fair value
Public issuers and Government Guaranteed Bonds	200.3	200.9	400.6	401.4
Mortgage and asset backed bonds	330.3	331.8	380.1	380.2
Total bonds at amortised cost	**530.6**	**532.7**	**780.7**	**781.7**
Modified duration		0.18		0.17
Average effective yield per 31.12.		1.23 %		1.37 %

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

Note 21 - Buyback agreements (repo agreements)

(NOK million)	2016 Book value	2015 Book value
Transferred bonds still recognised on the statement of financial position (note 19)	402.2	402.5
Liabilities related to the assets [1] (see Note 17)	402.2	404.1

1) Reported on the Debt to Credit Institutions line in the statement of financial position.

Transferred bonds that are included in buyback agreements are not derecognised, since all the risk and return on the securities is retained by Storebrand Bank ASA.

Note 22 - Financial derivatives

Financial derivatives are linked to underlying amounts which are not carried on the balance sheet. In order to quantify the volume of derivatives, reference is made to such underlying amounts as underlying principal, nominal volume and the like. Different calculation methods are applied to nominal volume for different types of financial derivatives, and this figure expresses the scope of risk and positions of financial derivatives.

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

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

					Net amounts taken into account netting agreements		
(NOK million)	Gross nom. volume [1]	Gross recognised financial assets	Gross recognised debt	Net financial assets / debt in the balance sheet	Fin. assets	Fin. debt	Net amount
Interest derivatives [2]							45.8
Currency derivatives	5.0						0.0
Total derivatives 31.12.2016	**8 719.2**	**254.1**	**208.3**	**0.0**	**0.0**	**0.0**	**45.8**
Total derivatives 31.12.2015	9 608.9	423.0	331.3				91.8

1) Values as at 31.12:

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

INVESTMENTS SUBJECT TO NETTING AGREEMENTS /CSA

				Collateral		
(NOK million)	Recognised assets	Recognised liabilities	Net assets	"Cash (+/-)"	Securities (+/-)	Net exposure
Investments subject to netting agreements	119.9	208.3	-88.4		-350.0	261.6
Investments not subject to netting agreements	134.2		134.2			
Total 2016	**254.1**	**208.3**	**45.8**			

Note 23 - Foreign exchange risk

FINANCIAL ASSETS AND LIABILITIES IN FOREIGN CURRENCY

	Statement of financial position items		Currancy forwards	Net position	
(NOK million)	Assets	Liabilities	Net sale	in currency	in NOK
CHF	0.1	0.0		0.0	0.0
DKK	0.1	0.1		0.0	0.0
EUR	21.2	23.3	2.1	0.0	0.0
GBP	1.4	1.5		0.0	-0.1
SEK	9.0	9.1		0.0	-0.1
USD	22.0	22.7	-0.7	0.0	-1.4
Other	0.3	0.3		0.0	0.0
Total net currency positions 2016					**-1.4**
Total net currency positions 2015					-0.4

The permitted limit for the bank's foreign exchange position is 0.50% of primary capital, which is approximately NOK 13 million at present.

Note 24 - Loan portfolio and guarantees

(NOK million)	2016 Book value	2015 Book value
Lending to customers at amortised cost	25 375.0	28 135.9
Lending to customers at fair value	1 958.5	1 214.8
Total gross lending to customers	**27 333.5**	**29 350.8**
Loan loss provisions on individual loans (see note 25)	-27.5	-57.9
Loan loss provisions on groups of loans (see note 25)	-38.2	-30.7
Net lending to customers	**27 267.8**	**29 262.1**

See note 4 for analysis of loan portfolio and guarantees per customer group.

Note 25 - Loan loss provisions

(NOK million)	2016 Book value	2015 Book value
Loan loss provisions on individual loans 01.01	57.9	32.8
Losses realised in the period on individual loans previously written down	-35.5	-1.1
Loan loss provisions on individual loans for the period	12.5	27.9
Reversals of loan loss provisions on individual loans for the period	-7.4	-1.8
Other corrections to loan loss provisions		
Loan loss provisions on individual loans at 31.12	**27.5**	**57.9**
Loan loss provisions on groups of loans and guarantees 01.01	30.7	20.7
Grouped loan loss provisions for the period	7.5	10.0
Loan loss provisions on groups of loans and guarantees etc. 31.12	**38.2**	**30.7**
Total loan loss provisions (see note 24)	**65.7**	**88.6**

Note 26 - Intangible assets and goodwill

(NOK million)	IT- systems	2016 Book value	2015 Book value
Acquistion cost at 01.01	178.4	178.4	173.1
Additions in the period:			
Purchased separately	15.7	15.7	5.3
Disposals in the period	-45.2	-45.2	
Acquisition cost at 31.12.	**148.9**	**148.9**	**178.4**
Accumulated depreciation and write-downs at 01.01	89.8	89.8	64.4
Depreciation in the period (see note 13)	15.2	15.2	19.4
Disposals in the period	-36.3	-36.3	
Accumulated depreciation and write-downs at 31.12.	**68.8**	**68.8**	**89.8**
Book value at 31.12.	**80.1**	**80.1**	**88.5**

Intangible assets are depreciated on a linear basis over periods from two to ten years.

IT systems in this note refers to the development of systems, data warehouses, user licenses to systems, etc. All capitalised expenses in respect of systems development relate to work carried out by external resources. The estimate of economic liftetime are reviewed annually.

Note 27 - Fixed assets

(NOK million)	Fixtures & fittings	2016 Book value	2015 Book value
Book value at 01.01	2.0	2.0	6.6
Disposals		0.0	-3.6
Depreciation (see note 13)	-1.0	-1.0	-1.0
Book value at 31.12	**1.0**	**1.0**	**2.0**
Opening acquisition cost	10.2	10.2	16.0
Closing acquisition cost	10.2	10.2	10.2
Opening accumulated depreciation and write-downs	8.2	8.2	9.4
Closing accumulated depreciation and write-downs	9.1	9.1	8.2

For each class of fixed assets:	
Method for measuring cost price	Acquisition cost
Depreciation method	linear
Depreciation period and economic life	2 - 10 years

Depreciation of fixed assets is included in the line "Other operating costs" in the profit and loss account, see note 13.
There are no restrictions on rights to fixed assets. No fixed assets have been pledged as collateral for liabilities.

Note 28 - Deposits from and due to customers

(NOK million)	2016 Book value	2015 Book value
Deposits from customers without agreed maturity	14 972.2	17 623.8
Term loans and deposits from customers with agreed maturity	266.2	200.9
Total deposits from customers	**15 238.4**	**17 824.7**

Deposits with agreed maturity relate to deposits for a contractually agreed period.
Deposits without agreed maturity relates to deposits with no fixed period where the customer has unrestricted access to the deposit..

DEPOSITS FROM CUSTOMERS PER SECTOR AND INDUSTRY CLASSIFICATION AND GEOGRAPHICAL DISTRIBUTION

(NOK million)	2016 Book value	2015 Book value
Sector and industry classification		
Development of building projects	55.9	160.0
Sale and operation of real estate	942.8	1 646.4
Service providers	1 060.1	1 513.7
Wage-earners	11 737.0	12 876.7
Other	1 442.6	1 627.9
Total	**15 238.4**	**17 824.7**
Geographic distribution		
Eastern Norway	11 451.5	13 446.5
Western Norway	1 982.5	2 317.8
Southern Norway	294.0	377.9
Mid-Norway	501.4	578.9
Northern Norway	626.1	687.6
Rest of world	382.9	415.9
Total	**15 238.4**	**17 824.7**

Note 29 - Hedge accounting

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

	2016			2015		
		Fair value [1]			Fair value [1]	
(NOK million)	Contract/ nominal value	Assets	Liabilities	Contract/ nominal value	Assets	Liabilities
Interest rate swaps	2 050.0	129.6		1 815.0	207.3	
Total interest rate derivatives	2 050.0	129.6		1 815.0	207.3	
Total derivatives	**2 050.0**	**129.6**	**0.0**	**1 815.0**	**207.3**	**0.0**

		Fair value [1]			Fair value [1]	
(NOK million)	Contract/ nominal value	Assets	Liabilities	Contract/ nominal value	Assets	Liabilities
Total underlying items	2 050.0		2 187.4	1 815.0		2 025.4
Hedging effectiveness - prospective			101 %			87 %
Hedging effectiveness - retrospective			97 %			102 %

Gain/loss on fair value hedging: [2]

	2016	2015
(NOK million)	Gain / loss	Gain / loss
On hedging instruments	-67.4	-31.9
On items hedged	63.5	29.3

1) Book value at 31.12.
2) Amounts included in the line "Net gains on financial instruments ".

Note 30 - Provisions

	Provisions for restructuring	
(NOK million)	2016	2015
Provisions 1 January	7.6	12.1
Provisions during the period	5.7	
Provisions used during the period	-6.1	-4.5
Total provisions 31 December	**7.3**	**7.6**
Classified as:		
Provision for accrued expenses and liabilities	7.3	7.6

This provision is related to the cost reduction program in Storebrand and mainly concerns costs related to headcount reductions.
The provision has been considered in accordance with IAS 37, and the restructuring plan has been announced to all parties affected by the changes.

Note 31 - Other liabilities

(NOK million)	2016 Book value	2015 Book value
Money transfers	27.1	29.8
Accrued expenses and prepaid income	37.8	41.3
Accounts payable	9.3	3.4
Tax payable (see note 16)	31.3	27.4
Other debt	48.2	11.5
Total other liabilities	**153.7**	**113.4**

Note 32 - Off balance sheet liabilities and contingent liabilities

(NOK million)	2016	2015
Guarantees	23.6	49.2
Undrawn credit limits	3 548.5	2 078.6
Lending commitments Retail market	3 524.2	1 981.3
Total contingent liabilities	**7 096.2**	**4 109.1**

Guarantees are mainly payment guarantees and contract guarantees. See also note 4.
Undrawn credit limits relate to the unused portion of credit limits approved on overdraft accounts and credit cards, as well as the unused portion of lending limits on flexible mortgages.

Note 33 - Collateral

RECEIVED AND PLEDGED COLLATERAL

The banking group has not received any collateral except securities pledged as collateral for F-loans in Norges Bank (see the overview below).

COLLATERAL AND SECURITY PLEDGED

(NOK million)	2016	2015
Booked value of bonds pledged as collateral for the bank's lending from Norges Bank	879.8	650.5
Booked value of securities pledged as collateral in other financial institutions	150.9	
Total	**1 030.7**	**650.5**

Securities pledged as collateral are linked to lending access in Norges Bank for which, pursuant to regulations, the loans must be fully guaranteed with collateral in interest-bearing securities and/or the bank's deposits in Norges bank.

LOAN SECURITY AT STOREBRAND BOLIGKREDITT AS

Of the total lending of NOK 27.3 billion in the bank group, 13.4 billion has been mortgaged in connection with the issuing of covered bonds in Storebrand Boligkreditt AS. Loans in Storebrand Boligkreditt AS are security for covered bonds issued in the company, and these assets are therefore mortgaged through the bondholder's preferential right to the total security in the company. Storebrand Boligkreditt AS has overcollateralisation (OC) of 17.5 per cent, but committed OC is 12.8 per cent. Storebrand Boligkreditt AS therefore has total security that is NOK 583 million more than what is committed in the lending programme. Storebrand Bank ASA considers security to be adequate.

Note 34 - Capital adequacy

NET PRIMARY CAPITAL

(NOK million)	2016	2015
Share capital	960.6	960.6
Other equity	1 585.8	1 443.6
Total equity	**2 546.3**	**2 404.2**
Additional Tier 1 capital included in total equity	-225.0	-225.0
Accrued interest on capital instruments included in total equity	-1.0	-1.0
Total equity exc. Hybrid Tier 1 capital	**2 320.3**	**2 178.1**
Deductions:		
Intangible assets	-80.1	-88.5
Deferred tax asset not related to temporary differences		-0.3
Provision for group contribution	-339.0	-74.1
Addition:		
Group contribution received		74.1
Core capital exc. Hybrid Tier 1 capital	**1 901.2**	**2 089.3**
Additional Tier 1 capital:		
Capital instruments eligible as AT1 capital	225.0	225.0
Addition		
Core capital	**2 126.2**	**2 314.3**
Supplementary capital	275.0	274.8
Tier 2 capital		
Tier 2 capital deductions		
Net primary capital	**2 401.2**	**2 589.1**

MINIMUM CAPITAL REQUIREMENT

(NOK million)	2016	2015
Credit risk	1 002.2	1 110.6
Of which:		
Local and regional authorities	5.6	9.8
Institutions	9.9	10.0
Corporates	0.0	2.5
Loans secured in residential real estate	861.7	951.3
Retail market	62.3	88.0
Loans past-due	15.2	12.4
Covered bonds	25.5	20.9
Other	22.1	15.7
Total minimum requirement for credit risk	**1 002.2**	**1 110.6**
Settlement risk		
Total minimum requirement for market risk	**0.0**	**0.0**
Operational risk	77.2	88.4
CVA risk *)	9.6	17.8
Deductions		
Loan loss provisions on groups of loans	-3.1	-2.5
Minimum requirement for net primary capital	**1 086.0**	**1 214.4**

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

CAPITAL ADEQUACY

	2016	2015
Capital ratio	17.7 %	17.1 %
Core (tier 1) capital ratio	15.7 %	15.2 %
Core capital ratio excl. Hybrid Tier 1 capital	14.0 %	13.8 %

The standard method is used for credit risk and market risk and the basis method is used for operational risk. In 2016, the Financial Supervisory Authority of Norway set a second pillar supplement of 1.8 percentage points of the calculation basis for Storebrand Bank ASA and the Storebrand Bank Group. The requirement must be covered by pure core capital. The requirement for a countercyclical capital buffer increased from 30 June 2016. The combined requirements for pure core capital and primary capital were 13.3 per cent and 16.8 per cent respectively at the end of 2016. The level of the countercyclical capital buffer requirement will be increased by a further 0.5 percentage points from 31 December 2017, with a corresponding increase in the requirement for pure core capital and primary capital from this date.

BASIS OF CALCULATION (RISK-WEIGHTED VOLUME)

(NOK million)	2016	2015
Credit risk	12 528.0	13 882.5
Of which:		
International organisations	70.2	122.6
Institutions	123.7	124.6
Corporates	0.1	30.6
Loans secured in residential real estate	10 770.7	11 891.8
Retail market	778.6	1 100.4
Loans past-due	189.7	154.8
Covered bonds	318.8	261.8
Other	276.3	195.8
Total minimum requirement for credit risk	**12 528.0**	**13 882.5**
Settlement risk		
Total minimum requirement for market risk	**0.0**	**0.0**
Operational risk	965.5	1 105.1
CVA risk	119.6	222.6
Deductions		
Loan loss provisions on groups of loans	-38.2	-30.7
Minimum requirement for net primary capital	**13 574.9**	**15 179.4**

Note 35 - Changes in the Group's composition

Storebrand Bank ASA decided to wind up ownership of Ring Eiendomsmegling AS and subsidiaries in December 2011.
The result, assets and liabilities for Ring Eiendomsmegling AS have been classified as sold / wound up business in the bank's consolidated financial statements.

In 2016, there have been a capital increase of NOK 90 000 in the subsidiary MPV7 Holding AS.

Note 36 - Related parties

TRANSACTIONS WITH GROUP COMPANIES

(NOK million)	2016 Other group companies [1]	2015 Other group companies [1]
Interest income		
Interest expense		
Services sold	3.7	3.1
Services purchased	83.0	43.6
Due from	14.2	13.7
Liabilities to	3.9	9.8

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

1) Other group companies are companies in other sub-groups within the Storebrand group.

LOANS SOLD TO STOREBRAND LIVSFORSIKRING AS

Storebrand Bank ASA has sold mortgages to sister company Storebrand Livsforsikring AS. The mortgages were sold on commercial terms. The portfolio of loans that was sold as of 31 December 2016 totalled NOK 6.8 billion. As the buyer, Storebrand Livsforsikring AS has acquired both cash flows and most of the risk and control. The loans were therefore derecognised in the bank's balance sheet in accordance with IAS 39. Storebrand Bank ASA receives management fees for the work being done with the sold portfolio. The bank has recognised NOK 15.4 million as revenue in the accounts for 2016.The fees paid to the bank are based on the arm's lenght principle.

TRANSACTIONS WITH OTHER RELATED PARTIES

Storebrand Bank ASA defines Storebrand Optimér ASA as a related party as the company's objective is to offer alternative savings products to the bank's customers. Storebrand Optimér ASA has no employees and the company has entered into an agreement with Storeband Bank ASA to carry out the day-to-day operation of the company. The bank also acts as a Manager for issues of shares carried out by Storebrand Optimér ASA. The bank has booked NOK 4.0 million as revenue in the accounts for 2016 and the bank has a receivable due from the company of NOK 0.4 million as of 31.12.2016. The fees paid to the bank are based on the arm's length principle.

Storebrand Bank ASA conducts transactions with related parties as part of its normal business activities. These transactions take place on commercial terms. The terms for transactions with senior employees and related parties are stipulated in notes 38 and note 39 for Storebrand Bank ASA.

LOANS TO EMPLOYEES

(NOK million)	2016	2015
Loans to employees of Storebradn Bank ASA	155.5	181.5
Loans to employees of Storebrand group excl. Storebrand Bank ASA	1 663.7	2 285.7

Loans to employees are granted in part on the normal terms and conditions for loans to employees, i.e. loan to and individual of up to NOK 3.5 million at an interest rate equal to the norm interest rate (for tax purposes) defined by the Norwegian Ministry of Finance.
Loans in excess of NOK 3.5 million are granted on normal commercial terms and conditions. The bank has not provided guarantees or security for borrowing by employees.

NUMBER OF EMPLOYEES

	2016	2015
Number of employees at 31 December	111	103
Number of employees expressed as full-time equivalent positions	110	102

Storebrand Bank ASA

Profit and loss account
1 January - 31 December

(NOK million)	Note	2016	2015
Interest income		481.4	622.3
Interest expense		-226.6	-414.2
Net interest income	10	**254.8**	**208.1**
Fee and commission income from banking services		122.0	74.4
Fee and commission expense for banking services		-15.1	-11.4
Net fee and commission income	11	**106.8**	**63.0**
Net gains on financial instruments	10	95.4	-35.9
Other income	12	58.6	103.2
Total other operating income		**154.0**	**67.3**
Staff expenses	14, 15	-96.6	-117.0
General administration expenses	14	-48.3	-50.5
Other operating costs	13, 14, 28, 29	-132.3	-95.9
Total operating costs		**-277.2**	**-263.3**
Operating profit before loan losses		**238.4**	**75.0**
Loan losses for the period	16	-17.1	-43.5
Profit before tax		**221.4**	**31.5**
Tax	17	-47.5	-23.7
Profit for the year		**173.8**	**7.8**
Profit for the year is attributable to:			
Portion attribuable to shareholders		162.9	-0.8
Portion attribuable to additional Tier 1 capital holders		11.0	8.6
Profit for the year		**173.8**	**7.8**
Transfers and allocations:			
Transferred to/from other equity		165.2	66.3
Provision for group contribution		-339.0	-74.1
Total transfers and allocations		**-173.8**	**-7.8**

Statement of comprehensive income

(NOK million)	Note	2016	2015
Profit for the year		173.8	7.8
Other result elements not to be classified to profit/loss			
Pension experience adjustments	15	-6.6	-10.1
Tax on pension experience adjustments	17	1.7	2.9
Total other result elements not to be classified to profit/loss		**-5.0**	**-7.2**
Unrealised gain/loss financial instruments available for sale		-2.8	9.0
Total other result elements that may be classified to profit/loss		**-2.8**	**9.0**
Total comprehensive income		**166.1**	**9.5**
Total comprehensive income for the period is attributable to:			
Portion attributable to shareholders		155.1	0.9
Portion attributable to additional Tier 1 capital holders		11.0	8.6
Total comprehensive income		**166.1**	**9.5**

Storebrand Bank ASA

Statement of financial position - balance sheet 31 December

ASSETS

(NOK million)	Note	2016	2015
Cash and deposits with central banks	4, 18	464.5	188.6
Loans to and deposits with credit institutions	4, 8, 18, 19	1 221.8	2 094.8
Financial assets designated at fair value through the profit and loss account:			
Equity instruments	8, 18	15.5	10.6
Bonds and other fixed-income securities	4, 8, 18, 21, 23	4 070.1	4 922.6
Derivatives	4, 5, 8, 18, 24, 32	131.1	249.8
Bonds at amortised cost	4, 18, 22	530.6	780.7
Other current assets	18, 30	1 127.2	1 176.1
Gross lending, amortised cost	4, 8, 18, 26	11 999.5	13 844.3
Gross lendnig, FVO	4, 8, 18, 26	1 958.5	1 214.8
Loan loss provisions	4, 18, 27	-61.6	-84.6
Net lending to customers	4, 18, 26	13 896.4	14 974.5
Tangible assets	29	1.0	2.0
Intangible assets and goodwill	28	80.1	88.5
Deferred tax assets	17	22.4	34.2
Total assets		**21 560.8**	**24 522.5**

Storebrand Bank ASA
Statement of financial position - balance sheet
31 December

LIABILITIES AND EQUITY

(NOK million)	Note	2016	2015
Liabilities to credit institutions	5, 8, 18, 23	407.2	726.3
Deposits from and due to customers	5, 18, 31	15 248.0	17 835.0
Other financial liabilities:			
Derivatives	8, 18, 24	208.3	331.3
Commercial paper and bonds issued	5, 18, 32	2 625.2	2 704.3
Other liabilities	5, 18, 34	632.7	292.8
Provision for accrued expenses and liabilities	33	7.3	8.2
Pension liabilities	15	13.6	25.3
Subordinated loan capital	5, 18	277.2	277.0
Total liabilities		**19 419.4**	**22 200.0**
Share capital		960.6	960.6
Share premium		156.0	156.0
Other paid-in share capital		645.9	645.9
Retained earnings		152.9	334.0
Additional Tier 1 capital		226.0	226.0
Total equity	37	**2 141.4**	**2 322.5**
Total liabilities and equity		**21 560.8**	**24 522.5**

Lysaker, 7 February 2017
The Board of Directors of Storebrand Bank ASA

Translation - not to be signed

Odd Arild Grefstad
Chairman of the Board

Geir Holmgren
Deputy Chairman

Leif Helmich Pedersen
Board Member

Inger Roll-Matthiesen
Board Member

Vivi Gevelt
Board Member

Maria Skotnes
Board Member

Bernt H. Uppstad
CEO

Storebrand Bank ASA
Statement of changes in equity

(NOK million)	Share capital	Share premium	Other paid-in equity	Total paid-in equity	Other equity	Total retained earnings	Additional Tier 1 capital	Total equity
	Paid-in equity				Other equity			
Equity at 31.12.2014	960.6	156.0	571.8	1 688.3	405.7	405.7		2 094.1
Profit for the period					-0.8	-0.8	8.6	7.8
Pension experience adjustments (see note 15)					-7.2	-7.2	0.0	-7.2
Total other result elements not to be classified to profit/loss	**0.0**	**0.0**	**0.0**	**0.0**	**-7.2**	**-7.2**	**0.0**	**-7.2**
Unrealised gain/loss financial instruments available for sale					9.0	9.0		9.0
Total other result elements that may be classified to profit/loss	**0.0**	**0.0**	**0.0**	**0.0**	**9.0**	**9.0**	**0.0**	**9.0**
Total comprehensive income for the period	**0.0**	**0.0**	**0.0**	**0.0**	**0.9**	**0.9**	**8.6**	**9.5**
Equity transactions with owners:								
Additional Tier 1 capital classified as equity					1.5	1.5	226.0	227.5
Payment to additional Tier 1 holders							-8.6	-8.6
Group contribution received			74.1	74.1				74.1
Provision for group contribution					-74.1	-74.1		-74.1
Equity at 31.12.2015	**960.6**	**156.0**	**645.9**	**1 762.4**	**334.0**	**334.0**	**226.0**	**2 322.5**
Profit for the period					162.9	162.9	11.0	173.8
Pension experience adjustments (see note 15)					-5.0	-5.0		-5.0
Total other result elements not to be classified to profit/loss	**0.0**	**0.0**	**0.0**	**0.0**	**-5.0**	**-5.0**	**0.0**	**-5.0**
Unrealised gain/loss financial instruments available for sale					-2.8	-2.8		-2.8
Total other result elements that may be classified to profit/loss	0.0	0.0	0.0	0.0	**-2.8**	**-2.8**		**-2.8**
Total comprehensive income for the period	0.0	0.0	0.0	0.0	**155.1**	**155.1**	**11.0**	**166.1**
Equity transactions with owners:								
Additional Tier 1 capital classified as equity					2.7	2.7		2.7
Payment to additional Tier 1 holders							-11.0	-11.0
Provision for group contribution					-339.0	-339.0		-339.0
Equity at 31.12.2016	**960.6**	**156.0**	**645.9**	**1 762.4**	**152.9**	**152.9**	**226.0**	**2 141.4**

The entire share capital of NOK 960.6 million made up of 64,037,183 shares (of nominal value NOK 15) is owned by Storebrand ASA.

The equity changes with the result for the individual period, equity transactions with the owners and items that are entered directly to total comprehensive income. Share capital, the share premium reserve and other equity is evaluated and managed together. The share premium and other equity may be used in accordance with the provisions of the Public Limited Liabilities Company Act.

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

Storebrand Bank ASA is a financial group subject to statutory requirements regarding primary capital under the capital adequacy regulations. Primary capital encompasses both equity and subordinated loan capital. For Storebrand Bank ASA, these legal requirements are most important in its capital management.
For further information on the group's fulfilment of the capital requirements, see note 37.

Storebrand Bank ASA
Cash flow statement
1 January - 31 December

(NOK million)	Note	2016	2015
Cash flow from operations			
Receipts of interest, commissions and fees from customers		525.6	592.1
Payments of interest, commissions and fees to customers		-135.5	-314.9
Net disbursement/payments on customer loans		1 100.3	-885.0
Net receipts/payments of deposits from banking customers		-2 586.9	-1 531.2
Net receipts/payments - securities at fair value		1 270.7	1 592.5
Payments of operating costs		-276.3	-261.7
Net cash flow from operating activities		**-102.3**	**-808.2**
Cash flow from investment activities			
Net payments on purchase/capitalisation of subsidiaries	20	-0.1	-0.1
Net payments on purchase/sale of fixed assets etc.	28, 29	-15.7	-4.6
Net cash flow from investment activities		**-15.8**	**-4.7**
Cash flow from financing activities			
Payments - repayments of loans and issuing of bond debt		-1 255.9	-848.4
Receipts - new loans and issuing of bond debt		1 198.6	900.0
Payments - interest on loans		-92.3	-97.1
Payments - repayments of subordinated loan capital			-32.6
Payments - interest on subordinated loan capital		-10.8	-14.0
Payments - interest on additional Tier 1 capital		-11.0	-8.6
Net receipts/payments of liabilities to credit institutions		-319.2	400.4
Receipts - group contribution		218.5	224.4
Payments - group contribution / dividends		-206.9	-457.1
Net cash flow from financing activities		**-479.0**	**67.1**
Net cash flow in the period		**-597.1**	**-745.9**
Net change in cash and bank deposits		-597.1	-754.9
Cash and bank deposits at the start of the period		2 283.4	3 029.2
Cash and bank deposits at the end of the period		**1 686.3**	**2 283.4**
Cash and deposits with central banks		464.5	188.6
Loans to and deposits with credit institution		1 221.8	2 098.4
Total cash and bank deposits in the balance sheet		**1 686.3**	**2 283.4**

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

OPERATIONAL ACTIVITIES
A substantial part of the activities in a financial company will be classified as operational.

INVESTMENT ACTIVITIES
Includes cash flows for holdings in group companies and tangible fixed assets.

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

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

Notes
Storebrand Bank ASA

Note 1 - Company information and accounting policies

1. COMPANY INFORMATION

Storebrand Bank ASA is a Norwegian public limited company with bonds listed on the Oslo Stock Exchange. The company's financial statements for 2016 were approved by the Board of Directors on 7 February 2017.

Storebrand Bank ASA is a web-based bank that offers traditional bank products to the Norwegian market. The bank's main target group is persons who have an occupational pension with Storebrand. These customers are also members of the Group's loyalty programme, Storebrand Fordel. The bank's offerings are also integrated with the Group's loyalty programme. Storebrand Bank ASA comprises the business areas of Corporate Market, Retail Market and Treasury. Storebrand Bank ASA is headquartered at Professor Kohts vei 9, Lysaker.

2. BASIS FOR PREPARATION OF THE FINANCIAL STATEMENTS

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

Storebrand Bank ASA's financial statements are presented using EU-approved International Financial Reporting Standards (IFRS) and related interpretations, as well as other Norwegian disclosure requirements laid down in legislation and regulations.

USE OF ESTIMATES IN PREPARING THE ANNUAL FINANCIAL STATEMENTS
The preparation of the annual financial statements in accordance with IFRS requires the management to make judgements, estimates and assumptions that affect assets, liabilities, revenue, expenses, the notes to the financial statements and information on potential liabilities. Actual amounts may differ from these estimates. See Note 2 for further information.

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

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

The accounting policies are described in more detail below

4. CHANGES IN ACCOUNTING POLICIES

New accounting standards that have a significant impact on the financial statements have not been implemented in 2016.

No new accounting standards that will have a significant impact on Storebrand Bank ASA's financial statements are expected to be implemented in 2017.

NEW STANDARDS AND CHANGES IN STANDARDS THAT HAVE NOT COME INTO EFFECT
<u>IFRS9</u>
An important standard for the company will be IFRS9 Financial Instruments, that will replace IAS39 with effect from 1 January 2018. Among other things, IFRS9 deals with classification and measurement of financial instruments (use of fair value and amortised cost), and rules for writing down financial instruments.

IFRS9 involves rules for classification based on the business model, altered hedge accounting requirements and rules for write-downs of financial assets that result in losses being recorded earlier than under IAS39. Under IAS39, impairment losses will be entered when there are objective criteria for an actual loss having taken place, while under IFRS9, the probability of loss (expected loss) must be calculated based on the elements relating to the financial instrument and elements relating to more general macroeconomic factors

Storebrand is working on adapting models and IT systems to IFRS9. It is expected that impairment losses on loans will increase due to the implementation of the standard.

<u>IFRS15</u>
The standard for revenue from contracts with customers enters into force on 1 January 2018. Storebrand does not expect this standard to have any major effect on the company's financial statements.

5. INCOME RECOGNITION

INTEREST INCOME – BANKING
Interest income related to loans and bonds is recognised in the income statement using the effective interest method.

INCOME FROM PROPERTIES AND FINANCIAL ASSETS
Income from properties and financial assets is described in Section 7.

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

6. INTANGIBLE ASSETS

Intangible assets with limited useful economic lives are measured at the acquisition cost less accumulated amortisation and any write-downs. The useful life and amortisation method are measured each year. If new intangible assets are carried, it must be possible to prove that it is likely that future economic benefits that can be attributed to the asset will pass to the group. In addition, the must be possible to estimate the cost price of the asset reliably. The write-down needs will be assessed if there are indications of an impairment in value, and the write-down of intangible assets and reversal of write-downs will otherwise be handled in the same manner as described for tangible fixed assets.

Intangible assets with unlimited useful economic lives are not amortised, but are tested for impairment annually or whenever there are indications that the value has been impaired.

7. FINANCIAL INSTRUMENTS

7-1. GENERAL POLICIES AND DEFINITIONS
Recognition and derecognition

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

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

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

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

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

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

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

IMPAIRMENT OF DOUBTFUL FINANCIAL ASSETS

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

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

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

7-2. CLASSIFICATION AND MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES

Financial assets are classified into one of the following categories:

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

Held for trading

A financial asset is classified as held for trading if:

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

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

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

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

A significant proportion of Storebrand Bank ASA's financial instruments are classified in the category fair value through profit or loss because:

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

The accounting is the same for the group held for trading (the instruments are assessed at the fair value and changes in value are listed on the income statement).

Loans and receivables

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

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

Loans and receivables that are designated as hedged items are subject to measurement under the hedge accounting requirements.

7-3. DERIVATIVES

Definition of a derivative

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

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

Accounting treatment of derivatives that are not hedging

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

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

7-4. HEDGE ACCOUNTING

Fair value hedging

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

7-5. FINANCIAL LIABILITIES

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

8. PENSION LIABILITIES FOR OWN EMPLOYEES

In Storebrand Bank, the pension scheme from 1 January 2015 changed from a defined benefit to a defined contribution scheme. The scheme is recognised in accordance with IAS 19. The effect of this change was recognised in the accounts as at 31 December 2014. Storebrand participates in the Norwegian AFP scheme (collective agreement pension). The Norwegian AFP scheme is regarded as a defined-benefit scheme, but there is insufficient quantitative information to be able to estimate reliable liabilities and costs for accounting purposes. In connection with new rules for disability pensions in the Norwegian Occupational Pensions Act, Storebrand has altered the disability pension scheme for own employees in Norway in 2016.

8-1. DEFINED BENEFIT SCHEME

Pension costs and pension liabilities for defined benefit pension schemes are determined using a linear accrual formula and expected final salary as the basis for the entitlements, based on assumptions about the discount rate, future salary increases, pensions and National Insurance benefits, future returns on pension plan assets as well as actuarial estimates of mortality, disability and voluntary early leavers. The net pension cost for the period comprises the total of the accrued future pension entitlements during the period, the interest cost on the calculated pension liability and the expected return on pension plan assets.

Actuarial gains and losses and the effects of changes in assumptions are recognised in total comprehensive income in the income statement for the period in which they occur. Storebrand Bank ASA has insured and uninsured pension schemes. The insured scheme in Norway is managed by Storebrand Livsforsikring AS. Employees who resign before reaching retirement age or leave the scheme will be issued ordinary paid-up policies.

8-2. DEFINED-CONTRIBUTION SCHEME

The defined contribution pension scheme involves the Group in paying an annual contribution to the employees' collective pension savings. The future pension will depend on the size of the contribution and the annual return on the pension savings. The Group does not have any further obligation related to work performed after the annual contribution has been paid. There are no provisions for accrued pension liabilities in such schemes. Defined-contribution pension schemes are recognised directly in the financial statements.

9. TANGIBLE FIXED ASSETS AND INTANGIBLE ASSETS

The company's tangible fixed assets and intangible assets comprise equipment, fixtures and fittings and IT systems. Equipment, fixtures and fittings and IT systems are valued at acquisition cost less accumulated depreciation and any write-downs.

The depreciation period and method are reviewed annually to ensure that the method and period being used both correspond to the useful economic life of the asset. This applies correspondingly to the disposal value. Properties are split into components if different parts have different useful economic lives. The depreciation period and method of depreciation are evaluated separately for each component.

The value of a tangible asset is tested when there are indications that its value has been impaired. Any write-down is recognised in the income statement as the difference between the book value and the recoverable amount. The recoverable amount is the greater of the fair value less costs of sale and the value in use. On each reporting date a determination is made as to whether to reverse previous impairment losses on non-financial assets

10. TAX

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

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

FINANCIAL TAX
In connection with the national budget for 2017, it was agreed to introduce a financial tax consisting of two elements:

- Financial tax on salaries. This is set at 5 per cent and will follow the rules for employer's National Insurance contributions.
- The tax rate on the ordinary income for companies subject to the financial tax will be continued at the 2016 level (25 per cent), while it will otherwise be reduced to 24 per cent.

The financial tax applies from and including the 2017 financial year. Storebrand Bank ASA is affected by the financial tax.

11. PROVISION FOR GROUP CONTRIBUTIONS AND DIVIDENDS

Simplified IFRS permits the company to recognise provisions for group contributions as income, and the Board of Directors' proposal concerning the group contribution to be recognised as a liability on the reporting date.

12. LEASING

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

13. STATEMENT OF CASH FLOWS

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

Note 2 - Critical accounting estimates and judgements

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

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

LOAN WRITE-DOWNS

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

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

Group write-downs
On the statement of financial position date, one estimates the impairment of commitments not identified by the individual assessments. The bank differentiates between the corporate market and retail customers, and further categorisation is carried out to ensure as similar risk characteristics as possible within the various categories. Group write-downs are carried out when objective impairment criteria have been met.
These criteria are i) change in risk class and ii) change in macroeconomic conditions.

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

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

BONDS AT AMORTISED COST

See the description above concerning loans at amortised cost. The same assessments must be made to value bonds at amortised cost.

FINANCIAL INSTRUMENTS AT FAIR VALUE

There will be some uncertainty associated with the pricing of financial instruments not priced in an active market. This is particularly true of the types of securities priced on the basis of non-observable assumptions. Various valuation techniques are applied to these investments in order to determine the fair value. They include fixed-rate loans and other financial instruments where theoretical models are used for pricing Any changes to the assumptions could affect recognised amounts.

There will be uncertainty regarding the pricing of fixed-rate loans recognised at fair value, as there is a great variation in the interest rate terms offered by banks, while the demand for fixed-rate loans has declined. As a result, it has been more difficult to find observable conditions.

Reference is also made to Note 8 in which the valuation of financial instruments at fair value is described in more detail.

INTANGIBLE ASSETS

Intangible assets with undefined useful lives are tested annually for impairment. The test's valuation method requires estimating the cash flows that arise in the relevant cash flow generating unit, as well as applying the relevant discount rate. Tangible fixed assets and other intangible assets are measured annually to ensure that the method and time period used correspond with economic realities.

CONTINGENT LIABILITIES

Companies in the Storebrand Bank ASA can be a party in legal disputes. Contingent liabilities are assessed in each case and will be based on legal considerations.

Note 3 - Risk management

Continuous monitoring and active risk management are core areas of the bank's activities and organisation. The basis of risk management follows from the board's annual discussion of the strategy and planning process and determination of general risk ceilings for the activities. At the Storebrand group, responsibility for risk management and internal control is an integral part of management responsibility.

ORGANISATION OF RISK MANAGEMENT

The Storebrand group's organisation of risk management responsibility follows a model based on 3 lines of defence. The objective of the model is to safeguard the responsibility for risk management at both company and Group level.

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

Managers at all levels in the company are responsible for risk management within their own area of responsibility. Good risk management requires targeted work on objectives, strategies and action plans, identification and assessment of risks, documentation of processes and routines, prioritisation and implementation of improvement measures, and good communication, information and reporting.

All employees must be familiar with the concept that awareness of risks and risk management are vital elements of the company's culture.

All managers in the bank and in group areas which delivers services to the bank, in addition to the CEO of Storebrand Boligkreditt AS, must submit an annual confirmation that documents how risk management has functioned during the period.

INDEPENDENT CONTROL FUNCTIONS

Storebrand Bank ASA has independent control functions for the company's risk management (Chief Risk Officer) and for compliance who are responsible directly to the CEO and report to the bank's board. In terms of function the independent control functions are affiliated with the Group CRO, who is responsible to the group CEO and reports to the board of Storebrand ASA.

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

Note 4 - Credit risk

Credit risk is the risk of loss if a counterparty does not fulfil its debt obligations. This risk includes losses on lending in the bank, but also losses related to bank deposits or failure of counterparties to perform under reinsurance agreements or financial derivatives.

RISK MANAGEMENT

The risk strategy reflects how much credit risk the bank group is willing to accept. The willingness to accept risk is adjusted to the bank's risk appetite and goals regarding risk profile, capital adequacy, profitability, liquidity and growth. Credit policies establish general principles for granting credit. The bank's procedures for credit management are set out in credit manuals for the Corporate and Retail Markets. The credit manuals are primarily designed for account managers and others who are involved in case management processes. The credit manuals contain common guidelines (or regulations) for the bank group's credit activities, and are intended to safeguard uniform and consistent credit management practices.

The credit manuals and adopted routines provide specific criteria for monitoring non-performance, loan covenants, loss assessments and the annual loan review. Furthermore, the models ensure uniform portfolio risk assessment classifications and reporting on risk development. Specialised functions have been established for deposits, loan establishment and administration of the customer portfolio. Credit is granted in accordance with an authorisation structure determined by the board.

Treasury has the credit risk for its counterparties in the investment portfolio. Permitted counterparties and the composition of the portfolio are set out in the bank's counterparty risk policy.

Counterparty risk in connection with trade in financial derivatives with customers as the counterparty is included under credit risk and is managed according to a specific policy on the basis of rating and amount under management. Customer derivatives trades are hedged using derivatives. Financial derivatives permitted by the bank are outlined in the interest rate risk policy.

RISK CONTROL

The most important control of credit risk is carried out and administered by the credit manager, who has ongoing responsibility for making sure that established procedures in the credit areas comply with the adopted risk profile and that they are adhered to on a day-to-day basis.

Exposure relating to trade in financial derivatives for customers is monitored by Back Officet. Price development is monitored in respect of the customer's situation, cleared lines and breach clauses. The Middle Office conducts running spot checks with regard to this.

Trades with counterparties made by Treasury are checked by the Middle Office in accordance with dedicated procedures and work descriptions.

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

ANALYSIS OF CREDIT RISK BY TYPE OF FINANCIAL INSTRUMENT

The maximum credit exposure is the sum of gross loans, guarantees, amounts drawn from credit lines and undrawn amounts of credit lines. Net decrease in maximum credit exposure from the end of 2015 is mainly related to a decrease in liquidity portfolio, and deposits from and due to credit institutions including the central bank and loans to customers.

(NOK million)	Maximum credit exposure 2016	2015
Liquidity portfolio	4 602.8	5 704.2
Total loans to and deposits with credit institutions and central bank	1 686.3	2 283.4
Total commitments customers [1)]	15 732.0	17 052.1
Interest rate swaps	131.1	249.6
Forward foreign exchange contracts		0.2
Total	**22 152.3**	**25 289.7**
1) Of which net loans to and amounts due from customers measured at fair value	1 958.5	1 214.8

The amounts stated for the various financial instruments constitute the value recognised in the balance shett, with the exception of net lending to and receivables from customers, which also includes unused drawing facility and guarantees.

CREDIT RISK LIQUIDITY PORTFOLIO

Interest-bearing securities at fair value
Credit risk per counterparty
Short-term holdings of interest-bearing securities
Issuer category

(NOK million)	AAA Fair value	AA Fair value	A Fair value	BBB Fair value	NIG Fair value	Total 2016 Fair value	Total 2015 Fair value
Sovereign and Government Guaranteed bonds	382.9	100.0				482.8	219.2
Mortgage and asset backed bonds	3 537.0	50.4				3 587.3	4 703.4
Total	**3 919.8**	**150.3**	**0.0**	**0.0**	**0.0**	**4 070.1**	**4 922.6**
Rating classes are based on Standard & Poors.							
Change in value:							
Total change in value on the balance sheet	0.4	0.1				0.5	-21.3
Change in vaule recognised in the profit and loss during period	21.5	0.3				21.8	-38.5

Interest-bearing securities at amortised cost
Credit risk per counterparty
Short-term holdings of interest-bearing securities
Issuer category

(NOK million)	AAA Fair value	AA Fair value	A Fair value	BBB Fair value	NIG Fair value	Total 2016 Fair value	Total 2015 Fair value
Public issuers and Government Guaranteed Bonds	200.9					200.9	401.4
Mortgage and asset backed bonds	281.5				50.3	331.8	380.2
Total	**482.3**	**0.0**	**0.0**	**0.0**	**50.3**	**532.7**	**781.7**

Rating classes are based on Standard & Poors.

CREDIT RISK ON LOANS TO AND DEPOSITS WITH CREDIT INSTITUTIONS AND CENTRAL BANK

(NOK million)	AAA Fair value	AA Fair value	A Fair value	BBB Fair value	NIG Fair value	Total 2016 Fair value	Total 2015 Fair value
Norway	464.5					464.5	188.6
Total deposits with central bank	**464.5**	**0.0**	**0.0**	**0.0**	**0.0**	**464.5**	**188.6**
Norway	1 091.0					1 091.0	2 043.6
Denmark			130.8			130.8	51.2
Total loans to and deposits with credit institutions	**1 091.0**	**0.0**	**130.8**	**0.0**	**0.0**	**1 221.8**	**2 094.8**
Total loans to and deposits with credit institutions and central bank	**1 555.5**	**0.0**	**130.8**	**0.0**	**0.0**	**1 686.3**	**2 283.4**

CREDIT EXPOSURE FOR LENDING ACTIVITIES

CORPORATE MARKET

Gross lending in the Corporate Market represents approximately NOK 1.6 billion. In addition, there are guarantees of approximately NOK 24 million. In addition, loans of nearly NOK 1.3 billion are under management, which are syndicated to Storebrand Livsforsikring AS.

As a result of group prioritizations regarding use of capital at Storebrand and a strategic assessment of the future direction of the Group, the Corporate Market segment at the bank is no longer prioritised as a core activity, and will be dismantled and eventually wound up.

In 2013, Storebrand Bank ASA adopted an internal model for classification of the bank's Corporate Market loans. The model estimates the probability of default (PD) of the loans. The portfolio of income-generating properties (IGE) and development properties consists of few customers and few defaults, and there is comprehensive and complex risk assessment of debtors. The PD model for the Corporate Market has accordingly been developed as an expert model, unlike the statistical model for the Retail Market.

The PD is set in two steps. First a PD score is calculated based on a risk assessment of the debtor and affiliated project that Storebrand Bank ASA finances for each debtor. The PD score is a number between 0 and 100. The PD score is then mapped over to the risk class and associated PD, where the bank's master scale is applied. The master scale consists of 11 risk classes from A to K, with A indicating the lowest default probability and K containing non-performing loans.

When assessing the quality of the security of the loans, numerical grades of 1 to 5 are applied, with 1 being the best.

Based on the Corporate Market expert model, about 96 per cent of loans are for IGE. The remaining loans are loans for different purposes or loans outside the area of validity of the model. The Corporate Market portfolio is generally secured on commercial property.

About 62 per cent of the portfolio relates to Group debtors with total loans of over NOK 200 million. The definition of a Group debtor is given in the regulations relating to large loans. 20 per cent of the portfolio relates to Group debtors with total loans under NOK 50 million. 18 per cent of the loans have been made to customers with consolidated exposure of between NOK 50 million and NOK 200 million. The bank has 4 group debtors (with 5 debtors in total) with total loans exceeding NOK 200 million, and 3 group debtors (with 4 debtors in total) with total borrowings of between NOK 50 million and NOK 200 million.

The bank's exposure is secured by pledged assets in Oslo, equivalent to almost 41 per cent. A further 38 per cent of the bank's exposure is secured by assets pledged in the area surrounding Oslo and the rest of Eastern Norway. The remaining loans are secured primarily in and around Rogaland County. Assets pledged are valued at their realisable values in addition to separate assessments based on return considerations.

At the end of 2016, approximately 74 per cent of the amount granted was linked to loans in risk classes A to D, while approximately 3 per cent was in risk classes G to J. The loans must be classified both on establishment and when there are changes in the loans. In addition, corporate market customers are to be reclassified annually or as necessary. The classifications thereby provide an overview of the risk exposure in the portfolio at all times. The bank measures the Corporate Market portfolio's distribution into risk classes on a quarterly basis.

Of loans that are not non-performing or in arrears, about 52 per cent of the loans have a loan to value ratio of under 80 per cent. Approximately 73 per cent of the loans have a loan to value ratio within 90 per cent. The remaining healthy loans have a loan to value ratio of under 100 per cent for the most part.

There are no loans/customers in default without impairment in value at the end of 2016.

For impaired non-performing loans, the write downs that have been made have taken into account that the pledged assets do not cover the value of the loans and other costs related to the non-performance. The losses that have been recorded are considered to be sufficient. The bank does not believe that new losses will be forthcoming from these customers at this time.

In the event of non-performance the bank will sell the securities or take over the assets if that is most appropriate. In the current portfolio, no properties have been taken over.

RETAIL MARKET

Retail customers are evaluated according to their capacity and intent to repay the loan. In addition to their capacity to service debt, the customers are checked regarding policy regulations and the customers are scored using a scoring model. For other retail market customers the overall loan to value ratio and debt servicing capability (as determined by the bank's credit policy for the segment) that apply to the portfolio is used as a basis. The securities for the portfolio are principally in properties for the retail market portfolio.

Storebrand Bank ASA has developed internal models for classifying home loans. The models estimate a loan's Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD). PD estimates are based on a logistical regression model where late payment notices, reminders, overdrafts and information about assets are key explanatory variables when predicting defaults. When estimating the LGD, the loan-to-value ratio is the most important explanatory variable. Mortgage loans are classified according to the bank's master scale, consisting of 11 risk classes from A to K, with A indicating the lowest default probability and K containing non-performing loans. The classification of home loans is automatically updated on a monthly basis. At the end of 2016, about 56 per cent of the EAD was linked to home loans in risk class A, while less than 3 per cent of the EAD was in risk classes G to J. The models must be validated at least once a year, with the models' accuracy compared to actual outcomes.

When arranging home loans Storebrand Bank ASA gathers information of significance to the value of the property. Each quarter the bank obtains an updated, independent valuation of residential properties from Eiendomsverdi AS. For homes where Eiendomsverdi AS does not have an up to date valuation (for example, certain housing cooperative apartments, owner-tenant apartments and some leisure properties) the last-updated market value is used until further notice. Where Eiendomsverdi AS cannot determine the market value of a property with a high degree of certainty, a "haircut" is used so as to reduce the risk of giving an inflated estimate of market value. If Eiendomsverdi AS has never received information regarding the property's market value, the value recorded at the time of entering into the contract (the deposit value) will be used. Loans like those mentioned here constitute just under 1 per cent of the total portfolio exposure.

In the retail market, most of the loans are secured by way of home mortgages. NOK 12 billion has been lent in home loans, with a further NOK 0.6 billion in undrawn credit facilities. Total commitments in housing are therefore about NOK 12.6 billion
The weighted average loan-to-value ratio is 64.7 per cent for home mortgage loans. Approximately 80 per cent of loans have a loan-to-value ratio lower than 80 per cent and approximately 96 per cent are lower than 90 per cent. Approximately 35 per cent of the home mortgage loans have a loan-to-value ratio within 60 per cent.
The portfolio is regarded as having a low to moderate credit risk in accordance with the bank's risk appetite.

There is largely good security on non-performing loans that are not impaired for retail market customers. The average loan to value ratio for these loans is 64 per cent. Housing loans that are part of the volume of non-performing loans total NOK 57 million. Approximately NOK 50 million of these loans have a loan-to-value ratio within 80 per cent. All home loans in default have a loan-to-value ratio lower than 100 per cent. The security is also good on home mortgages which are between 1 and 90 days past due. Assets pledged as collateral are sold in the retail market. They are not taken over by the bank.

In the credit card portfolio about NOK 201 million has been drawn, and approximately NOK 898 million is available as unused credit facilities. For credit accounts about NOK 66 million has been drawn, and approximately NOK 270 million is available as unused credit facilities.

COMMITMENTS PER CUSTOMER GROUP

	2016			
(NOK million)	Loans to and due from customers	Guarantees	Undrawn credit limits	Total commitments
Development of building projects	22.4	2.1		24.5
Sale and operation of real estate	974.0	21.4		995.3
Service providers	593.6		3.5	597.1
Wage-earners	12 325.6	0.1	1 793.5	14 119.2
Other	42.5		15.0	57.5
Total	13 958.0	23.6	1 812.0	15 793.6
Loan loss provisions on individual loans	-24.6			-24.6
Loan loss provisions on groups of loans	-37.0			-37.0
Total loans to and due from customers	**13 896.4**	**23.6**	**1 812.0**	**15 732.0**

	2015			
(NOK million)	Loans to and due from customers	Guarantees [1]	Undrawn credit limits	Total commitments
Development of building projects	29.6	2.1		31.7
Sale and operation of real estate	1 650.8	46.3	0.1	1 697.2
Service providers	692.0		1.4	693.4
Wage-earners	12 597.6	0.8	2 015.8	14 614.2
Other	89.1		11.6	100.7
Total	15 059.2	49.2	2 028.9	17 137.2
Loan loss provisions on individual loans	-55.7			-55.7
Loan loss provisions on groups of loans	-28.9	-0.5		-29.5
Total loans to and due from customers	**14 974.5**	**48.7**	**2 028.9**	**17 052.1**

1) Loan loss provsions on groups of guarantees are recognised in the item "Provision for accrued expenses and liabilities" under liabilites in the balance sheet.

Undrawn credit limits relate to the unused portion of credit limits approved on overdraft accounts and credit cards, as well as the unused portion of lending limits on flexible mortgages.

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

AVERAGE VOLUME ENGAGEMENT PER CUSTOMER GROUP

	2016			
(NOK million)	Average volume loans to and deposits from customers	Average volume guarantees	Average volume undrawn credit limits	Total average engagement
Development of building projects	26.0	2.1		28.1
Sale and operation of real estate	1 312.4	33.8		1 346.3
Service providers	642.8		2.4	645.2
Wage-earners	12 461.6	0.5	1 904.6	14 366.7
Other	65.8		13.3	79.1
Total	**14 508.6**	**36.4**	**1 920.4**	**16 465.4**

	2015			
(NOK million)	Average volume loans to and deposits from customers	Average volume guarantees	Average volume undrawn credit limits	Total average engagement
Development of building projects	139.7	2.5	6.6	148.8
Sale and operation of real estate	2 202.9	66.0	17.8	2 286.7
Service providers	919.1		12.8	931.9
Wage-earners	11 263.3	0.7	2 007.5	13 271.4
Other	83.8	0.3	11.2	95.2
Total	**14 608.8**	**69.4**	**2 055.9**	**16 734.1**

COMMITMENTS PER GEOGRAPHICAL AREA

2016

(NOK million)	Loans to and due from customers	Guarantees	Undrawn credit limits	Total commitments	Non-performing loans without evidence of impairment	Non-performing and loss-exposed loans with evidence of impairment	Gross defaulted and loss-exposed loans	Provisions for individual loan losses	Net defaulted and loss-exposed loans
Eastern Norway	10 367.4	23.6	1 397.6	11 788.6	45.2	70.8	115.9	22.9	93.0
Western Norway	2 372.9		279.7	2 652.6	23.3	1.0	24.3	1.0	23.3
Southern Norway	257.9		35.9	293.8	1.1		1.2		1.2
Mid-Norway	440.6		49.4	490.0	0.6	0.6	1.2	0.4	0.8
Northern Norway	435.9		36.4	472.2	0.8	0.3	1.1	0.3	0.8
Rest of world	83.3		13.1	96.3	0.5		0.5		0.5
Total	**13 958.0**	**23.6**	**1 812.0**	**15 793.6**	**71.5**	**72.7**	**144.2**	**24.6**	**119.6**

2015

(NOK million)	Loans to and due from customers	Guarantees	Undrawn credit limits	Total commitments	Non-performing loans without evidence of impairment	Non-performing and loss-exposed loans with evidence of impairment	Gross defaulted and loss-exposed loans	Provisions for individual loan losses	Net defaulted and loss-exposed loans
Eastern Norway	11 882.7	49.1	1 552.6	13 484.4	31.0	74.8	105.8	53.9	51.9
Western Norway	2 217.7	0.1	333.4	2 551.2	11.5	4.2	15.7	1.0	14.8
Southern Norway	200.1		35.3	235.4	3.1	1.9	5.1		5.0
Mid-Norway	375.0		55.1	430.1	0.5	1.3	1.8	0.4	1.5
Northern Norway	298.8		43.3	342.1	0.6	0.4	1.1	0.4	0.6
Rest of world	84.8		9.1	94.0	4.0		4.1		4.1
Total	**15 059.2**	**49.2**	**2 028.9**	**17 137.2**	**50.7**	**82.8**	**133.5**	**55.7**	**77.9**

TOTAL ENGAGEMENT AMOUNT BY REMAINING TERM TO MATURITY

2016

(NOK million)	Loans to and due from customers	Guarantees	Undrawn credit limits	Total commitments
Up to 1 month	2.9			2.9
1 - 3 months	382.4	1.6	14.7	398.8
3 months - 1 year	529.9	2.4	49.7	582.0
1 - 5 years	997.4	19.5	269.5	1 286.5
More than 5 years	12 045.4		1 478.1	13 523.5
Total	**13 958.0**	**23.6**	**1 812.0**	**15 793.6**

(NOK million)	Loans to and due from customers	Guarantees	Undrawn credit limits	Total commitments
	2015			
Up to 1 month	17.2			17.2
1 - 3 months	138.1		1.1	139.2
3 months - 1 year	459.9	3.5	41.8	505.1
1 - 5 years	1 471.3	45.8	305.3	1 822.4
More than 5 years	12 972.7		1 680.7	14 653.4
Total	**15 059.2**	**49.2**	**2 028.9**	**17 137.2**

AGE DISTRIBUTION OF OVERDUE ENGAGEMENTS WITHOUT IMPAIRMENT

(NOK million)	Loans to and due from customers	Guarantees	Undrawn credit limits	Total commitments
	2016			
Overdue 1 - 30 days	175.9	2.4	1.8	180.1
Overdue 31 - 60 days	37.9		0.2	38.1
Ovedue 61- 90 days	30.6		0.1	30.8
Overdue more than 90 days	71.5		0.2	71.7
Total	**316.0**	**2.4**	**2.3**	**320.6**
Engagements overdue more than 90 days by geographical area:				
Eastern Norway	45.2		0.2	45.3
Western Norway	23.3			23.3
Southern Norway	1.1			1.1
Mid-Norway	0.6			0.6
Northern Norway	0.8			0.8
Rest of world	0.5			0.5
Total	**71.5**	**0.0**	**0.2**	**71.7**

(NOK million)	Loans to and due from customers	Guarantees	Undrawn credit limits	Total commitments
	2015			
Overdue 1 - 30 days	373.9	17.8	1.6	393.3
Overdue 31 - 60 days	29.8		0.1	29.9
Ovedue 61- 90 days	15.9		0.1	16.0
Overdue more than 90 days	50.7		0.4	51.1
Total	**470.4**	**17.8**	**2.2**	**490.3**
Engagements overdue more than 90 days by geographical area:				
Eastern Norway	31.0		0.3	31.3
Western Norway	11.5		0.1	11.6
Southern Norway	3.1			3.1
Mid-Norway	0.5			0.5
Northern Norway	0.6			0.6
Rest of world	4.0			4.0
Total	**50.7**	**0.0**	**0.4**	**51.1**

Only non-performing and loss-exposed loans are classified by geographical area in this overview.
The same definition is used for due commitments as the one in the capital requirements regulations, however the number of days in the definition equals the age distribution.

Commitments are regarded as non-performing and loss-exposed:
- when a credit facility has been overdrawn for more than 90 days
- when an ordinary mortgage has arrears older than 90 days
- when a credit card has arrears older than 90 days and the credit limit has been overdrawn.

If a repayment plan has been agreed with the customer and is being adhered to, the overdraft is not regarded as a non-performing loan. When one of the three situations described above occurs, the commitment and the rest of the customer's commitments are regarded as non-performing. The number of days is counted from when the arrears exceed NOK 2,000.
The account is given a clean bill of health when there are no longer any arrears. The amount in arrears at the time of reporting can be less than NOK 2,000.

CREDIT RISK PER CUSTOMER GROUP

	2016						
(NOK million)	Non-performing and loss-exposed loans with evidence of impairment	Non-performing loans without evidence of impairment	Gross defaulted and loss-exposed loans	Total provisions for individual loan losses	Net defaulted and loss-exposed loans	Total value changes	Total value change recognised in the profit and loss account during period
Development of building projects							
Sale and operation of real estate	46.8		46.8	10.3	36.5		-23.2
Service providers							
Wage-earners	23.9	71.0	94.8	12.9	81.9		-8.4
Other	2.0		2.0	1.4	0.6		0.6
Total	**72.7**	**71.0**	**143.6**	**24.6**	**119.0**	**0.0**	**-31.1**

	2015						
(NOK million)	Non-performing and loss-exposed loans with evidence of impairment	Non-performing loans without evidence of impairment	Gross defaulted and loss-exposed loans	Total provisions for individual loan losses	Net defaulted and loss-exposed loans	Total value changes	Total value change recognised in the profit and loss account during period
Development of building projects							
Sale and operation of real estate	32.2		32.2	33.5	-1.3		24.0
Service providers							
Wage-earners	48.2	46.4	94.6	21.4	73.2		-0.2
Other	2.4	4.3	6.7	0.8	5.9		
Total	**82.8**	**50.7**	**133.5**	**55.7**	**77.9**	**0.0**	**23.8**

REPOSSESSED ASSETS

In the event of non-performing loans Storebrand Bank ASA will sell the collateral or repossessed assets if this is most appropriate. The bank has not any repossessed assets at the end of 2016.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (FVO)

	Lending to customers		Liquidity portfolio	
(NOK million)	2016	2015	2016	2015
Book value maximum exposure for credit risk	1 958.5	1 214.8	4 070.1	4 922.6
Book value of related credit derivatives that reduce credit risk				
Collateral				
Net credit risk	**1 958.5**	**1 214.8**	**4 070.1**	**4 922.6**
This year's change in fair value of financial assets due to change in credi risk	16.1	-0.7	21.8	-38.5
Accumulated change in fair value of financial assets due to change in credit risk	0.5	-15.6	0.5	-21.3
This year's change in value of related credit derivatives				
Accumulated change in value of related credit derivatives				

Lending to customers is measured at fair value based on valuation techniques. The valuation techniques use interest rate curves from Reuters and credit spreads for equivalent new loans as per the end of December.

Financial assets are designated at fair value through the profit and loss account (FVO) the first time they are recognised where another measurement would result in an inconsistency in the profit and loss account. Objective market prices are used for papers where these exist. Valuation techniques involving the use of interest rate curves from Reuters and credit spreads from external providers are used for the remaining papers.

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS (FVO)

(NOK million)	2016	2015
The year's change in fair value of liabilities due to changes in credit risk	0.5	
Difference between book value of liabilities and contractual amount due at maturity		
Accumulated change in fair value of liabilities due to changes in credit risk		
Difference between book value of liabilities and contractual amount due at maturity		

CREDIT RISK DERIVATIVES

The purpose of the use of financial derivatives is to identify and reduce currency and interest rate risk. Counterparty risk in connection with the trading of financial derivatives is included in credit risk. The bank's risk strategies and policies establish limits for how much credit risk the bank group is willing to accept. Storebrand Bank hedges all customer derivative trades by opposite derivatives to minimise foreign exchange and interest rate exposure.

The overview shows gross credit exposure, the bank has only collateral for credit risk against non-financial companies.

CREDIT RISK PER COUNTERPARTY

	AAA	AA	A	BBB	NIG	Total 2016	Total 2015
(NOK million)	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value
Norway		20.6	2.8	107.8		131.1	249.6
Denmark						0.0	0.2
Total	**0.0**	**20.6**	**2.8**	**107.8**	**0.0**	**131.1**	**249.8**

Rating classes are based on Standard & Poors.

Change in value:							
Total change in value on the balance sheet		20.6	2.8	107.8		131.1	249.8
Change in value recognised in the profit and loss during period		-6.5	-4.6	-107.6		-118.7	-262.0

EQUITY OPTIONS, INTEREST RATE SWAPS, BASIS SWAPS AND FORWARD FOREIGN EXCHANGE CONTRACTS

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

Note 5 - Liquidity risk

Liquidity risk is the risk that the company is unable to fulfil its obligations without incurring substantial additional expenses in the form of reduced prices for assets that must be realised, or in the form of especially expensive financing.

RISK MANAGEMENT

The risk strategy establishes overall limits for how much liquidity risk the bank is willing to accept. The policy for liquidity risk describes principles for liquidity management and specifies stress testing, minimum liquidity holdings and indicators for measuring liquidity risk. In addition, the Treasury department draws up an annual funding strategy and funding plan that set out the overall limits for the bank's funding activities.

Stress tests are used to illustrate the expected effects of various scenarios on the statement of financial position and cash flows. The results of the stress tests are applied when assessing the frames for liquidity risk. A contingency plan is drawn up annually to safeguard proper management of the liquidity situation during stressful periods.

The Treasury function is responsible for the bank's liquidity management, and the Middle Office monitors and reports on the utilisation of limits pursuant to the liquidity policy.

RISK CONTROL

The means of controlling liquidity risk include monthly reports of the liquidity indicators and monitoring developments in the bank's maturity profile. Both are included in the CRO's ongoing reporting to the board. The liquidity policy specifies which liquidity indicators are followed. The Middle Office performs checks on trades undertaken by Treasury to ensure conformance with the applicable policy rules.

NON-DISCOUNTED CASH FLOWS - FINANCIAL LIABILTIES

(NOK million)	0 - 6 months	6 mont - 12 months	1 - 3 years	3 - 5 years	More than 5 years	Total	Book value
Liabilities to credit institutions	407.2					407.2	407.2
Deposits from and due to customers	15 248.0					15 248.0	15 248.0
Commercial papers and bonds issued	541.5	328.3	1 187.3	1 123.1		3 180.2	2 625.2
Other liabilities	632.7					632.7	632.7
Subordinated loan capital	155.5	1.8	130.9			288.3	277.2
Undrawn credit limits	1 812.0					1 812.0	
Lending commitments	3 524.2					3 524.2	
Total financial liabilities 2016	**22 321.0**	**330.1**	**1 318.2**	**1 123.1**	**0.0**	**25 092.5**	**19 190.3**
Derivatives related to funding 31.12.2016	**0.2**	**-2.6**	**-5.3**	**-1.2**	**0.0**	**-8.8**	**-77.2**
Total financial liabilities 2015	25 380.9	41.2	1 625.1	1 057.8	0.0	28 105.0	21 835.3

The amounts includes accrued interest.

The overview of non-discounted cash flows includes interest. Implicit forward interest rates based on the yield curve on 31 December 2016 are used to calculate interest costs for lending with FRN conditions. The call date is used as the maturity date on subordinated loan capital. The maturity overview does not take account of the fact that the loans have extended maturity date, i.e. the original maturity date is used. Deposits from and liabilities to customers are on call deposits or deposits locked in for less than 6 months.

SPECIFICATION OF SUBORDINATED LOAN CAPITAL *)

(NOK million) ISIN NUMMER	Issuer	Net nominal value	Currency	Interest	Call-date	Book value
Dated subordinated loan capital						
NO0010641657	Storebrand Bank ASA	150.0	NOK	Floating	12.04.2017	151.6
NO0010714314	Storebrand Bank ASA	125.0	NOK	Floating	09.07.2019	125.6
Total subordinated loan capital 2016						**277.2**
Total subordinated loan capital 2015						277.0

*) Hybrid tier 1 capital has been reclassified as equity as of the second quarter of 2015. See the Statement of Changes in Equity for more information.

SPECIFICATION OF LIABILITES TO CREDIT INSTITUTIONS

(NOK million)	2016	2015
Total liabilites to credit institutions without fixed maturity at amortised cost	**5.0**	**322.2**
Repurchase agreements, maturity 2016		404.1
Repurchase agreements, maturity 2017	402.2	
Total liabilities to credit institutions with fixed maturity at fair value (FVO)	**402.2**	**404.1**
Total liabilities to credit institutions	**407.2**	**726.3**

SPECIFICATION OF COMMERCIAL PAPERS AND BONDS ISSUED

(NOK million) ISIN code	Issuer	Net nominal value	Currency	Interest	Call-date	Book value
Bonds loans						
NO0010660806	Storebrand Bank ASA	300.0	NOK	Fixed	08.10.2019	315.4
NO0010762891	Storebrand Bank ASA	500.0	NOK	Fixed	19.04.2021	496.3
NO0010641079	Storebrand Bank ASA	109.0	NOK	Floating	27.03.2017	109.1
NO0010662752	Storebrand Bank ASA	300.0	NOK	Floating	13.11.2017	301.0
NO0010751316	Storebrand Bank ASA	300.0	NOK	Floating	09.11.2018	300.6
NO0010758980	Storebrand Bank ASA	500.0	NOK	Floating	04.03.2019	501.0
NO0010729387	Storebrand Bank ASA	600.0	NOK	Floating	14.01.2020	601.8
Total commercial papers and bonds issued 2016						**2 625.2**
Total commercial papers and bonds issued 2015						2 704.3

The loan agreements contain standard covenants. Storebrand Bank ASA was in compliance with all relevants covenants in 2016.

Note 6 - Market risk

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

RISK MANAGEMENT

The risk strategy sets general limits for market risk which primarily relate to the bank's long term investments in equity instruments and fixed income securities. The bank is also exposed to currency risk to a lesser degree.

Market risk policies specify limits for market risk that the bank is willing to accept. The bank's market risk is primarily managed and controlled through daily monitoring of risk exposure pursuant to the policy and continuous analyses of outstanding positions.

The exposure limits are reviewed and renewed by the board at least once a year. The size of these limits is set on the basis of stress tests and analyses of market movements.

RISK CONTROL

The Middle Office is responsible for the ongoing, independent monitoring of market risk. The means of controlling market risk include monthly reports of the market risk indicators. Market risk indicators that are followed are described in the interest rate risk policy and currency risk policy and are included in the CRO's ongoing reporting to the board.

Effect on accounting income

(NOK million)	Amount
Interest rate -1.0%	14.3
Interest rate +1.0%	-14.3

Effect on accounting result/equity [1]

(NOK million)	Amount
Interest rate -1.0%	14.3
Interest rate +1.0%	-14.3

1) Before tax

Financial interest rate risk

(NOK million)	Amount
Interest rate -1.0%	16.4
Interest rate +1.0%	-16.4

The note shows the accounting effects over a 12 month period, as well as the immediate financial effect of an immediate parallel interest rate change of + 1.0 percentage points and - 1.0 percentage point respectively. In calculating the accounting risk, note has been taken of the one-off effect such an immediate rate change has on the items that are recognised at fair value and the value of the security, and the effect that the change in interest rates would have on the net profit for the remaining duration of the interest rate before the change in interest rates has an effect on income and expenses. Items that would be affected by the one-time effect and are recorded at fair value are the investment portfolio, fixed interest rate loans, repurchase agreements and derivatives. Items that would be affected by the one-time effects and which are recorded using hedging accounting are borrowings with fixed interest rate. In calculating the financial effect, account has been taken of changes in market value of all items on the balance sheet that such an immediate interest rate change will lead to.

See also note 25 regarding foreign exchange risk.

Note 7 - Operational risk

OPERATIONAL RISK

Operational risk is the risk of financial loss, a damaged reputation or sanctions related to a breach of internal or external regulations as a result of ineffective, insufficient or defective internal processes or systems, human error, external events or rules or guidelines not being followed.

RISK MANAGEMENT

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

RISK CONTROL

The CRO supports the management group in the process and is responsible for compiling and reporting the area's risk scenario, following up on improvement measures and checking that risk registration is up to date in ERM. The results of the risk assessment process are reported to the board. In order to be able to identify problem areas internally, the bank has implemented routines for ongoing reporting of events to the CRO, who is responsible for logging and follow-up of reported events. The CRO reviews significant events with the board.

In connection with monthly, quarterly and annual accounts, the staff funcitions in th bank performs various checks and reconciliations so as to control and reduce operational risk. In addition to this, the compliance function and internal auditor carry out spot checks in a number of the bank's most important work processes. The results are reported to the bank's management and the Board.

COMPLIANCE RISK

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

RISK MANAGEMENT

The compliance risk in Storebrand Bank is managed through instructions for compliance. The compliance function's main responsibility is to support the company's board and management in complying with relevant laws and regulations by independently identifying, evaluating, monitoring and reporting compliance risk. The function must perform preventive work by advising and ensuring that effective processes have been established for information and the implementation of current and future rules. The compliance function must have a risk-based approach.

RISK CONTROL

The compliance function performs control activities in order to ensure actual compliance.

Note 8 - Valuation of financial instruments at fair value

SPECIFICATION OF FINANCIAL ASSETS AT AMORTISED COST

The fair value of lending to customers subject to variable interest rates is stated as amortised cost. However, the fair value of lending to corporate customers with margin loans is slightly lower than amortised cost since some loans have lower margins than they would have had had they been taken out at 31 December 2016. The shortfall is calculated using a discounted difference between the agreed margin and the current market price over the remaining term to maturity. Fair value is also adjusted for individual loan loss provisions. The fair values of lending, liabilities to financial institutions and securities issued are based on valuation techniques. The valuation techniques use interest rate curves and credit spreads from external providers with exception of lending which are assessed to spreads on new loans correspondingly.

(NOK million)	Level 1 Quoted prices	Level 2 Observable assumptions	Level 3 Non-observable assumptions	Fair value 31.12.2016	Fair value 31.12.2015	Book value 31.12.2016	Book value 31.12.2015
Financial assets							
Loans to and deposits with credit institutions		1 221.8		1 221.8	2 094.8	1 221.8	2 094.8
Lending to customers - Corporate market		1 477.3		1 477.3	2 282.9	1 513.6	2 314.2
Lending to customers - Retail market		10 424.3		10 424.3	11 445.5	10 424.3	11 445.5
Bonds classified as Loans and receivables		532.7		532.7	781.7	530.6	780.7
Total financial assets 31.12.2016		**13 656.1**		**13 656.1**		**13 690.3**	
Total financial assets 31.12.2015		16 604.9			16 604.9		16 635.3
Financial liabilities							
Deposits from and due to credit institutions		5.0		5.0	322.2	5.0	322.2
Deposits from and due to customers		15 248.0		15 248.0	17 835.0	15 248.0	17 835.0
Commercial papers and bonds issued		2 651.5		2 651.5	2 715.8	2 625.2	2 704.3
Subordinated loan capital		277.6		277.6	277.0	277.2	277.0
Total financial liabiliteis 31.12.2016		**18 182.1**		**18 182.1**		**18 155.4**	
Total financial liabilities 31.12.2015		21 149.9			21 149.9		21 138.5

VALUATION OF FINANCIAL INSTRUMENTS AT FAIR VALUE

Storebrand Bank ASA conducts a comprehensive process to ensure that financial instruments are valued as closely as possible to their market value. Publicly listed financial instruments are valued on the basis of the official closing price on stock exchanges, supplied by Reuters and Bloomberg. Bonds are generally valued based on prices collected from Reuters, Bloomberg and Nordic Bond Pricing. Bonds that are not regularly quoted will normally be valued using recognised theoretical models. The latter is particularly applicable to bonds denominated in Norwegian kroner. Discount rates composed of the swap rates plus a credit premium are used as a basis for these types of valuations. The credit premium will often be specific to the issuer, and will normally be based on a consensus of credit spreads quoted by well recognised brokerage houses.

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

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

The Storebrand Group categorises financial instruments that are valued at fair value into three different levels which are described in more detail below. The levels express the differing degrees of liquidity and different measurement methods used. The company has established valuation models that gather information from a wide range of well-informed sources with reference to minimize uncertainty related to the valuation.
The value of fixed-rate loans is determined by discounting the agreed cash flows over the remaining maturity by the current discount rate adjusted for market spread. The discount rate that is used is based on a swap interest rate (mid swap) with a maturity that corresponds to the remaining lock-in period for the underlying loans. The market spread that is used on the date of the balance sheet is determined by assessing the market conditions, market price and the associated swap interest rate.

Under equities, the investment in VISA Norge FLI has been primarily valued based on information on the completion of a transaction between VISA Europe Ltd and VISA Inc.

SENSITIVITY ANALYSIS

LENDING TO CUSTOMERS

The value of fixed-rate loans is determined by discounting the agreed cash flows over the remaining maturity by the current discount rate adjusted for market spread. The discount rate that is used is based on a swap interest rate (mid swap) with a maturity that corresponds to the remaining lock-in period for the underlying loans. The market spread that is used on the date of the balance sheet is determined by assessing the market conditions, market price and the associated swap interest rate.

EQUITIES

This item is included the membership in VISA Norge FLI which has been valued based on information on the completion of a transaction between VISA Europe Ltd and VISA Inc. The transaction was implemented in the second quarter of 2016 and in June 2016 the bank received a dividend of NOK 24.6 million based on the bank's share. At the end of the year, the membership was valued at what the bank expects to receive in deferred settlement, adjusted for uncertainty. The change in value is included through Total comprehensive income.

	Fixed-rate loans to customers Change in market spread		Equities Change in value	
Increase/reduction in fair value	+10 bp	- 10 bp	+ 25 bp	- 25 bp
Increase/reduction in fair value at 31.12.2016 (MNOK)	**-8.4**	**7.8**	**0.4**	**-0.4**
Increase/reduction in fair value at 31.12.2015 (MNOK)	-3.9	3.9	0.2	-0.2

Level 1: Financial instruments valued on the basis of quoted prices in active markets for identical assets
Bonds, certificates or equivalent instruments issued by nation states are generally classified as level 1. When it comes to derivatives, standardised stock index futures and interest rate futures they will also be included at this level.

Level 2: Financial instruments valued on the basis of observable market information not covered by level 1
This category encompasses financial instruments that are valued based on market information that in directly observable or indirectly observable. Market information that is indirectly observable means that the prices can be derived from observable related markets. Level 2 includes shares or equivalent equity instruments for which market prices are available, but where the volume of transactions is too limited to fulfil the criteria in level 1. Shares in this level will normally have been traded during the last month. Bonds and equivalent instruments are generally classified in this level. Moreover, interest rate and foreign exchange swaps, non-standardised interest rate and foreign exchange derivatives are classified in level 2.

Level 3: Financial instruments valued on the basis of information that is not observable according to the definition for level 2 financial instruments
Investments classified as level 3 primarily includes fixed-rate loans, and the investment in VISA Norge FLI.

SPECIFICATION OF FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH THE PROFIT AND LOSS ACCOUT

(NOK million)	Level 1 Quoted prices	Level 2 Observable assumptions	Level 3 Non-observable assumptions	Book value 31.12.2016	Book value 31.12.2015
Financial assets					
Equities		9.3	6.2	15.5	10.6
Total equities 31.12.2016	**0.0**	**9.3**	**6.2**	**15.5**	
Total equitues 31.12.2015		1.6	9.0		10.6
Lending to customers - Corporate Market				0.0	0.0
Lending to customers - Retail Market			1 958.5	1 958.5	1 214.8
Total ending to customers 31.12.2016	**0.0**	**0.0**	**1 958.5**	**1 958.5**	
Total lending to customers 31.12.2015			1 214.8		1 214.8
Government and government guaranteed bonds		482.8		482.8	219.2
Mortage and asset backed bonds		3 587.3		3 587.3	4 703.4
Total bonds 31.12.2016	**0.0**	**4 070.1**	**0.0**	**4 070.1**	
Total bonds 31.12.2015		4 922.6			
Interest derivatives		-77.2		-77.2	-81.6
Currency derivatives				0.0	0.2
Total derivatives 31.12.2016	**0.0**	**-77.2**	**0.0**	**-77.2**	
Derivatives with a positive fair value		131.1		131.1	249.8
Derivatives with a negative fair value		-208.3		-208.3	-331.3
Total derivatives 31.12.2015		-81.5			-81.5
Financial liabilities					
Liabilities to credit institutions		402.2		402.2	404.1
Liabilities to credit institutions 31.12.2016	**0.0**	**402.2**	**0.0**	**402.2**	
Total liabilities to credit institutions 31.12.2015		404.1			404.1

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

SPECIFICATION OF SECURITIES PURSUANT TO VALUATION TECHNIQUES (NON-OBSERVABLE ASSUMPTIONS)

(NOK million)	Equities	Lending to customers
Book value 01.01.2016	9.0	1 214.8
Net gains/losses on financial instruments	-2.8	-26.2
Supply / disposal		1 045.7
Sales / due settlements		-275.8
Transferred from observable assumptions to non-observable assumptions		
Translation differences		
Other		
Book value 31.12.2016	**6.2**	**1 958.5**

Note 9 - Segment

The management's segment reporting for Storebrand Bank ASA is only done at a group level. See note 9 under the Storebrand Bank Group.

Note 10 - Net income from financial instruments

NET INTEREST INCOME

(NOK million)	2016	2015
Interest and other income on loans to and deposits with credit institutions	35.5	46.1
Interest and other income on loans to and due from customers	366.2	460.1
Interest on commercial paper, bonds and other interest-bearing securities	77.1	110.4
Other interest income and related income	2.6	5.7
Total interest income *)	**481.4**	**622.3**
Interest and other expenses on debt to credit institutions	-8.4	-7.2
Interest and other expenses on deposits from and due to customers	-120.4	-303.6
Interest and other expenses on securities issued	-72.3	-72.6
Interest and expenses on subordinated loan capital	-11.0	-14.7
Other interest expenses and related expenses	-14.5	-16.2
Total interest expenses **)	**-226.6**	**-414.2**
Net interest income	**254.8**	**208.1**
**) Of which total interest income on financial assets that are not at fair value through the profit and loss account*	367.9	475.5
***) Of which total interest expenses on financial liabilities that are not at fair value through the profit and loss account*	-222.9	-413.2

INTEREST EXPENSE AND CHANGES IN VALUE OF ISSUED FUNDING AT FVO

(NOK million)	2016	2015
Interest expense issued funding at FVO	-3.8	-0.9
Changes in value of issued funding at FVO	-0.1	
Net expense issued funding at FVO	**-3.9**	**-0.9**

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

(NOK million)	2016	2015
Equity instruments		
Dividends received from equity investments	24.6	0.3
Net change in fair value of equity investments	-0.4	-0.3
Total gain / loss on equity instruments, FVO	24.3	0.1
Commercial papers and bonds		
Realised gain/loss on commercial papers and bonds, FVO	9.3	-8.9
Unrealised gain/loss on commercial papers and bonds, FVO	21.8	-38.5
Total gain/loss on commercial papers and bonds, FVO	31.1	-47.4
Lending to customers		
Unrealised gain/loss on lending to customers, FVO	-25.2	-7.0
Total gain/loss on lending to customers, FVO	-25.2	-7.0
Liabilities to credit institutions and other funding		
Realised gain/loss on liabilities to credit institutions and other funding, FVO		
Unrealised gain/loss on liabilities to credit institutions and other funding, FVO	-0.1	-0.4
Total gain/loss on liabilities to credit institutions and other funding, FVO	-0.1	-0.4
Financial derivatives and foreign exchange		
Realised gain/loss on financial derivatives, held for trading	38.1	66.0
Unrealised gain/loss on financial derivatives, held for trading	34.3	-25.2
Total financial derivatives and foreigh exchange	72.4	40.8
Net income and gains from financial assets and liabilities at fair value	**102.3**	**-13.9**
Fair value hedging		
Realised gain/loss on derivatives and bonds issued, fair value hedging		-0.8
Unrealised gain/loss on derivatives and bonds issued, fair value hedging	-2.7	3.0
Net gain/loss on fair value hedging	**-2.7**	**2.2**
Commercial papers and bonds		
Realised gain/loss on commercial papers and bonds at amortised cost	0.1	
Total gain/loss on commercial papers and bonds at amortised cost	0.1	0.0
Bonds issued		
Realised gain/loss on bonds issued at amortised cost	-4.2	-24.2
Total gain/loss on bonds issued at amortised cost	-4.2	-24.2
Net income and gains from financial assets and liabilities at amortised cost	**-4.1**	**-24.2**
Net income and gains from financial assets and liabilities at amortised cost	**95.4**	**-35.9**
Net gain/loss on financial assets at fair value through the profit and loss account:		
Financial assets designated at fair value upon initial recognition	30.5	-43.1
Financial assets classified as held for trading	47.1	31.6
Changes in fair value of assets due to changes in credit risk	1.0	-36.9
Net gain/loss on financial liabilities at fair value through the profit and loss account:		
Financial liabilities designated at fair value upon initial recognition	-0.1	
Financial liabilities classified as held for trading		

The note includes gain and loss on investments in bonds and commercial papers, all of the financial derivatives, lending at FVO, other funding at FVO, net gain and loss on fair vaule hedging and total bonds and commercial papers issued. Other financial assets and liabilities are not included in the note.

Note 11 - Net commission income

(NOK million)	2016	2015
Fees related to banking operations	34.9	36.5
Commissions from saving products	4.8	10.2
Fees from and management of loans	78.4	27.7
Other fees and commissions receivable	3.8	
Total fees and commissions receivable *)	**122.0**	**74.4**
Fees and commssisions payable relating to banking operations	-14.0	-8.9
Commissions payable on saving products	-0.1	-1.6
Other fees and commissions payable	-1.0	-0.9
Total fees and commissions payable **)	**-15.1**	**-11.4**
Net commission income	**106.8**	**63.0**
*) Of which total fees and commission income on book value of financial assets and liabilities that are not at fair value through the profit and loss account	117.2	64.2
**) Of which total fees and commission expense on book value of financial assets and liabilities that are not at fair value through the profit and loss account	-14.0	-8.9

Note 12 - Other income

(NOK million)	2016	2015
Net loss from sale of customerportfolio securities accounts	-3.5	0.0
Receipts of group contribution from subsidiaries	62.1	101.6
Other income		1.5
Total other income	**58.6**	**103.2**

Note 13 - Remuneration paid to auditor

REMUNERATION EXCLUDING VALUE ADDED TAX:

(NOK 1000)	2016	2015
Statutory audit	595	1 272
Other non-audit services	39	62
Total	**633**	**1 334**

All remuneration paid to auditoir concerns Deloitte AS.

Note 14 - Operating expenses

(NOK million)	2016	2015
Ordinary wages and salaries	-80.5	-89.5
Employer's social security contributions	-12.1	-11.5
Pension cost (see note 15) [1]	1.4	-11.4
Other staff expenses	-5.4	-4.5
Total staff expenses	**-96.6**	**-117.0**
IT costs [2]	-44.9	-45.7
Office operation and other general administration expenses	-3.4	-4.8
Total general administration expenses	**-48.3**	**-50.5**
Depreciation and writed-downs fixed assets and intangible assets (see note 28 og 29)	-25.1	-26.4
Operating expenses on rented premises	-9.6	-9.8
Foreign services (see note 13)	-7.4	-8.3
Inter-company charges for services [2]	-82.4	-42.9
Other operating expenses	-7.7	-8.4
Total other operating expenses	**-132.3**	**-95.9**
Total operating expenses	**-277.2**	**-263.3**

1) In connection with the discontinuation of disability pension and survivor coverage relating to the pension scheme for employees, a profit of NOK 11 million has been recognised as income. See Note 15.

2) Services purchased from the group contain costs relating to bank production, IT services, joint administrative functions, financial and legal services, marketing activities, HR and skills development, purchasing, information services and savings advice..

Note 15 - Pensions

The Storebrand Group has country-specific pension schems. Storebrand's employees in Norway have a defined-contribution pension scheme. In a defined-contribution scheme, the company allocates an agreed contribution to a pension account. The future pension depends upon the amount of the contributions and the return on the pension account. When the contributions have been paid, the company has no further payment obligations relating to the defined-contribution pension and the payment to the pension account is charged as an expense on an ongoing basis. For regulatory reasons, there can be no savings in the defined-contribution pension for salaries that exceed 12G (G = National Insurance Scheme basic amount). Storebrand has pension savings in the savings product Extra Pension for employees with salaries exceeding 12G.

The premiums and content of the defined-contribution pension scheme are as follows:
– Saving starts from the first krone of salary
– Savings rate of 7 per cent of salary from 0 to 12 G (the National Insurance basic amount "G" was NOK 92,576 as at 31 December 2016)
– In addition, 13 per cent of salary between 7.1 and 12 G is saved.
– Savings rate for salary over 12 G is 20 per cent.

In connection with new rules for disability pensions in the Norwegian Occupational Pensions Act, Storebrand altered the disability pension scheme for own employees in Norway effective from 1 June 2016. The survivor coverage associated with the pension scheme came to an end from the same date. These schemes are capitalised as defined-benefit schemes in the accounts. The winding up of this scheme resulted in a reduction in recognised liabilities that has given a profit of NOK 11 million upon derecognition and which reduces the pension costs in the profit and loss account.

The Norwegian companies participate in the Joint Scheme for Collective Agreement Pensions (AFP). The private AFP scheme provides a lifelong supplement to an ordinary pension and is a multi-employer pension scheme, but there is no reliable information available for inclusion of this liability on the statement of financial position. The scheme is financed by means of an annual premium that is defined as a percentage of salaries from 1 G to 7.1 G, and the premium rate was 2.5 % in 2016. Storebrand employees in Norway who were born before 1 January 1956 can choose between drawing an AFP scheme pension or retiring at the age of 65 and receiving a direct pension from the company until they reach the age of 67. Employees can choose to receive benefits from the AFP scheme from the age of 62 and still continue to work.
Employees who were on sick leave and partiality disabled during the transition to the defined-contribution pension, remain in the defined-benefit pension scheme. There are also pension liabilities for the defined-benefit scheme related to direct pensions for certain former employees and former board members.

RECONCILIATION OF PENSION ASSETS AND LIABILITIES IN THE STATEMENT OF FINANCIAL POSITION

(NOK million)	2016	2015
Present value of insured pension liabilities	34.8	40.2
Fair value of pension assets	-33.3	-32.1
Net pension liabilities/assets insured scheme	1.4	8.1
Present value of unsecured liabilities	12.2	17.1
Net pension liabilities recognised in statement of financial position	**13.6**	**25.3**

Includes employer contributions on net under-financed liabilities in the gross liabilities

BOOKED IN STATEMENT OF FINANCIAL POSITION

(NOK mill.)	2016	2015
Pension assets		
Pension liabilities	13.6	25.3

CHANGES IN THE NET DEFINED BENEFIT PENSION LIABILITIES IN THE PERIOD

(NOK million)	2016	2015
Net pension liabilities 01.01	57.4	64.3
Pensions earned in the period	1.7	2.8
Pension cost recognised in period	1.3	1.7
Estimate deviations	6.1	3.9
Gain/loss on insurance reductions	-11.3	
Pensions paid	-4.4	-14.6
Changes to pension scheme	-3.2	
Employer's NI contribution reversed	-0.7	-0.7
Net pension liabilities 31.12	**46.9**	**57.4**

CHANGES IN THE FAIR VALUE OF PENSION ASSETS

(NOK million)	2016	2015
Pension assets at fair value 01.01	32.1	33.5
Expected return	0.8	0.9
Estimate deviation	-0.5	-6.3
Premiums paid	5.6	4.9
Pensions paid	-0.8	-1.0
Changes to pension scheme	-3.2	
Employer's NI contribution pension assets	-0.7	
Net pension assets 31.12	**33.3**	**32.1**
Expected premium payments (pension assets) in 2017:	0.7	
Expected premium payments (contributions) in 2017:	6.6	
Expected AFP early retirement scheme payments in 2017:	1.3	
Expected payments from operations (uninsured scheme) in 2017:	3.6	

PENSION ASSETS ARE BASED ON THE FINANCIAL ASSETS HELD BY STOREBRAND LIFE INSURANCE COMPOSED AT 31.12

	2016	2016
Real estate	15 %	12 %
Bonds at amortised cost	40 %	45 %
Loans	6 %	
Equities and units	12 %	11 %
Bonds	27 %	27 %
Other short-term financial assets	0 %	4 %
Total	**100 %**	**100 %**
The table shows the percentage asset allocation of pension assets at year-end managed by Storebrand Life Insurance AS. Financial instruments are valued on three differendt levels.		
Realised return on assets	6.4 %	5.4 %

NET PENSION COST BOOKED TO PROFIT AND LOSS ACCOUNT, SPECIFIED AS FOLLOWS

(NOK million)	2016	2015
Current service cost incl provsion for employer's NI contribution	1.7	2.8
Net interest cost/expected return	0.5	0.8
Changes to pension scheme	-11.3	0.0
Total for defined benefit schemes	**-9.1**	**3.6**
The period's payment to contribution scheme	6.4	6.6
The period's payment to contractual pension	1.2	1.1
Net pension cost recognised in profit and loss accountin the period	**-1.4**	**11.4**

Net pension cost includes payroll tax of employer contribution and is included in operating expenses. See note 14.

OTHER COMPREHENSIVE INCOME (OCI) IN THE PERIOD

(NOK million)	2016
Actuarial loss (gain) - change in discount rate	
Actuarial loss (gain) - change in other financial assumptions	
Actuarial loss (gain) - change in mortality table	
Actuarial loss (gain) - change in other demographic assumptions	
Actuarial loss (gain) - experience DBO	6.1
Loss (gain) - experience Assets	0.1
Investment management cost	0.4
Asset ceiling - asset adjustment	
Remeasurements loss (gain) in the period	**6.6**

MAIN ASSUMPTIONS USED WHEN CALCULATING NET PENSION LIABILITY 31.12

	31.12.2016	31.12.2015
Discount rate	2.3 %	2.7 %
Expected return	2.00 %	2.25 %
Expected earnings growth	2.00 %	2.25 %
Expected annual increase in pensions payment	0.0 %	0.0 %
Disability table	KU	KU
Mortality table	K2013BE	K2013BE

FINANCIAL ASSUMPTIONS

The financial assumptions have been determined on the basis of the rules in IAS 19. Long term assumptions such as future inflation, real interest rates, real wage growth and adjustment of the basic amount are particularly subject to a high degree of uncertainty.

In Norway, a discount rate based on covered bonds is used. Based on the market and volume trends observed, the Norwegian covered bond market must be perceived as a deep market.

Specific company conditions including expected direct wage growth are taken into account when determining the financial assumptions.

ACTUARIAL ASSUMPTIONS

In Norway, there are standardised assumptions for mortality/disability trends, and other demographic factors, that have been prepared by Finance Norway. A new mortality basis K2013 for group pension insurance in life insurance companies and pension funds was introduced effective from 2014. Storebrand has used the mortality table K2013BE (best estimate) for the actuarial calculations as at 31 December 2016.

Note 16 - Loan losses

(NOK million)	2016	2015
Change in loan loss provisions on groups of loans for the period	31.4	-22.3
Periodens endring i individuelle nedskrivninger garantier	-7.5	-10.4
Realised losses on commitments specifically provided for previously		0.1
Realised losses on commitments not specifically provided for previously	-35.5	
Recoveries on previously realised losses	-6.5	-12.4
Loan losses for the period	1.1	1.4
Loan losses for the period	**-17.1**	**-43.5**

Note 17 - Tax

TAX CHARGE FOR THE YEAR

(NOK million)	2016	2015
Tax payable in profit/loss	-35.7	-30.0
Change in deferred tax assets	-11.8	6.4
Total tax charge for the year	**-47.5**	**-23.7**

TAX BASIS FOR THE YEAR

(NOK million)	2016	2015
Profit before taxes	221.4	31.5
+ Group contribution received, difference between the carrying amount and the tax base	-9.4	42.8
+/- Share of results realted to additional Tier 1 capital holders		-8.6
+/- Realised gains/losses on shares within EEA	-24.6	
Other permanent differences	-14.9	2.3
Changes in temporary differences	-47.2	43.7
Changes in temporary differences - estimate deviations		-10.1
Tax basis for the year	**125.3**	**101.5**
Reduction for tax deductible loss		
- Application of tax loss carryforward		
Tax basis for the year for current taxes [1]	**125.3**	**101.5**
Tax rate	25 %	27 %
1) Allocated group contribution with tax effect	125.3	101.5

RECONCILIATION OF EXPECTED AND ACTUAL TAX CHARGE

(NOK million)	2016	2015
Ordinary pre-tax profit	221.4	31.5
Expected tax on income at nominal rate	-55.3	-8.5
Tax effect of:		
Realised shares	6.1	
Permanent differences	1.4	3.8
Group contribution received	2.4	-11.5
Change in taxrules		-2.5
Resetting of permant differences related to items in the total comprehensiv income	0.7	-2.4
Resetting of permant differences related to items in the equity	-2.7	-2.3
Change of tax assessment earlier years		-0.2
Tax charge	**-47.5**	**-23.7**
Effective tax rate	**21 %**	**75 %**

The tax charge also reflects tax effects related to earlier years.

TAX PAYABLE IN THE BALANCE SHEET

(NOK million)	2016	2015
Tax payable in profit & loss	-35.7	-29.7
Tax payable in the equity	2.7	2.3
Tax payable in other comprehensive income	1.7	
- tax effect of group contribution paid	31.3	27.4
Tax payable in the balance sheet	**0.0**	**0.0**

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

(NOK million)	2016	2015
Tax-increasing temporary differences		
Fixed assets		
Financial instruments		
Total tax-increasing temporary differences	**0.0**	**0.0**
Tax-reducing temporary differences		
Pensions	-13.6	-25.3
Financial instruments	-45.5	-76.8
Fixed assets	-14.4	-15.4
Provisions	-16.1	-18.3
Gains/losses account		-1.1
Total tax-reducing temporary differences	**-89.6**	**-136.9**
Losses/allowances carried forward		
Net base for deferred tax and deferred tax asset	**-89.6**	**-136.9**
Net deferred tax/tax asset in the balance sheet	**22.4**	**34.2**

In December 2016, the Norwegian Parliament (Storting) agreed to reduce the company tax rate from 25 per cent to 24 per cent effective from 1 January 2017. It was also agreed that a financial tax would be introduced that would come into effect from the same date. Therefore, for companies subject to the financial tax, the company tax rate will be continued at the 2016 level (25 per cent).
Since Storebrand Bank ASA has activities within "Section K" (financing and insurance activities as defined in Standard Industrial Classification 2007) which exceed 30 per cent and are therefore subject to the financial tax, a tax rate of 25 per cent has been used for capitalizing deferred tax/deferred tax assets.

The Storebrand Bank Group includes companies that are both subject to and not subject to the financial tax. Therefore, when capitalizing deferred tax/deferred tax assets in the consolidated financial statements, the company tax rate is used that is applicable for the individual companies (24 or 25 per cent).

ANALYSIS OF TAX PAYABLE AND DEFERRED TAX APPLIED DIRECTLY TO EQUITY

(NOK million)	2016	2015
Pension experience adjustments	-1.7	-2.9
Total	**-1.7**	**-2.9**

Deferred tax assets principally relate to tax reducing temporary differences on fixed assets, pension liabilities and financial instruments.
The bank produces an annual profit, and is expected to continue to produce a profit 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..

Note 18 - Classification of financial assets and liabilites

(NOK million)	Loans and Eeceivables	Fair value, trading	Fair value, FVO	Available for sale	Liabilities at amortised cost	Total book value
Financial assets						
Cash and deposits with central banks	464.5					464.5
Loans to and deposits with credit institutions	1 221.8					1 221.8
Equity instruments			9.3	6.2		15.5
Bonds and other fixed-income securities	530.6		4 070.1			4 600.7
Derivatives		131.1				131.1
Lending to customers [1]	11 937.9		1 958.5			13 896.4
Other current assets	1 127.2					1 127.2
Total financial assets 2016	**15 282.1**	**131.1**	**6 037.9**	**6.2**	**0.0**	**21 457.3**
Total financial assets 2015	18 000.0	249.8	6 139.0	9.0	0.0	24 397.8
Financial liabilities						
Deposits from and due to credit institutions			402.2		5.0	407.2
Deposits from and due to customers					15 248.0	15 248.0
Commercial papers and bonds issued					2 625.2	2 625.2
Derivatives		208.3				208.3
Other liabilities					632.7	632.7
Subordinated loan capital					277.2	277.2
Total financial liabilities 2016	**0.0**	**208.3**	**402.2**	**0.0**	**18 788.1**	**19 398.6**
Total financial liabilities 2015	0.0	331.3	404.1	0.0	21 431.2	22 166.6

1) Loan loss provisions are included in the portfolio classified as "Loan and Receivables".

Note 19 - Loans to and deposits with credit institutions

(NOK million)	2016 Book value	2015 Book value
Total loans to and deposits with credit institutions without fixed maturity at amortised cost	1 221.8	2 094.8
Total loans to and deposits with credit institutions at amortised cost	**1 221.8**	**2 094.8**

Note 20 - Investments in subsidiaries

(NOK million)	Business registration number	Registered office	Ownership interest	Share of votes	Share capital	Acquisition cost	Book value 31.12.2016	Book value 31.12.2015
Storebrand Boligkreditt AS	990645515	Lysaker	100.0%	100.0%	455.0	1 023.9	1 023.9	898.9
Ring Eiendomsmegling AS [1]	987227575	Lysaker	100.0%	100.0%	2.0	142.5	7.3	5.2
Bjørndalen Panorama AS	991742565	Lysaker	100.0%	100.0%	2.7	71.0	3.5	2.4
MPV7 Holding AS	915863000	Lysaker	100.0%	100.0%	0.1	0.1	0.1	0.1
Total investments in subsidiaries						**1 237.6**	**1 034.9**	**906.5**

1) The ownership in Ring Eiendomsmegling AS is being discontinued.

Note 21 - Bonds and other fixed-income securities at fair value through profit and loss account

(NOK million)	2016 Fair value	2015 Fair value
Sovereign and Government Guaranteed bonds	482.8	219.2
Mortgage and asset backed bonds	3 587.3	4 703.4
Total bonds and other fixed-income securities at fair value through the profit and loss account	**4 070.1**	**4 922.6**
Modified duration	0.24	0.26
Average effective yield per 31.12.	1.33 %	1.49 %

The portfolio is mainly denominated in NOK.
Calculated effective yields are weighted to give an average effective yield on the basis of each asset's share of the total interest rate sensitivity.

Note 22 - Bonds at amortised cost - Loans and receivables

	2016		2015	
(NOK million)	Book value	Fair value	Book value	Fair value
Public issuers and Government Guaranteed Bonds	200.3	200.9	400.6	401.4
Mortgage and asset backed bonds	330.3	331.8	380.1	380.2
Total bonds at amortised cost	**530.6**	**532.7**	**780.7**	**781.7**
Modified duration		0.18		0.17
Average effective yield per 31.12.		1.23 %		1.37 %

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

Note 23 - Buyback agreements (repo agreements)

(NOK million)	2016 Book value	2015 Book value
Transferred bonds still recognised on the statement of financial position (note 21)	402.2	402.5
Liabilities related to the assets [1] (see Note 18)	402.2	404.1

1) Reported on the Debt to Credit Institutions line in the statement of financial position.

Transferred bonds that are included in buyback agreements are not derecognised, since all the risk and return on the securities is retained by Storebrand Bank ASA.

Note 24 - Financial derivatives

Financial derivatives are linked to underlying amounts which are not carried on the balance sheet. In order to quantify the volume of derivatives, reference is made to such underlying amounts as underlying principal, nominal volume and the like. Different calculation methods are applied to nominal volume for different types of financial derivatives, and this figure expresses the scope of risk and positions of financial derivatives.

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

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

(NOK million)	Gross nom. volume [1]	Gross recognised financial assets	Gross recog-nised debt	Net financial assets / debt in the balan-ce sheet	Net amounts taken into account netting agreements Fin. assets	Fin. debt	Net amount
Interest derivatives [2]	7 464.2	131.1	208.3				-77.2
Currency derivatives	5.0						0.0
Total derivatives 31.12.2016	**7 469.2**	**131.1**	**208.3**	**0.0**	**0.0**	**0.0**	**-77.2**
Total derivatives 31.12.2015	8 358.9	249.8	331.3				-81.5

1) Values as at 31.12.

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

INVESTMENTS SUBJECT TO NETTING AGREEMENTS /CSA

(NOK million)	Recognised assets	Recognised liabilities	Net assets	Collateral "Cash (+/-)"	Securities (+/-)	Net exposure
Investments subject to netting agreements	-3.0	208.3	-211.4		-350.0	138.6
Investments not subject to netting agreements	134.2		134.2			
Total 2016	**131.1**	**208.3**	**-77.2**			

Note 25 - Foreign exchange risk

FINANCIAL ASSETS AND LIABILITIES IN FOREIGN CURRENCY

(NOK million)	Statement of financial position items Assets	Liabilities	Currency forwards Net sale	Net position in currency	in NOK
CHF	0.1	0.0		0.0	0.0
DKK	0.1	0.1		0.0	0.0
EUR	21.2	23.3	2.1	0.0	0.0
GBP	1.4	1.5		0.0	-0.1
SEK	9.0	9.1		0.0	-0.1
USD	22.0	22.7	-0.7	0.0	-1.4
Andre	0.3	0.3		0.0	0.0
Total net currency positions 2016					**-1.4**
Total net currency positions 2015					-0.4

The permitted limit for the bank's foreign exchange position is 0.50% of primary capital, which is approximately NOK 13 million at present.

Note 26 - Loan portfolio and guarantees

	2016	2015
(NOK million)	Book value	Book value
Lending to customers at amortised cost	11 999.51	13 844.3
Lending to customers at fair value	1 958.5	1 214.8
Total gross lending to customers	**13 958.0**	**15 059.2**
Loan loss provisions on individual loans (see note 27)	-24.6	-55.7
Loan loss provisions on groups of loans (see note 27)	-37.0	-28.9
Net lending to customers	**13 896.4**	**14 974.5**

See note 4 for analysis of loan portfolio and guarantees per customer group.

Note 27 - Loan loss provisions

	2016	2015
(NOK million)	Book value	Book value
Loan loss provisions on individual loans 01.01	55.7	31.9
Losses realised in the period on individual loans previously written down	-35.5	-0.6
Loan loss provisions on individual loans for the period	11.8	26.1
Reversals of loan loss provisions on individual loans for the period	-7.3	-1.7
Other corrections to loan loss provisions		
Loan loss provisions on individual loans at 31.12	**24.6**	**55.7**
Loan loss provisions on groups of loans and guarantees etc. 01.01	28.9	19.1
Grouped loan loss provisions for the period	8.0	9.8
Loan loss provisions on groups of loans and guarantees etc. 31.12	**37.0**	**28.9**
Total loan loss provisions (see note 26)	**61.6**	**84.6**

Note 28 - Intangible assets and goodwill

(NOK million)	IT systems	2016 Total book value	2015 Total book value
Acquistion cost at 01.01	178.4	178.4	173.1
Additions in the period:			
Purchased separately	15.7	15.7	5.3
Disposals in the period	-45.2	-45.2	0.0
Acquisition cost at 31.12	**148.9**	**148.9**	**178.4**
Accumulated depreciation and write-downs at 01.01	89.8	89.8	64.4
Depreciation in the period (see note 14)	15.2	15.2	19.4
Disposals in the period	-36.3	-36.3	0.0
Write-downs in the period		0.0	6.0
Accumulated depreciation and write-downs at 31.12	**68.8**	**68.8**	**89.8**
Book value at 31.12	**80.1**	**80.1**	**88.5**
For each class of intangible assets:			
Depreciation method	linear method		linear method
Economic life	2 - 10 years		2 - 10 years
Rate of depreciation	10.0% -50.0%		10.0% -33.33%

IT systems in this note refers to the development of systems, data warehouses, user licenses to systems, etc. All capitalised expenses in respect of systems development relate to work carried out by external resources. The estimate of economic liftetime are reviewed annually.

Note 29 - Fixed assets

(NOK million)	Fixtures & fittings	2016 Total Book value	2015 Total Book value
Book value at 01.01	2.0	2.0	3.6
Disposals		0.0	-0.6
Depreciation (see note 14)	-1.0	-1.0	-1.0
Book value at 31.12.	**1.0**	**1.0**	**2.0**
Opening acquisition cost	10.2	10.2	13.0
Closing acquisition cost	10.2	10.2	10.2
Opening accumulated depreciation and write-downs	8.2	8.2	9.4
Closing accumulated depreciation and write-downs	9.1	9.1	8.2

For each class of fixed assets:	
Method for measuring cost price	Acquisition cost
Depreciation method	linear
Depreciation period and economic life	2 - 10 years

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

Note 30 - Other current assets

(NOK million)	2016 Book value	2015 Book value
Other accrued income and prepaid expenses	12.1	9.5
Shares in subsidiaries [1]	1 034.9	906.5
Due from group companies	76.3	247.2
Other assets	3.9	12.8
Total other current assets	**1 127.2**	**1 176.1**

1) See note 20.

Note 31 - Deposits from customers

(NOK million)	2016 Book value	2015 Book value
Deposits from customers	14 981.9	17 634.1
Term loans and deposits from customers	266.2	200.9
Total deposits from customers	**15 248.0**	**17 835.0**

Deposits with agreed maturity relate to deposits for a contractually agreed period.
Deposits without agreed maturity relates to deposits with no fixed period where the customer has unrestricted access to the deposit.

DEPOSITS FROM CUSTOMERS PER SECTOR AND INDUSTRY CLASSIFICATION AND GEOGRAPHICAL DISTRIBUTION

(NOK million)	2016 Book value	2015 Book value
Sector and industry classification		
Development of building projects	55.9	160.0
Sale and operation of real estate	952.4	1 656.7
Professional and financial services	1 060.1	1 513.7
Wage-earners	11 737.0	12 876.7
Other	1 442.6	1 627.9
Total	**15 248.0**	**17 835.0**
Geographic distribution		
Eastern Norway	11 461.1	13 456.8
Western Norway	1 982.5	2 317.8
Southern Norway	294.0	377.9
Mid-Norway	501.4	578.9
Northern Norway	626.1	687.6
Rest of world	382.9	415.9
Total	**15 248.0**	**17 835.0**

Note 32 - Hedge accounting

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

(NOK million)	2016 Contract/ nominal value	2016 Fair value 1) Assets	2016 Fair value 1) Liabilities	2015 Contract/ nominal value	2015 Fair value 1) Assets	2015 Fair value 1) Liabilities
Interest rate swaps	800.0	6.6		565.0	34.1	
Total interest rate derivatives	800.0	6.6		565.0	34.1	
Total derivatives	**800.0**	**6.6**		**565.0**	**34.1**	

(NOK million)	Contract/ nominal value	Fair value 1) Assets	Fair value 1) Liabilities	Contract/ nominal value	Fair value 1) Assets	Fair value 1) Liabilities
Total underlying items	800.0		811.7	565.0		600.0
Hedging effectiveness - prospective			105.2 %			87 %
Hedging effectiveness - retrospective			105.0 %			102 %

Gain/loss on fair value hedging: 2)

(NOK million)	2016 Gain/loss	2015 Gain/loss
On hedging instruments	-17.1	-8.9
On items hedged	16.1	8.8

1) Book value at 31.12.

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

Note 33 - Provisions

(NOK million)	Provisions for restructuring 2016	2015
Provisions 1 January	7.6	12.1
Provisions during the period	5.7	
Provisions used during the period	-6.1	-4.5
Total provisions 31 December	**7.3**	**7.6**
Classified as:		
Provision for accrued expenses and liabilities	7.3	7.6

This provision is related to the cost reduction program in Storebrand and mainly concerns costs related to headcount reductions. The provision has been considered in accordance with IAS 37, and the restructuring plan has been announced to all parties affected by the changes.

Note 34 - Other liabilities

(NOK million)	2016 Book value	2015 Book value
Payable to Storebrand group companies	16.3	9.8
Money transfers	27.1	29.8
Group contribution payable to group companies	498.6	206.9
Accounts payable	9.2	3.4
Accrued expenses and prepaid income	37.8	41.3
Other debt	43.6	1.6
Total other liabilities	**632.7**	**292.8**

Note 35 - Off balance sheet liabilities and contingent liabilities

(NOK million)	2016	2015
Guarantees	23.6	49.2
Undrawn credit limits	6 721.0	6 035.0
Lending commitments retail market	3 524.2	1 981.3
Total contingent liabilities	**10 268.8**	**8 065.5**

Guarantees are mainly payment guarantees and contract guarantees. See also note 4. Undrawn credit limits relate to the unused portion of credit limits approved on overdraft accounts and credit cards, as well as the unused portion of lending limits on flexible mortgages.
Undrawn credit limits includes NOK 4.9 billion in credit facililty to Storebrand Boligkreditt AS.

Note 36 - Collateral

RECEIVED AND PLEDGED COLLATERAL

Storebrand Bank ASA has not received or pledged any collateral except securities pledged as collateral for F-loans in Norges Bank (see the overview below).

COLLATERAL AND SECURITY PLEDGED

(NOK million)	2016	2015
Booked value of bonds pledged as collateral for the bank's lending from Norges Bank	1 085.9	1 312.1
Booked value of securities pledged as collateral in other financial institutions	352.0	708.4
Total	**1 437.9**	**2 020.5**

Securities pledged as collateral are linked to lending access in Norges Bank for which, pursuant to regulations, the loans must be fully guaranteed with collateral in interest-bearing securities and/or the bank's deposits in Norges Bank. Storebrand Bank ASA has not any F-loan in Norges Bank as per 31.12.2016.

Note 37 - Capital adequacy

NET PRIMARY CAPITAL

(NOK million)	2016	2015
Share capital	960.6	960.6
Other equity	1 180.8	1 362.0
Total equity	**2 141.4**	**2 322.5**
Additional Tier 1 capital included in total equity	-225.0	-225.0
Accrued interest on capital instruments included in total equity	-1.0	-1.0
Total equity exc. Hybrid Tier 1 capital	**1 915.4**	**2 096.5**
Deductions:		
Intangible assets	-80.1	-88.5
Deferred tax asset		
Provision for gorup contribution		
Core capital exc. Hybrid Tier 1 capital	**1 835.3**	**2 008.0**
Additional Tier 1 capital:		
Capital instruments eligible as AT1 capital	225.0	225.0
Core capital		
Supplementary capital	**2 060.3**	**2 233.0**
Tier 2 capital	275.0	274.8
Tier 2 capital deductions		
Net primary capital	**2 335.2**	**2 507.7**

MINIMUM REQUIREMENT FOR NET PRIMARY CAPTIAL

(NOK million)	2016	2015
Credit risk	825.4	910.2
Of which:		
Local and regional authorities	5.3	10.0
Public sector owned corporates		
Institutions	171.4	168.1
Corporates		2.5
Loans secured in residential real estate	478.5	541.5
Retail market	59.7	83.1
Loans past-due	10.7	7.7
Covered bonds	77.8	81.9
Other	22.1	15.5
Total minimum requirement for credit risk	**825.4**	**910.2**
Settlement risk		
Total minimum requirement for market risk	**0.0**	**0.0**
Operational risk	45.4	87.1
CVA risk *)	5.2	9.5
Deductions		
Loan loss provisions on groups of loans	-3.0	-2.3
Minimum requirement for net primary capital	**873.0**	**1 004.4**

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

CAPITAL ADEQUACY

	2016	2015
Capital ratio	21.4 %	20.0 %
Core (tier 1) capital ratio	18.9 %	17.8 %
Core capital ratio excl. Hybrid Tier 1 capital	16.8 %	16.0 %

The standard method is used for credit risk and market risk and the basis method is used for operational risk. In 2016, the Financial Supervisory Authority of Norway set a second pillar supplement of 1.8 percentage points of the calculation basis for Storebrand Bank ASA and the Storebrand Bank Group. The requirement must be covered by pure core capital. The requirement for a countercyclical capital buffer increased from 30 June 2016. The combined requirements for pure core capital and primary capital were 13.3 per cent and 16.8 per cent respectively at the end of 2016. The level of the countercyclical capital buffer requirement will be increased by a further 0.5 percentage points from 31 December 2017, with a corresponding increase in the requirement for pure core capital and primary capital from this date.

BASIS OF CALCULATION (RISKWEIGHTED VOLUME)

(NOK million)	2016	2015
Credit risk	10 317.3	11 377.2
Of which:		
Local and regional authorities	66.1	124.8
Public sector owned corporates		
Institutions	2 142.2	2 101.1
Corporates	0.1	30.6
Loans secured on residential real estate	5 980.7	6 768.5
Retail market	746.6	1 038.6
Loans past-due	133.2	95.9
Covered bonds	972.2	1 024.4
Other	276.2	193.2
Total basis of calculation credit risk	**10 317.3**	**11 377.2**
Settlement risk		
Total basis of calculation market risk	**0.0**	**0.0**
Operational risk	567.0	1 088.3
CVA risk	65.5	118.2
Deductions		
Loan loss provisions on groups of loans	-37.0	-28.9
Total basis of calculation of minimum requirements for capital base	**10 912.9**	**12 554.7**

Note 38 - Remuneration to senior employees and elected officers of the company

(NOK 1000)	Ordinary salary	Other benefits 1)	Total remuneration for the year	Pension accrued for the year	Post termination salary (months)	Loan 2)	No. of shares owned 3)
Senior employees							
Bernt Uppstad (CEO)	1 435	113	1 548	246		1 064	425
Asle Borud	1 101	116	1 218	163		200	1 533
Torunn Sjåstad Hoftvedt	1 353	132	1 485	182		3 150	18 269
Torstein Hagen	2 476	168	2 644	341		3 279	6 975
Total 2016	**6 365**	**528**	**6 894**	**932**		**7 693**	**27 202**
Total 2015	8 972	692	9 664	1 702		13 125	41 614

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

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

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

(NOK 1000)	Remuneration	Loan	No. of shares owned 2)
Board of Directors 1)			
Odd Arild Grefstad 3)		3 930	92 602
Geir Holmgren 3)		7 967	26 316
Vivi Gevelt 3)		2 820	2 085
Inger Roll-Matthiesen	166		
Leif Helmich Pedersen	250		
Maria Skotnes	125	967	909
Total 2016	**541**	**15 684**	**121 912**
Total 2015	484	9 712	30 219

1) Remuneration to the Board of Directors are remuneration paid in connection to each one appointments as member of the Board of Storebrand Bank ASA.

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

3) Neither Odd Arild Grefstad, Geir Holmgren nor Vivi Gevelt receives any remuneration from Storebrand Bank ASA for their appointments as members of the Board. .

For the 2017 AGM, the Board of Storebrand Bank ASA will present the following statement on the determination of salaries and othercompensation for executive personnel pursuant to Section 6-16a of the Public Limited Liability Companies Act, based on the Group's previously adopted guidelines for compensation for executive personnel in Storebrand.

STOREBRAND BANK ASA - THE BOARD'S STATEMENT ON THE FIXING OF SALARIES AND OTHER REMUNERATION TO EXECUTIVE PERSONNEL

The Board of Directors of Storebrand ASA has had a dedicated Compensation Committee since 2000. The Remuneration Committee shall provide advice to the Board on all matters concerning the company's remuneration to the CEO. The Committee shall monitor and propose guidelines for determining Group senior employees' compensation. The Committee also acts as an advisory body to the Chief Executive Officer with regard to remuneration schemes that encompass all employees of the Storebrand Group, including Storebrand's bonus and pension schemes. The Compensation Committee satisfies the follow-up requirements set forth in the remuneration schemes.

1. ADVISORY GUIDELINES FOR THE COMING FINANCIAL YEAR

Storebrand aims to base remuneration on competitive and motivating principles that help attract, develop and retain highly qualified staff. Storebrand must have an incentive model that supports the strategy, stressing the customers' interests and the long-term view, an ambitious collaboration model and transparency that strengthens the Group's reputation. The company will therefore largely emphasise fixed salaries as an instrument of financial compensation, and make use of variable remuneration to a limited extent. The salaries of executive employees are determined based on the position's responsibilities and complexity. Regular comparisons are made with corresponding positions in the market in order to adjust the pay level to the market. Storebrand does not wish to be a pay leader in relation to the sector.

BONUS SCHEME

Group management and senior employees who have a significant influence on the company's risks receive only fixed salaries. Other employees may in addition to fixed salary be awarded a discretionary bonus of 5 to 15 per cent of fixed salary.

PENSION SCHEME

The company shall arrange and pay for an ordinary group pension insurance common to all employees, from the moment employment commences, and in accordance with the pension agreement in force at any given time. With effect from 2015, the company has defined contribution pension schemes for all employees. This applies to pay both above and below 12 G. In connection with the transition from defined benefit to defined contribution schemes, compensation schemes were established for employees for whom the change was disadvantageous. These schemes give monthly additional saving for employees for a maximum 36 months. The additional saving is taxed as pay. For group management, the calculated cash value of pension rights for pay above 12 G that was already earned before the change will be paid out over a five-year period. This payment period is fixed, regardless of whether the employee should leave the company before the end of this period.

SEVERANCE PAY

The Chief Executive Officer and executive vice presidents are entitled to severance pay if their contracts are terminated by the Company. The entitlement to a severance package is also available if the employee decides to leave the company and this is due to substantial changes in the organisation, or equivalent conditions that result in the individual not being able to naturally continue in his position. If the employment relationship ends as a result of the person concerned being guilty of a gross breach of duty or other material breach of the employment contract, the provisions in this section do not apply. Deductions are made to the severance pay for all work-related income, including fees from the provision of services, offices held etc. Severance pay represents the pensionable salary at the date on which the employment ends, excluding all bonus schemes, if applicable. The CEO is entitled to 24 months severance pay. Other executive vice presidents are entitled to 18 months of severance pay.

2. BINDING GUIDELINES FOR SHARES, SUBSCRIPTION RIGHTS, OPTIONS, ETC. FOR THE COMING 2017 FINANCIAL YEAR

To ensure that the executive management team has incentive schemes that coincide with the long-term interests of the owners, a proportion of the fixed salary will be linked to the purchase of physical STB shares with a lock-in period of three years. Purchase of shares will be done one per year. In 2017, an expanded group with a limited number of employees will be covered by an equivalent scheme to the executive management, with the compulsory purchase of the company's shares. Like other employees in Storebrand, executive employees have an opportunity to purchase a limited number of shares in Storebrand ASA at a discount in accordance with the share programme for employees

3. STATEMENT ON THE EXECUTIVE EMPLOYEE REMUNERATION POLICY DURING THE PREVIOUS FINANCIAL YEAR

The executive employee remuneration policy established for 2016 has been observed. The annual independent assessment of the guidelines and the practising of these guidelines in connection with bonuses to be paid in 2017 will be carried out during the first half of 2017

4. STATEMENT ON THE EFFECTS OF SHARE-BASED REMUNERATION AGREEMENTS ON THE COMPANY AND THE SHAREHOLDERS

A proportion of the fixed salary of executive management and an expanded group of employees will be linked to the purchase of physical STB shares with a lock-in period of three years. The purchase of shares will take place once per year. In the opinion of the Board of Directors, this has a positive effect on the company and the shareholders, given the structure of the scheme and the size of each person's portfolio of shares in Storebrand ASA

Note 39 - Related Parties

TRANSACTIONS WITH GROUP COMPANIES

	2016		2015	
(NOK million)	Subsidiaries	Other group companies	Subsidiaries	Other group companies
Interest income	53.4		86.8	
Interest expense	2.8		4.3	
Services sold	60.5	3.7	24.7	3.1
Services purchased		82.4		42.9
Due from	1 153.1	14.2	2 202.9	87.8
Liabilities to	151.4	373.1	426.3	111.3

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

LOANS TRANSFERRED TO STOREBRAND BOLIGKREDITT AS

Storebrand Bank ASA sells loans to the mortgage company Storebrand Boligkreditt AS. Once the loans are transferred, Storebrand Boligkreditt AS assumes all the risks and benefits of owning the loan portfolio. It is Storebrand Boligkreditt that receives all the cash flows from the loan customer. The bank and Storebrand Boligkreditt have not signed any agreements concerning guarantees, options "or similar in relation to the loan portfolio in Storebrand Boligkreditt AS. Storebrand Bank ASA will ensure the transfer and return of loans as needs" change, i.e. when there is a need to increase borrowing, switches from fixed to variable interest rates, switches to employee loans and switches to home equity loans. The costs form part of the contractual management fees.

Loans in Storebrand Boligkreditt AS that do not perform remain in the company. According to the service agreement with Storebrand Bank ASA, these loans will be treated in the same way as non-performing loans in the bank. A special report on non-performing loans in Storebrand Boligkreditt AS is prepared. These loans are not included in the mortgage company's total collateral.

Loan to employees can be transferred to Storebrand Boligkreditt AS. The difference between the market interest rate and the subsidised interest rate is covered monthly by the company in which the debtor is employed.

OVERVIEW OF TRANSFERRED LENDING TO/FROM STOREBRAND BOLIGKREDITT AS

(NOK million)	2016	2015
To Storebrand Boligkreditt AS - accumulated transfer	13 364.5	14 278.5
From Storebrand Boligkreditt AS - this year's transfer	428.2	232.4

Storebrand Bank ASA has not pledged any guarantees in connection with loans to Storebrand Boligkreditt AS.

LOANS SOLD TO STOREBRAND LIVSFORSIKRING AS

Storebrand Bank ASA has sold mortgages to sister company Storebrand Livsforsikring AS. The mortgages were sold on commercial terms. The portfolio of loans that was sold as of 31 December 2016 totalled NOK 6.8 billion. As the buyer, Storebrand Livsforsikring AS has acquired both cash flows and most of the risk and control. The loans were therefore derecognised in the bank's balance sheet in accordance with IAS 39. Storebrand Bank ASA receives management fees for the work being done with the sold portfolio. The bank has recognised NOK 15.4 million as revenue in the accounts for 2016. The fees paid to the bank are based on the arm's lenght principle.

CREDIT FACILITIES WITH STOREBRAND BOLIGKREDITT AS

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

TRANSACTIONS WITH OTHER RELATED PARTIES

Storebrand Bank ASA defines Storebrand Optimér ASA as a related party as the company's objective is to offer alternative savings products to the bank's customers. Storebrand Optimér ASA has no employees and the company has entered into an agreement with Storeband Bank ASA to carry out the day-to-day operation of the company. The bank also acts as a Manager for issues of shares carried out by Storebrand Optimér ASA. The bank has booked NOK 4.0 million as revenue in the accounts for 2016 and the bank has a receivable due from the company of NOK 0.4 million as of 31.12.2016. The fees paid to the bank are based on the arm's length principle.

Storebrand Bank ASA conducts transactions with related parties as part of its normal business activities. These transactions take place on commercial terms. The terms for transactions with senior employees and related parties are stipulated in note 38.

LOANS TO EMPLOYEES

(NOK million)	2016	2015
Loans to employees of Storebrand Bank ASA	119.8	181.5
Loans to employees of Storebrand group excl. Storebrand Bank ASA	839.3	1 166.2

Loans to employees are granted in part on the normal terms and conditions for loans to employees, i.e. loan to and individual of up to NOK 3.5 million at an interest rate equal to the norm interest rate (for tax purposes) defined by the Norwegian Ministry of Finance. Loans in excess of NOK 3.5 million are granted on normal commercial terms and conditions. The bank has not provided guarantees or security for borrowing by employees.

NUMBER OF EMPLOYEES

	2016	2015
Number of employees at 31 December	111	103
Number of employees expressed as full-time equivalent positions	110	102

Storebrand Bank ASA and the Storebrand Bank Group
- Declaration by the members of the Board and the CEO

On this date, the Board of Directors and the Chief Executive Officer have considered and approved the annual report and annual financial statements for Storebrand Bank ASA for the 2016 financial year and as at 31 December 2016 (2016 Annual Report).

The consolidated financial statements have been prepared in accordance with the EU-approved International Financial Reporting Standards (IFRS) and the associated interpretations, as well as additional Norwegian disclosure requirements pursuant to the Norwegian Accounting Act and the Financial Reporting Regulations for Banks, Finance Companies, etc. that must be observed as at 31 December 2016. The annual financial statements for the parent company have been prepared in accordance with the Norwegian Accounting Act, Financial Reporting Regulations for Banks, Finance Companies, etc. and simplified IFRS as at 31 December 2016, as well as additional requirements in the Norwegian Securities Trading Act. The annual report for the Group and parent company complies with the requirements of the Norwegian Accounting Act and Norwegian Accounting Standard no. 16 as at 31 December 2016.

In the best judgement of the Board and the CEO, the annual financial statements for 2016 have been prepared in accordance with applicable accounting standards, and the information in the financial statements provides a fair and true picture of the parent company's and Group's assets, liabilities, financial standing and results as a whole as at 31 December 2016. In the best judgement of the Board and the CEO, the annual report provides a fair and true overview of important events during the accounting period and their effects on the annual financial statements for Storebrand Bank ASA and the Storebrand Bank Group. In the best judgement of the Board and the CEO, the descriptions of the most important elements of risk and uncertainty that the group faces in the next accounting period, and a description of related parties' material transactions, also provide a true and fair view.

Lysaker, 7 February 2017
The Board of Directors of Storebrand Bank ASA

Translation – not to be signed

Odd Arild Grefstad
Chairman of the Board

Geir Holmgren
Deputy Chairman

Leif Helmich Pedersen
Board Member

Inger Roll-Matthiesen
Board Member

Vivi Gevelt
Board Member

Maria Skotnes
Board Member

Bernt H. Uppstad
CEO

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Translation from the original Norwegian version

To the General Meeting of Storebrand Bank ASA

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Storebrand Bank ASA. The financial statements comprise:

- The financial statements of the parent company, which comprise the statement of financial position as at 31 December 2016, the profit and loss account, statement of comprehensive income, statement of changes in equity, cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the statement of financial position as at 31 December 2016, the profit and loss account, statement of comprehensive income, statement of changes in equity, cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the parent company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to § 3-9 of the Norwegian Accounting Act.
- The accompanying financial statements give a true and fair view of the financial position of the group as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, included International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

IT-systems and control activities relevant for financial reporting

Key audit matter	How the matter was addressed in the audit
Storebrand Bank ASA group's (Storebrand Bank) IT-systems are essential for the accounting and reporting of completed transactions, in order to provide the basis for important estimates and calculations, and to provide relevant notes. The IT-systems are standardized, and management and operation is largely outsourced to service providers. A more detailed description of management and operation of IT-systems can be found in the Board of Directors' report. Effective internal control related to IT-systems both at Storebrand Bank and at the service providers is vital to ensure accurate, complete and reliable financial reporting and is therefore a key audit matter.	Storebrand Bank has established an overall governance model and control activities related to its IT-systems. We gained an understanding of Storebrand Banks's overall governance model for IT-systems relevant to financial reporting. We assessed and tested the design of selected control activities relevant to financial reporting related to IT-operations, change management, and information security. For a sample of these control activities, we tested if they operated effectively in the reporting period. We assessed and tested the design of selected automated control activities within the IT-systems related to calculations, reconciliations and settlement of transactions. For a sample of these control activities, we tested if they operated effectively in the reporting period. We assessed third party confirmations (ISAE 3402 reports) from three of Storebrand Bank's service providers to assess whether these service providers had adequate internal controls in areas that are important for Storebrand Bank's financial reporting. We used our own IT specialists to understand the overall governance model for IT-systems and in the assessment and testing of the control activities related to IT-systems.

Loan loss provisions on lending to the corporate market segment

Key audit matter	How the matter was addressed in the audit
Storebrand Bank has lending to the corporate market, see Note 2, 4 and 9 for a description of credit risk and loan loss provisions. Storebrand Bank evaluates the need for loan loss provisions. There is considerable judgment in the Bank's assessment of the size of the loan loss provisions in the corporate market segment. Judgement is related both to the assessments of the probability of default and loss given default.	Storebrand Bank has established various control activities related to loan loss provisions in the corporate market segment. We assessed and tested the design of selected key control activities related to loan loss provisions. The control activities we assessed and tested were related to the identification of doubtful loans and the estimation of cash flows for these loans. For a sample of these control activities, we tested if they operated effectively in the reporting period. For a sample of loans with loan loss provisions, we tested whether the loss event was timely identified and assessed the cash flows that management had estimated.

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Loan loss provisions on lending to the corporate market segment, cont.

Key audit matter	How the matter was addressed in the audit
Assumptions and estimates used in the assessments are crucial for the size of the loan loss provisions and loan loss provisions in the corporate market segment is therefore a key audit matter.	We also assessed whether the notes on loan loss provisions in the corporate market segment was adequate.

Capital adequacy notes to the financial statements

Key audit matter	How the matter was addressed in the audit
Storebrand Bank is subject to the regulations on capital requirement in the Norwegian Act on Financial Undertakings and Financial Groups and associated regulations. The Norwegian regulation on Financial statements for banks requires disclosures about capital adequacy in the notes to the financial statements. Note 34 to the parent's financial statements and note 37 to the group's financial statements provide information on calculation methods, net primary capital, basis of calculation and capital adequacy among others. The fact that compliance with the capital requirement according to the Norwegian Act on Financial Undertakings and Financial Groups and associated regulations is a basis for the going concern assumption makes it a key audit matter.	Storebrand Bank has established various internal control activities related to the calculation of net primary capital, basis of calculation and capital adequacy. We have assessed and tested the design of selected key control activities. The internal control activities we assessed and tested were related to the risk-weighted balance sheet items and off-balance sheet items, and the calculation of the risk-weighted basis of calculation. For a sample of these control activities, we tested if they operated effectively in the reporting period. For selected parts of the regulations on capital requirement, we assessed Storebrand Bank's interpretations against the regulations on capital requirement. We controlled the accuracy of the capital requirement calculation for a sample of balance sheet items and off-balance sheet items. Furthermore, we controlled the accuracy of the calculation of selected items included in net primary capital. We assessed whether the capital adequacy met the capital adequacy requirement in the Norwegian Act on Financial Undertakings and Financial Groups and associated regulations. We assessed the adequacy of other information in the notes on capital adequacy concerning the requirement in the Norwegian regulation on Financial statements for banks.

Other information

Management is responsible for the other information. The other information comprises the Annual report for 2016, but does not include the financial statements and the auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation and fair presentation of the financial statements of the parent company in accordance with simplified application of international accounting standards according to the Norwegian Accounting Act section 3-9, and for the preparation and fair presentation of the financial statements of the group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, included International Standards on Auditing (ISAs), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to

the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and statements on Corporate Governance and Corporate Social Responsibility 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 the law and regulations.

Opinion on Registration and Documentation

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

Oslo, 7 February 2017
Deloitte AS

Henrik Woxholt
State Authorised Public Accountant (Norway)

Translation has been made for information purposes only

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