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Maria Meidell Borgersen
Storebrand

Annual report 2016
Storebrand Boligkreditt

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

NOK million	2016	2015
Profit and loss account: (as % of avg. total assets) [1]		
Net interest income	0,79 %	1,16 %
Main balance sheet figures:		
Total assets	13 690,5	14 855,0
Average total assets	14 852,7	14 573,2
Gross lending to customers	13 375,5	14 291,6
Equity	1 010,2	974,6
Other key figures:		
Loan losses and provisions as % of average total lending	0,00 %	0,01 %
Individual loan loss provisions as % of gross loss-exposed loans [3]	22,6 %	22,7 %
Cost/income ratio	58,6 %	16,3 %
Return on equity after tax [2]	3,6 %	10,5 %
Core capital ratio excl. Hybrid Tier 1 capital	19,6 %	16,2 %
LCR [4]	189,0 %	na

Definitions:

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

2) Profit after tax as % of average equity.

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

4) Liquidity coverage requirement.

Annual Report

HIGHLIGHTS

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

The company is a finance company and has a concession from the Financial Supervisory Authority of Norway to issue covered bonds (OMFs). Assets consist primarily of securitized mortgages that are purchased from Storebrand Bank ASA. Storebrand Bank ASA manages the mortgages on behalf of Storebrand Boligkreditt AS. The established loan programme is AAA rated by the rating agency S&P Global Rating Services. At the end of 2016, Storebrand Boligkreditt AS had issued covered bonds to the value of approximately NOK 11.4 billion with remaining maturities ranging from 6 months to 5 years The issued volume is partly placed in the market and partly placed in the parent bank's balance.

At the end of 2016, the lending volume was slightly lower compared with the end of 2015 and represented 7,861 mortgages and secured loans corresponding to NOK 13.4 billion (14.3 billion). The quality of the portfolio is very good. At year end there were 14 loans in default, corresponding to NOK 25 million. This represents 0.19 per cent of the portfolio. The average loan-to-value ratio is approximately 48 per cent.

FINANCIAL PERFORMANCE

The company's operating profit before losses for 2016 was NOK 48 million (NOK 141 million). Net losses on lending represented costs of NOK 0.1 million (cost of NOK 2 million), in which group write-downs were reduced by NOK 0.6 million (cost of NOK 0.2 million). The annual profit after tax for Storebrand Boligkreditt AS was NOK 36 million, compared with NOK 102 million for 2015.

NET INTEREST INCOME

Net interest income was NOK 118 million for the year (NOK 169 million), which is a reduction compared with the previous year and in line with general market trends. Lending margins are under pressure due to the bank group having used more competitive prices. Net interest income as a percentage of average total assets was 0.79 per cent in 2016 compared with 1.16 per cent in 2015.

OTHER INCOME

Other income was a negative NOK 3 million in 2016 compared with marginally negative in 2015. Other income in 2016 primarily related to commission income on loans and net losses on financial instruments.

OPERATING EXPENSES

Operating expenses increased to NOK 67 million in 2016, compared with NOK 27 million in 2015. The higher expenses are attributed to increased fees paid to Storebrand Bank ASA for management of the company's lending portfolio from and including the 4th quarter of 2015. The company has no employees and buys services, primarily from Storebrand Bank ASA and Storebrand Livsforsikring AS. Purchased services are based on market terms.

LOSSES AND DEFAULTS

Losses on lending accounted for a cost of NOK 0.1 million in 2016, compared with NOK 2 million in 2015. At the end of 2016, default volume amounted to NOK 25 million (NOK 27 million). This volume corresponds to 0.19 per cent (0.19 per cent) of gross lending. All the loans have a loan-to-value ratio within 75 per cent of market value or are generally written down.

BALANCE SHEET

The company's total assets under management at the end of 2016 were NOK 13.7 billion compared with NOK 14.9 billion at the end of 2015.

Borrowing is in the form of covered bonds in Norwegian kroner and drawing facilities with Storebrand Bank ASA. The financing structure is balanced and adapted to a credit company. The company issued covered bonds totalling NOK 2.5 billion (maturity 2021) in 2016 and redeemed a bond loan of NOK 1.0 billion. At the end of 2016, covered bonds issued amounted to approximately NOK 11.4 billion, with a remaining period to maturity of 6 months to 5 years. NOK 10.8 billion of these bonds has been placed in the market, while the remaining NOK 0.7 billion is being held in the parent bank.

RISK MANAGEMENT

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

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

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

CREDIT RISK

Storebrand Boligkreditt AS has lending totalling NOK 13.4 billion, in addition to unused credit facilities of NOK 1.7 billion as at 31 December 2016. Non-performing and impaired loans accounted for 0.19 per cent of gross lending.

Even though the non-performing volume is low, the default volume is monitored carefully. Storebrand Bank ASA, which manages the loans of Storebrand Boligkreditt AS, has a conservative lending practice with regard to the customers' ability to pay. Security is assessed as being extremely good, since most loans are less than 60 per cent of collateral value. Average loan-to-value ratio in Storebrand Boligkreditt AS' portfolio is 48 per cent (50 per cent), and at the date of transfer the maximum loan-to-value ratio is 75 per cent. Loan-to-value ratio is calculated based on amounts drawn in the case of flexible secured loans. The risk in the lending portfolio is therefore considered to be very low. Approximately 99 per cent of mortgages have a loan-to-value ratio within 80 per cent.

The company has not issued any guarantees. Storebrand Boligkreditt AS has not deposited securities with Norges Bank as surety. In the period from July to November 2016, the company received security from DNB linked to the negative market value on interest rate swaps.

LIQUIDITY RISK

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

Storebrand Boligkreditt AS has two credit facilities with Storebrand Bank ASA. One of these is a normal overdraft facility, with a ceiling of NOK 6 billion. This has no expiry date, but can be terminated by the bank on 15 months' notice. The other facility must have a sufficient ceiling at all times to be able to cover interest and repayment on covered bonds and associated derivatives for the next 31 days. This drawing right may not be terminated by Storebrand Bank ASA until at least 3 months after the maturity date of the covered bond and the associated derivatives with the longest period to maturity. Standard covenant requirements are linked to the loan agreements entered into. All the terms and conditions have been satisfied for all signed loan agreements in 2016.

The purpose of the liquidity coverage requirement (LCR) is to measure the size of the company's liquid assets, in relation to the net liquidity outflow 30 days in the future given a stress situation in the money and capital markets. The LCR was introduced for Storebrand Boligkreditt AS from 30 June 2016 with a minimum LCR with escalation. From and including 31 December 2016, the credit company must comply with a LCR of 80 per cent. The requirement will be increased to 100 per cent from 31 December 2017. At the end of the year, the company's LCR was 189 per cent.

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

MARKET RISK
The company's aggregate interest and foreign currency exposure is limited by means of low exposure limits in the risk policies.

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

At the end of 2016, Storebrand Boligkreditt AS had no currency risk, since all the company's lending and borrowing is in NOK.

OPERATIONAL RISK
In order to manage operational risk, the company's administration prioritises the establishment of good work and control routines. Systematic risk reviews are performed every six months, as well as with special transactions or unexpected events. The most recent risk review was performed in autumn 2016.

Pursuant to the management agreement between Storebrand Bank ASA and Storebrand Boligkreditt AS, the bank is responsible for establishing and managing loans in the company. The agreement is followed-up by the company through daily controls of the balance, random checks of batch transfers from the bank to the company and in connection with monthly reports to external investigator. In addition, there is follow-up of the development of risk classes and defaults in the monthly risk reports.

Among other things, the bank's IT systems are vital for credit approval in the bank and for portfolio follow-up and accounting in the company. Errors and disruptions can have consequences for the operation of the company and may impact on customer trust. In the worst case, abnormal situations may result in penalties from supervisory authorities. Operations of the IT systems are outsourced. The bank's system platform that is used by Storebrand Boligkreditt AS is based on purchased standard systems operated and monitored through service agreements. The bank group has established an intra-group management model with close supplier follow-up and internal control activities with the objective of reducing risk associated with the development, administration and operation of IT systems and information security.

COMPLIANCE RISK
The risk that public sanctions or financial losses are incurred due to failure to comply with external and internal regulations is defined as the compliance risk. Storebrand Boligkreditt AS is particularly aware of the risk in relation to compliance with and implementation of amendments to applicable laws concerning capital adequacy, liquidity management and the application of international accounting standards.

CAPITAL MANAGEMENT

CAPITAL ADEQUACY
Equity in the company at the end of the year amounted to NOK 1,010 million. The net primary capital at year-end after group contributions paid/received amounted to NOK 1,096 million (NOK 975 million). The capital base of Storebrand Boligkreditt AS consists entirely of pure core capital. The pure core capital adequacy ratio was 19.6 per cent (16.2 per cent) at the end of the year and the company satisfied the combined capital and capital buffer requirements by a good margin at the end of the year.

PERSONNEL, ORGANISATION, GOVERNING 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 with sustainability and sustainable investments on global standards for environmental and human rights. We also support UN conventions and guidelines and have signed the UN's Principles for Responsible Investment (UNPRI) and the UN's 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 CONFIDENCE

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

THE ENVIRONMENT

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

PERSONNEL AND ORGANISATION

At the end of 2016 there were no employees in the company. For this reason, no special working environment measures have been taken.

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

DIVERSITY

The Board of Storebrand Boligkreditt AS consists of four members, all of whom are men. The CEO is a woman.

CORPORATE GOVERNANCE

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

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

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

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

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

CHANGES TO THE COMPOSITION OF THE BOARD

At the General Meetings on 18 April and 1 November 2016, Odd Arild Grefstad was elected Chairman of the Board and Geir Holmgren was elected Deputy Chairman. At the same time, Heidi Skaaret and Hege Hodnesdal left the Board.

CONTROL COMMITTEE AND BOARD OF REPRESENTATIVES DISBANDED

Storebrand Boligkreditt AS' 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 basis for continued operation as a going concern is in place and the annual financial report has been presented on this assumption.

EVENTS AFTER THE BALANCE DATE

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

ALLOCATION OF PROFIT

The company's profit for the year amounted to NOK 35.6 million. The Board proposes to pay a group contribution of NOK 52.7 million before tax (NOK 39.5 million after tax) to Storebrand Bank ASA. The Board considers the company's capital situation to be good in relation to the risk profile and proposes the following allocation of the profit for the year to the company's general meeting:

Amounts in NOK million	Amount
Transferred to/from other equity	3,9
Group contribution paid to parent company (after tax)	-39.5
Total allocation	**-35.6**

The company received a group contribution (tax-exempt) of NOK 125.0 million from Storebrand Bank ASA.

STRATEGY AND OUTLOOK FOR 2017

In 2017, Storebrand Boligkreditt AS will continue its core activity, which is the acquisition and management of home mortgages from Storebrand Bank ASA. The company is aiming for moderate growth in collateralisation during 2017.

The housing market and developments in total non-performing loans will be closely monitored. Efforts to ensure good working procedures and high data quality will continue and thereby ensure that government and rating requirements continue to be fulfilled. Developments in the Norwegian and international capital markets, interest rates, unemployment and the property market are regarded as the key risk factors that can affect the results of Storebrand Boligkreditt AS in 2017.

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

Lysaker, 7 February 2017
The Board of Directors of Storebrand Boligkreditt AS

Translation - not to be signed

Odd Arlid Grefstad
- Chairman of the Board -

Geir Holmgren
- Deputy Chairman -

Leif Helmich Pedersen
- Board Member -

Tor Bendik Weider
- Board Member -

Åse Jonassen
- CEO -

Profit and loss account
1 January - 31 December

NOK million	Note	2016	2015
Interest income		340.7	416.9
Interest expense		-222.7	-248.3
Net interest income	10	**118.0**	**168.6**
Net gains on financial instruments	10	-5.1	-2.5
Other income		2.1	2.3
Total other operating income		**-3.0**	**-0.2**
Staff expenses	12, 27	-0.2	-0.2
General administration expenses	12	-0.2	-0.3
Other operating costs	11, 12	-67.0	-26.9
Total operating costs		**-67.4**	**-27.4**
Operating profit before losses and other items		**47.6**	**141.0**
Loan losses	13	-0.1	-1.9
Profit before tax		**47.5**	**139.2**
Tax	14	-11.9	-37.6
Profit for the year		**35.6**	**101.6**

Statement of comprehensive income

NOK million	Note	2016	2015
Profit for the year		35.6	101.6
Other comprehensive income			
Total comprehensive income for the period		**35.6**	**101.6**
Allocations:			
Transferred to other equity		-35.6	-101.6
Total allocations		**-35.6**	**-101.6**

Statement of financial position - Balance sheet
31 December

ASSETS

NOK million	Note	2016	2015
Loans to and deposits with credit institutions	4, 8, 15, 16	141.0	382.0
Financial assets designated at fair value through profit and loss account:			
Bonds and other fixed-income securities	4, 8, 15, 17	41.4	
Derivatives	4, 5, 8, 15, 18, 23	123.0	173.2
Other current assets	15, 22	12.7	12.2
Gross lending	4, 15, 19, 20	13 375.5	14 291.6
Loan loss provisions	4, 15, 19, 21	-4.1	-4.0
Net lending to customers		13 371.4	14 287.6
Deferred tax assets	14	1.0	
Total assets		**13 690.5**	**14 855.0**

LIABILITIES AND EQUITY

NOK million	Note	2016	2015
Liabilities to credit institutions	5, 8, 15	1 091.0	2 043.6
Other financial liabilities:			
Commercial papers and bonds issued	5, 8, 15	11 575.4	11 782.6
Other liabilities	5, 14, 15, 24	13.8	54.0
Deferred tax	14		0.3
Total liabilities		**12 680.3**	**13 880.4**
Share capital		455.0	455.0
Share premium		270.1	270.1
Other paid-in equity		224.3	118.9
Other equity		60.8	130.6
Total equity	**26**	**1 010.2**	**974.6**
Total liabilities and equity		**13 690.5**	**14 855.0**

Lysaker, 7 February 2017
The Board of Directors of Storebrand Boligkreditt AS

Translation - not to be signed

Odd Arild Grefstad
- Chairman of the Board -

Geir Holmgren
- Deputy Chairman -

Tor Bendik Weider
- Board Member -

Leif Helmich Pedersen
- Board Member -

Åse Jonassen
- CEO -

Statement of changes in equity

NOK million	Share capital	Share premium	Other paid-in capital	Total paid-in capital	Other equity	Total other equity	Total equity
	Paid-in equity				Other equity		
Equity at 31.12.2014	455.0	270.1	118.9	844.0	192.7	192.7	1 036.8
Profit for the period					101.6	101.6	101.6
Other comprehensive income							
Total other comprehensive income	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Total comprehensive income for the period	**0.0**	**0.0**	**0.0**	**0.0**	**101.6**	**101.6**	**101.6**
Equity transactions with the owner:							
Group contribution paid					-163.8	-163.8	-163.8
Equity at 31.12.2015	**455.0**	**270.1**	**118.9**	**844.0**	**130.5**	**130.5**	**974.6**
Periodens resultat					35.6	35.6	35.6
Other comprehensive income							
Total other comprehensive income	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Total comprehensive income for the period	**0.0**	**0.0**	**0.0**	**0.0**	**35.6**	**35.6**	**35.6**
Equity transactions with the owner:							
Group contribution received			105.4	105.4			105.4
Group contribution paid					-105.4	-105.4	-105.4
Equity at 31.12.2016	**455.0**	**270.1**	**224.3**	**949.4**	**60.8**	**60.8**	**1 010.2**

Storebrand Boligkreditt AS is 100% owned by Storebrand Bank ASA. Number of shares are 35.000.000 at nominal value NOK 13,- per share.

The equity changes with the result for the individual period, equity transactions with the owners and items that are entered directly on the balance sheet. Share capital, the share premium reserve and other equity is evaluated and managed together. The share premium fund may be used to cover a loss, and other equity may be used in accordance with the provisions of the Company Act.

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

Storebrand Boligkreditt AS is a credit institution subject to statutory requirements regarding primary capital under the capital adequacy regulations. Primary capital encompasses both equity and subordinated loan capital. For Storebrand Boligkreditt, these legal requirements are most important in its capital management.

For further information on the company's fulfilment of the capital requirements, see note 26.

Statement of cash flow
1 January - 31 December

NOK million	2016	2015
Cash flow from operations		
Net receipts/payments of interest, commissions and fees from customers	344.4	423.1
Net disbursement/payments on customer loans	886.6	31.4
Net receipts/payments - securities at fair value	-42.9	-0.1
Payments of operating costs	-54.9	-39.6
Net cash flow from operating activities	**1 133.1**	**414.8**
Cash flow from investment activities		
Net payments on purchase/sale of fixed assets etc.		
Net cash flow from investment activities	**0.0**	**0.0**
Cash flow from financing activities		
Payments - repayments of loans and issuing of bond debt	-3 599.2	-1 946.8
Receipts - new loans and issuing of bond debt	2 500.0	2 000.0
Payments - interest on loans	-236.0	-274.0
Receipts - group contribution	105.4	
Payments - group contribution	-144.4	-224.4
Net cash flow from financing activities	**-1 374.1**	**-445.2**
Net cash flow in period	**-241.0**	**-30.3**
Net movement in cash and bank deposits	-241.0	-30.3
Cash and bank deposits at the start of the period	382.0	412.3
Cash and bank deposits at the end of the period	**141.0**	**382.0**

The company has a credit arrangement (drawing facility) with Storebrand Bank ASA that is included in the item ”Liabilities to credit institutions” as at 31.12.2016. See also Note 5.

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

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

Investment activities
Includes cash flows from tangible fixed assets.

Financing activities
Financing activities include cash flows for equity, subordinated loans and other borrowing that helps fund the company’s activities. Payments of interest on borrowing and payments of group 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 Boligkreditt AS

Note 1 - Company information and accounting policies

1. COMPANY INFORMATION

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

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

2. BASIS FOR PREPARATION OF THE FINANCIAL STATEMENTS

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

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

USE OF ESTIMATES IN PREPARING THE ANNUAL FINANCIAL STATEMENTS

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

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

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

The accounting policies are described in more detail below.

4. CHANGES IN ACCOUNTING POLICIES

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

No new accounting standards that will have a significant impact on Storebrand Boligkreditt'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.

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. INCOME RECOGNITION

INTEREST INCOME - BANKING

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

INCOME FROM FINANCIAL ASSETS

Income from financial assets is described in Section 6.

OTHER INCOME

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

6. FINANCIAL INSTRUMENTS

6-1. GENERAL POLICIES AND DEFINITIONS

Recognition and derecognition

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

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

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

Definition of amortised cost

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

Definition of fair value

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

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

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

Impairment of doubtful financial assets

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

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

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

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

Financial assets are classified into one of the following categories:

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

Held for trading

A financial asset is classified as held for trading if:

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

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

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

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

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

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

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

Loans and receivables

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

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

6-3. 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.

6-4. HEDGE ACCOUNTING

Fair value hedging

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

6-5. FINANCIAL LIABILITIES

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

7. TAX

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

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

8. PROVISION FOR GROUP CONTRIBUTIONS

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

9. LEASING

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

10. STATEMENT OF CASH FLOWS

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

Note 2 - Important accounting estimates and judgements

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

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

LOAN WRITE-DOWNS

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

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

Group write-downs
On the statement of financial position date, one estimates the impairment of commitments not identified by the individual assessments. The company differentiates 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.

CONTINGENT LIABILITIES

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

Note 3 - Risk Management

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

ORGANISATION OF RISK MANAGEMENT

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

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

The CEO is responsible for risk management in the company. In areas where the company buys services from Storebrand Bank ASA it is the bank that is responsible for risk management. Good risk management relies on working with targets, strategies and action plans, identifying and evaluating risks, documentation of processes and routines, prioritising and implementation of improvement measures and communication, information and reporting.

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

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

Independent control function

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

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

Note 4 - Credit risk

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

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

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

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

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

ANALYSIS OF CREDIT RISK BY TYPE OF FINANCIAL INSTRUMENT

The maximum credit exposure is the sum of gross loans, guarantees, amounts drawn from credit lines and undrawn amounts of credit lines. The decrease in the maximum credit exposure from the end of 2015 is mainly related to lower engagement amount and loans to and deposits with creditinstitutions.

	Maximum credit exposure	
NOK million	2016	2015
Loans to and deposits with credit institutions	141.0	382.0
Total commitments customers *)	15 107.9	15 987.1
Interest rate swaps	123.0	173.2
Total	**15 371.9**	**16 542.3**

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

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

CREDIT RISK LIQUIDITY PORTFOLIO

INTEREST-BEARING SECURITIES AT FAIR VALUE
Credit risk per counterparty

Short-term holdings of interest-bearing securities

Issuer category	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
Sovereign and Government Guaranteed bonds	41.4					41.4	
Total	**41.4**	**0.0**	**0.0**	**0.0**	**0.0**	**41.4**	**0.0**
Rating classes are based on Standard & Poors.							
Change in value:							
Total change in value on the balance sheet	-0.3					-0.3	
Change in value recognised int the profit and loss during the period	-0.3					-0.3	

CREDIT RISK ON LOANS TO AND DEPOSITS WITH CREDIT INSTITUTIONS

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		141.0				141.0	382.0
Total loans to and deposits with credit institutions	**0.0**	**141.0**	**0.0**	**0.0**	**0.0**	**141.0**	**382.0**

CREDIT EXPOSURE FOR LENDING ACTIVITIES

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

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

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

The average weighted loan-to-value ratio in the mortgage business is approximately 48%, and approximately 99% of the mortgages have a loan-to-value ratio of less than 80%. Approximately 67% of the company's mortgages have a loan-to-value ratio of less than 60% per 31 December 2016. The credit quality of unmatured loans is good.

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

Security for private-customer defaulted loans without value loss is good. Average weighted loan-to-value ratio for these loans is approximately 52%, and the largest observed loan-to-value ratio for loans in default at the end of December 2016 is 74.9%. Security pledged in the retail market is sold. It is not taken over by the bank.

COMMITMENTS PER CUSTOMER GROUP

	2016			
NOK million	Loans to and due from customers	Guarantees	Undrawn credit limits	Undrawn credit limits
Wage-earners	13 318.8		1 728.5	15 047.3
Other	3.3		0.1	3.4
Rest of world	53.4		7.8	61.3
Total	**13 375.5**	**0.0**	**1 736.4**	**15 112.0**
Loan loss provisions on individual loans	-2.9			-2.9
Loan loss provisions on groups of loans	-1.2			-1.2
Total loans to and due from customers	**13 371.4**	**0.0**	**1 736.4**	**15 107.9**

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

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

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	Average volume loans to and deposits from customers	Average volume guarantees	Average volume undrawn credit limits	Total average engagement
	2016			
Wage-earners	13 764.7		1 707.4	15 472.1
Other	3.9		0.2	4.1
Rest of world	65.0		10.4	75.4
Total	**13 833.6**	**0.0**	**1 718.0**	**15 551.5**

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

ENGAGEMENT PER GEOGRAPHICAL AREA

NOK million	Loans to and due from customers	Guarantees	Undrawn credit limits	Total commit-ments	Non-performing loans without evidence of impairment	Non-performing and loss-exposed loans with evidence of impairment	Gross defaulted and loss-exposed loans	Provisions for individual loan losses	Net defaulted and loss-exposed loans
				2016					
Eastern Norway	10 127.1		1 322.1	11 449.2	5.7	11.9	17.7	2.6	15.0
Western Norway	2 184.0		299.8	2 483.8	4.1	1.2	5.3	0.2	5.1
Southern Norway	247.7		27.7	275.4			0.0		0.0
Mid-Norway	383.7		43.2	427.0		1.8	1.8		1.8
Northern Norway	357.3		30.9	388.1			0.0		0.0
Rest of world	75.7		12.8	88.5			0.0		0.0
Total	**13 375.5**	**0.0**	**1 736.4**	**15 112.0**	**9.8**	**15.0**	**24.8**	**2.9**	**21.9**

NOK million	Loans to and due from customers	Guarantees	Undrawn credit limits	Total commit-ments	Non-performing loans without evidence of impairment	Non-performing and loss-expo-sed loans with evidence of impairment	Gross defaulted and loss-exposed loans	Provisions for individual loan losses	Net defaulted and loss-exposed loans
					2015				
Eastern Norway	11 160.3		1 304.6	12 464.9	5.1	15.6	20.7	2.0	18.7
Western Norway	2 147.7		281.1	2 428.8	2.0	1.2	3.2	0.2	3.0
Southern Norway	222.9		31.3	254.2			0.0		0.0
Mid-Norway	384.6		44.1	428.7	2.6		2.6		2.6
Northern Norway	309.6		22.8	332.5			0.0		0.0
Rest of world	66.5		15.6	82.0	0.1		0.1		0.1
Total	**14 291.6**	**0.0**	**1 699.5**	**15 991.1**	**9.8**	**16.7**	**26.5**	**2.2**	**24.3**

TOTAL ENGAGEMENT AMOUNT BY REMAINING TERM TO MATURITY

NOK million	Loans to and due from customers	Guarantees	Undrawn credit limits	Total commitments
		2016		
Up to 1 month				0.0
1 - 3 months	13.4		7.1	20.6
3 months - 1 year	138.6		86.2	224.7
1 - 5 years	1 499.0		793.9	2 293.0
More than 5 years	11 724.5		849.2	12 573.7
Total	**13 375.5**	**0.0**	**1 736.4**	**15 112.0**

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

AGE DISTRIBUTION OF OVERDUE ENGAGEMENTS WITHOUT IMPAIRMENTS

2016 NOK million	Loans to and due from customers	Guarantees	Undrawn credit limits	Total commitments
Overdue 1 - 30 days	120.3			120.3
Overdue 31 - 60 days	17.5			17.5
Ovedue 61- 90 days	2.4			2.4
Overdue more than 90 days	9.8			9.8
Total	**150.1**	**0.0**	**0.0**	**150.1**
Engagements overdue more than 90 days (loss-exposed) by geographical area:				
Eastern Norway	5.7			5.7
Western Norway	4.1			4.1
Southern Norway				0.0
Mid-Norway				0.0
Northern Norway				0.0
Rest of world				0.0
Total	**9.8**	**0.0**	**0.0**	**9.8**

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

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

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

CREDIT RISK BY CUSTOMER GROUP

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
Wage-earners	15.0	9.8	24.8	2.9	21.9		0.7
Rest of world			0.0		0.0		
Total	**15.0**	**9.8**	**24.8**	**2.9**	**21.9**	**0.0**	**0.7**

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
Wage-earners	16.7	9.7	26.4	2.2	24.2		1.2
Rest of world		0.1	0.1		0.1		
Total	**16.7**	**9.8**	**26.5**	**2.2**	**24.3**	**0.0**	**1.2**

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

	Liquidity portfolio	
NOK million	2016	2015
Book value maximum exposure for credit risk	41.4	
Book value of related credit derivatives that reduce credit risk		
Collateral		
This year's change in fair value of financial assets due to change in credi risk	-0.3	
Accumulated change in fair value of financial assets due to change in credit risk	-0.3	
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.

CREDIT RISK DERIVATIVES

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

NOK million	AAA Fair value	AA Fair value	A Fair value	BBB Fair value	NIG Fair value	Total 2016 Fair value	Total 2015 Fair value
Norway			123.0			123.0	173.2
Total	**0.0**	**0.0**	**123.0**	**0.0**	**0.0**	**123.0**	**173.2**

Rating classes are based on Standard & Poors.

Change in value:							
Total change in value on the balance sheet			123.0			123.0	173.2
Change in value recognised in the profit and loss during the period			-50.3			-50.3	-57.1

INTEREST RATE SWAPS AND BASIS SWAPS

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

Note 5 - Liquidity risk

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

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

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

NON-DISCOUNTED CASH FLOWS - FINANCIAL OBLIGATIONS

NOK million	0 - 6 months	6 months - 12 months	1 - 3 years	3 - 5 years	More than 5 years	Total	Book value
Liabilities to credit institutions	1 091.0					1 091.0	1 091.0
Commercial paper and bonds issued	2 751.3	129.7	4 107.2	5 115.3		12 103.4	11 575.4
Other liabilities	13.8					13.8	13.8
Undrawn credit limits	1 736.4					1 736.4	
Total financial liabilities 2016	**5 592.5**	**129.7**	**4 107.2**	**5 115.3**	**0.0**	**14 944.7**	**12 680.3**
Derivatives related to liabilites 31.12.2016	**10.4**	**-52.9**	**-91.0**	**-44.8**	**0.0**	**-178.3**	**123.0**
Total financial liabilities 2015	6 534.4	125.9	5 443.6	3 878.7	0.0	15 982.5	13 880.1

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 for lending with FRN conditions. The maturity overview does not take account of the fact that the loans have extended due date, i.e. the original maturity date is used.

LOANS TO AND DEPOSITS WITH CREDIT INSTITUTIONS

NOK MILLION	2016	2015
Total loans to and deposits with credit institutions without fixed maturity at amortised cost	1 091.0	2 043.6
Total loans to and deposits with credit institutions at amortised cost	**1 091.0**	**2 043.6**

Loans to and deposits with credit institutions consist of drawn amount on the credit facility in Storebrand Bank ASA.
Storebrand Boligkreditt AS has two credit facilities with Storebrand Bank ASA. One of these is a ormal 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 Storbrand Bank ASA until at least 3 months after the maturity date of the covered bond and related derivatives with the longest period to maturity. The loan agreements contain standard covenants. In 2016, Storebrand Boligkreditt AS met all terms and conditions with respect the loan agreements.

COVERED BONDS

NOK million

ISIN CODE	Nominal value	Currency	Maturity	Book value
NO0010635071	2 650.0	NOK	21.06.2017	2 653.7
NO0010660822	2 540.0	NOK	20.06.2018	2 550.8
NO0010548373	1 250.0	NOK	28.10.2019	1 375.8
NO0010736903	2 500.0	NOK	17.06.2020	2 494.7
NO0010760192	2 500.0	NOK	16.06.2021	2 500.4
Total commercial papers and bonds issued 2016	**11 440.0**			**11 575.4**
Total commercial papers and bonds issued 2015	11 586.5			11 782.6

The loan agreements contain standard covenants. Under the loan programme the company's overcollateralisation requirement was 109.5 per cent fulfilled.
In 2016, Storebrand Boligkreditt AS met all terms and conditions with respect to the loan agreements.

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 policies for interest rate and currency risk set ceilings for market risk. The policies refer mainly to the company's fixed-income securities. The company may be exposed to currency risk to a minor extent. Storebrand Boligkreditt AS has no obligations or property in any foreign currency as at 31.12.2016.

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

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

Middle Office in the bankk is responsible for the ongoing, independent monitoring of market risk. Risk control of market risk is performed, among other things, by monthly reports on indicators of market risk. Market risk indicators that are followed are described in the interest rate risk policy and currency risk policy and are included in the CRO's ongoing reporting to the board.

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

Effect on accounting income

NOK million	Amount
Interest -1,0%	-9.4
Interest +1,0%	9.4

Effect on accounting profit/equity [1)]

NOK million	Amount
Interest -1,0%	-9.4
Interest +1,0%	9.4

1) Before taxes.

Fiancial interest rate risk

NOK million	Amount
Interest -1,0%	-9.5
Interest +1,0%	9.5

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

Note 7 - 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

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 monitored through the management's risk review, with documentation of risks, measures and follow-up of events. In addition, Internal Audit carries out an independent control in accordance with audit projects adopted by the Board.
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 of the company.

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

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

Pursuant to the management agreement between Storebrand Bank ASA and Storebrand Boligkreditt AS, the bank is responsible for establishing and managing loans in the company. The agreement is followed-up by the company through daily controls of the balance, random checks of batch transfers from the bank to the company and in connection with monthly reports to the external investigator. In addition, there is follow-up of the development of risk classes and defaults in the monthly risk reports.

Among other things, the bank group's IT systems are vital for credit approval in the bank and for portfolio follow-up and accounting in the company. Errors can have consequences for the operation of the company and may impact on customer trust. In the worst case, abnormal situations may result in penalties from supervisory authorities. Operations of the IT systems are outsourced. The bank's system platform that is used by Storebrand Boligkreditt AS is based on purchased standard systems operated and monitored through service agreements. The bank group has established an intragroup management model with close supplier follow-up and internal control activities to ensure that development, management and operations provide complete, precise and reliable financial reporting.

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. The bank's independent control function for regulatory compliance is responsible for supporting the company's board and management in the work on complying with relevant laws and regulatory provisions.

Note 8 - Valuation of financial instruments

VALUATION OF FINANCIAL INSTRUMENTS AT AMORTISED COST

The fair value of lending to customers with variable interest is stated at amortised cost. All of the loans are mortgages subject to variable interest rates in which the loan's interest rate can be adjusted at short notice. This had a minimal effect on the valuation of the loans. The fair value of lending to financial institutions and commercial papers and bonds issued, is based on valuation techniques. The valuation techniques use interest rate curves and credit spreads from external providers.

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		141.0		141.0	382.0	141.0	382.0
Net lending to customers - Retail market		13 371.4		13 371.4	14 287.6	13 371.4	14 287.6
Total financial assets 31.12.2016	**0.0**	**13 512.5**	**0.0**	**13 512.5**		**13 512.5**	
Total financial assets 31.12.2015		14 669.6					14 669.6
Financial liabilities							
Liablities to credit institutions		1 091.0		1 091.0	2 043.6	1 091.0	2 043.6
Commercial papers and bonds issued		11 612.6		11 612.6	11 740.8	11 575.4	11 782.6
Total financial liabilities 31.12.2016	**0.0**	**12 703.6**	**0.0**	**12 703.6**		**12 666.4**	
Total financial liabilities 31.12.2015		13 784.3			13 784.3		13 826.1

SPECIFICATION OF FINANCIAL INSTRUMENTS AT FAIR VALUE

Storebrand Boligkreditt AS conducts a comprehensive process to ensure that financial instruments are valued as closely as possible to their market value. Publicly listed financial instruments are valued on the basis of the official closing price on stock exchanges, supplied by Reuters and Bloomberg. Bonds are generally valued based on prices collected from Reuters, 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 a selected brokerage firm.

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

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

The Storebrand Group categorises financial instruments into three different levels which are described in more detail below. The levels express the differing degrees of liquidity and different measurement methods used. The company has established valuation models to gather information from a wide range of well-informed sources with a view to minimising the uncertainty of valuations

Level 1: Financial instruments valued on the basis of quoted prices in active markets for identical assets
Bonds, certificates or equivalent instruments issued by nation states are generally classified as level 1.

Level 2: Financial instruments valued on the basis of observable market information not covered by level 1
This category encompasses financial instruments that are valued based on market information that can be directly observable or indirectly observable. Market information that is indirectly observable means that the prices can be derived from observable related markets. Level 2 covers bonds and equivalent instruments.Moreover, interest rate and foreign exchange swaps, non-standardised interest rate and foreign exchange derivatives are classified as level 2.

Level 3: Financial instruments valued on the basis of information that is not observable according to the definition for level 2
Investments classified as level 3 largely include investments in unlisted/private companies. The company did not have any investments that were classified at this level at year-end.

	Level 1	Level 2	Level 3		
NOK million	Quoted prices	Observable assumptions	Non-observable assumptions	Book value 31.12.2016	Book value 31.12.2015
Sovereign and Government Guaranteed bonds		41.4		41.4	
Total bonds 31.12.2016	**0.0**	**41.4**	**0.0**	**41.4**	
Total bonds 31.12.2015					
Interest rate derivatives		123.0		123.0	173.2
Total derivatives 31.12.2016	**0.0**	**123.0**	**0.0**	**123.0**	
Derivatives with a positive fair value		123.0		123.0	173.2
Derivatives with a negative fair value					
Total derivatives 31.12.2015		173.2			

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

Note 9 - Segment

Business segments are the company's primary reporting segments. The company has only one segment, Retail Lending.
This segment comprises lending to private individuals, and all loans are purchased from Storebrand Bank ASA.
The company's accounts for 2016 therefore relate entirely to the Retail Lending segment. Geographic segments form the company's secondary reporting segments. The company does not have any activities outside Norway. Customers from abroad are classified as part of the Norwegian activities. All operating income and the company's earnings therefore relate solely to its Norwegian activities.

Note 10 - Net income from financial instruments

NOK million	2016	2015
Net interest income		
Interest and other income on loans to and deposits with credit institutions	4.7	6.8
Interest and other income on loans to and due from customers	335.3	410.1
Interest on commercial paper, bonds and other interest-bearing securities	0.6	
Other interest income and related income		
Total interest income *)	**340.7**	**416.9**
Interest and other expenses on debt to credit institutions	-31.7	-39.5
Interest and other expenss on deposits from and due to customers		
Interest and other expenses on securities issued	-191.1	-208.8
Interest and expenses on subordinated loan capital		
Other interest expenses and related expenses		
Total interest expenses **)	**-222.7**	**-248.3**
Net interest income	**118.0**	**168.6**
*) Of which total interest income on financial assets that are not at fair value through profit and loss account	340.1	416.9
**) Of which total interest expenses on financial liabilities that are not at fair value through profit and loss account	-222.7	-248.3

NOK million	2016	2015
Net income and gains from financial assets and liabilities		
Commercial papers and bonds		
Unrealised gain/loss on commercial papers and bonds, FVO	-0.3	
Total gain/loss on commercial papers and bonds, FVO	**-0.3**	**0.0**
Financial derivatives and foreign exchange		
Realised gain/loss on financial derivatives, held for trading	-0.1	1.0
Total financial derivatives and foreigh exchange, held for trading	**-0.1**	**1.0**
Fair value hedging		
Realised gain/loss on derivatives and bonds issued, fair value hedging		0.7
Unrealised gain/loss on derivatives and bonds issued, fair value hedging	-2.9	-4.2
Net gain/loss on fair value hedging	**-2.9**	**-3.5**
Bonds issued		
Realised gain/loss on bonds issued at amortised cost	-1.7	
Total gain/loss on bonds issued at amortised cost	**-1.7**	**0.0**
Net income and gains from financial assets and liabilities	**-5.1**	**-2.5**
Net gain/loss on financial assets at fair value through profit and loss account:		
Financial assets designated at fair value upon initial recognition	-3.2	-3.5
Financial assets classified as held for trading	-0.1	1.0
Changes in fair value on assets due to changes i credit risk		
Net gain/loss on financial liabilities at fair value through profit and loss account:		
Financial liabilities designated at fair value upon initial recognition		
Financial liabilities classified as held for trading		

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

Note 11 - Remuneration paid to auditor

Remuneration excl. valued added tax

NOK 1000	2016	2015
Statutory audit	174	305
Other non-audit services [1]	224	84
Total	**398**	**389**

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

Note 12 - Operating expenses

NOK million	2016	2015
Ordinary wages and salaries		
Employer's social security contributions		
Pension cost		
Other staff expenses	-0.2	-0.2
Total staff expenses	**-0.2**	**-0.2**
IT costs	-0.2	-0.2
Office operation and other general administration expenses		-0.1
Total general administration expenses	**-0.2**	**-0.3**
Foreign services	-0.7	-0.4
Inter-company charges for services	-60.9	-24.7
Other operating expenses	-5.5	-1.9
Total other operating expenses	**-67.0**	**-26.9**
Total operating expenses	**-67.4**	**-27.4**

Storebrand Boligkreditt AS pays for management services of the loan portfolio. The agreement was changed from 1 October 2015 and causes increased fees to Storebrand Bank ASA. The agreement is at all time based on the arm's length principle.

Note 13 - Loan losses

NOK million	2016	2015
Change in loan loss provisions on individual loans for the period	-0.6	-1.7
Change in loan loss provisions on groups of loans for the period	0.6	-0.2
Other corrections to loan loss provisions		
Realised losses in period on commitments specifically provided for previously		
Realised losses on commitments not specifically provided for previously		
Recoveries on previously realised losses		
Total loan losses for the period	**-0.1**	**-1.9**

Note 14 - Tax

TAX CHARGE FOR THE YEAR

NOK million	2016	2015
Tax payable for the period	-13.2	-39.0
Changes in deferred tax/deferred tax asset	1.2	1.4
Total tax charge	**-11.9**	**-37.6**

TAX BASE FOR THE YEAR

NOK million	2016	2015
Ordinary pre-tax profit	47.5	139.2
Permanent differences		
Change in temporary differences	5.1	5.2
Tax base for the year	**52.7**	**144.4**

RECONCILIATION OF EXPECTED AND ACTUAL TAX CHARGE

NOK million	2016	2015
Ordinary pre-tax profit	47.5	139.2
Expected tax on income at nominal rate (25%)	-11.9	-37.6
Tax charge	**-11.9**	**-37.6**
Effective tax rate	25 %	27 %
Tax payable		
Tax payable	-13.2	-39.0
- tax effect of group contribution paid		
Tax payable in the balance sheet (note 24)	**-13.2**	**-39.0**

The company has provided a group contribution with tax effect for 2016. The group contribution will be recognised after the general meeting is held in 2017. Taking the group contribution into consideration, tax payable will be NOK 0.

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

NOK million	2016	2015
Tax-increasing temporary differences		
Derivatives	106.5	156.8
Total tax-increasing temporary differences	**106.5**	**156.8**
Tax-reducing temporary differences		
Securities	-0.3	
Bonds issued	-110.2	-155.7
Total tax-reducing temporary differences	**-110.5**	**-155.7**
Losses/allowances carried forward		
Net base for deferred tax/tax assets	**-4.0**	**1.1**
Net deferred tax/defferd tax asset in the balance sheet	**1.0**	**-0.3**
Booked in the balance sheet:		
Deferred tax asset	1.0	
Deferred tax		-0.3

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).

Storebrand Boligkreditt AS has activities within "Section K" (financing and insurance activities as defined in Standard Industrial Classification 2007) which exceed 30 per cent and are therefore subject to the financial tax, a tax rate of 25 per cent has been used for capitalizing deferred tax/deferred tax assets.

Note 15 - Classification of financial assets and liabilities

NOK million	Loans and receivables	Fair value, trading	Fair value	Liabilities at amortised cost	Total book value
Financial assets					
Loans to and deposits with credit institutions	141.0				141.0
Bonds and other fixed-income securities			41.4		41.4
Derivatives		123.0			123.0
Net lending to customers	13 371.4				13 371.4
Other assets	12.7				12.7
Total financial assets 2016	**13 525.2**	**123.0**	**41.4**	**0.0**	**13 689.5**
Total financial assets 2015	14 681.8	173.2	0.0	0.0	14 855.0
Financial liabilities					
Liabilities to credit institutions				1 091.0	1 091.0
Commercial papers and bonds issued				11 575.4	11 575.4
Other liabilities				13.8	13.8
Total financial liabilities 2016	**0.0**	**0.0**	**0.0**	**12 680.3**	**12 680.3**
Total financial liabilities 2015	0.0	0.0	0.0	13 880.1	13 880.1

Note 16 - 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	141.0	382.0
Total loans to and deposits with credit institutions at amortised cost	**141.0**	**382.0**

Note 17 - Bonds and other fixed-income securities at fair value through the profit and loss account

NOK MILLION	2016 Fair value	2015 Fair value
Sovereign and Government Guaranteed bonds	41.4	
Total bonds and other fixed-income securities at fair value through the profit and loss account	**41.4**	**0.0**
Modified duration	0.07	
Average effective yield per 31.12.	1.00 %	

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 18 - Financial derivatives

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

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

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

NOK million	Gross nom. volume 1)	Gross recogni-sed fin. assets	Gross recognised debt	Net fin. assets / debt in the statement of financial position	Net amounts taken into account netting agreements		Net amount
					Fin. assets	Fin. debt	
Interest derivatives 2)	1 250.0	123.0					123.0
Total derivatives 31.12.2016	**1 250.0**	**123.0**	**0.0**	**0.0**	**0.0**	**0.0**	**123.0**
Total derivatives 31.12.2015	1 250.0	173.2					173.2

1) Values as at 31.12:

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

INVESTMENTS SUBJECT TO NETTING AGREEMENTS /CSA

NOK million	Recognised assets	Recognised liabilities	Net assets	Collateral Cash (+/-)	Securities (+/-)	Net exposure
Total 2016	**123.0**		**123.0**			**123.0**

Note 19 - Analysis of loan portfolio and guarantees

NOK million	2016 Book value	2015 Book value
Lending to customers at amortised cost	13 375.5	14 291.6
Lending to customers at fair value		
Total gross lending to customers	**13 375.5**	**14 291.6**
Loan loss provisions on individual loans (see note 21)	-2.9	-2.2
Loan loss provisions on groups of loans (ses note 21)	-1.2	-1.8
Net lending to customers	**13 371.4**	**14 287.6**

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

Note 20 - Loan to value ratios and collateral

NOK million	2016	2015
Gross lending 1)	13 375.5	14 291.6
Average loan balance	1.7	1.6
No. of loans	7 861	8 705
Weighted average seasoning (months)	41	39
Weighted average remaning term (months)	219	219
Average loan to value ratio	48 %	50 %
Over-collateralisation 2)	118 %	126 %
Cover pool:		
Residential mortgages 1)	13 316.5	14 188.9
Supplementary security	140.0	380.3
Total	**13 456.5**	**14 569.2**

1) In accordance with the Regulation for credit institutions that issue covered bonds, lending cannot exceed 75% of the value of collateral (i.e. value of properties pledged as collateral). As per 31 December 2016 the company had NOK 23.2 million that exceeds the loan to value limit and has therefore not been included in the cover pool. As per 31 December 2016, the company has 5 non-performing loans without evidence of impairment, equivalent to NOK 9.8 million. There are 9 non-performing loans with evidence of impairment of NOK 15.0 million where the impairment is assessed to be NOK 2.9 million. Non-performing loans with and without evidence of impairment, are not included in the cover pool.

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

Note 21 - Loan loss provisions

NOK million	2016 Book value	2015 Book value
Loan loss provisions on individual loans 1.1.	2.2	1.0
Losses realised in the period on individual loans previously written down		-0.5
Loan losses of individual loans for the period	0.7	1.8
Reversals of loan loss provisions of individual loans for the period	-0.1	-0.1
Other corrections to loan loss provisions		
Loan loss provisions on individual loans at 31.12.	**2.9**	**2.2**
Loan loss provisions on groups of loans and guarantees 1.1.	1.8	1.6
Grouped loan losses for the period	-0.6	0.2
Loan loss provisions on groups of loans and guarantees etc. 31.12.	**1.2**	**1.8**
Total loan loss provisions	**4.1**	**4.0**

Note 22 - Other current assets

NOK million	2016 Book value	2015 Book value
Due from Storebrand group companies	12.5	12.0
Other current assets	0.2	0.2
Total other current assets	**12.7**	**12.2**

Note 23 - Hedge accounting

Storebrand uses fair value hedging for interest risk. The hedging items are financial financial liabilities measured at amortised cost. Derivatives are recognised at fair value through the profit or loss (FVO). Changes in the value of the hedged item that relate to the hedged risk are applied to the book value on the item and are recognised in the profit and loss account. The effectiveness of hedging is monitored at the individual item level. Hedge effectiveness is measuredd on the basis of a 2 per cent interest rate shock at the level of the individula security. In future periods, hedge effectiveness will be measured using the simplified Dollar Offset method, both for prospective and retrospective calculations. The hedging is expected to be highly effective during the period.

	2016			2015		
		Fair value [1), 2)]			Fair value [1), 2)]	
NOK million	Contract/ nominal value	Assets	Liabilities	Contract/ nominal value	Assets	Liabilities
Interest rate swaps	1 250.0	123.0		1 250.0	173.2	
Total interest rate derivatives	1 250.0	123.0	0.0	1 250.0	173.2	0.0
Total derivatives	**1 250.0**	**123.0**	**0.0**	**1 250.0**	**173.2**	**0.0**

		Hedging value [1), 2)]			Hedging value [1), 2)]	
	Contract/ nominal value	Assets	Liabilities	Contract/ nominal value	Assets	Liabilities
Underlying objects :						
Bonds issued	1 250.0		1 375.8	1 250.0		1 425.4
Hedging effectiveness - prospective			99 %			100 %
Hedging effectiveness - retrospective			92 %			96 %

Gain/loss on fair value hedging: 3)

NOK million	2016 Gain / loss	2015 Gain / loss
On hedging instruments	-50.4	-23.0
On items hedged	47.4	20.5

1) Book value at 31.12.

2) Includes accrued interest.

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

Note 24 - Other liabilities

NOK million	2016 Book value	2015 Book value
Payable to Storebrand group companies		15.0
Tax payable (note 14)	13.2	39.0
Other liabilities	0.7	0.0
Total other liabilities	**13.8**	**54.0**

Note 25 - Off balance sheet liabilities and contingent liabilities

NOK million	2016	2015
Undrawn credit limits	1 736.4	1 684.6
Total contingent liabilities	**1 736.4**	**1 684.6**

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

Note 26 - Capital Adequacy

NET PRIMARY CAPITAL

NOK million	2016	2015
Share capital	455.0	455.0
Other equity	555.2	519.6
Total equity	**1 010.2**	**974.6**
Deductions		
Provision for group contribution	-39.5	-105.4
Addition		
Group contribution received	125.0	105.4
Core capital exc. Hybrid Tier 1 capital	**1 095.7**	**974.6**
Additional Tier 1 capital		
Capital instruments eligible as AT1 capital		
Additions		
Core capital	**1 095.7**	**974.6**
Subordinated loan capital less own holdings		
Tier 2 capital		
Tier 2 capital deductions		
Net primary capital	**1 095.7**	**974.6**

MINIMUM CAPITAL REQUIREMENT

NOK million	2016	2015
Credit risk	407.6	438.1
Of which:		
International organisations		
Local and regional authorities	0.2	
Institutions	7.6	13.5
Loans secured against real estate	384.3	411.0
Loans past-due	2.1	2.2
Other	13.5	11.5
Total minimum requirement for credit risk	**407.6**	**438.1**
Counterparty risk		
Position risk		
Operational risk		
Currency risk		
Total minimum requirement for market risk	**0.0**	**0.0**
Operational risk	32.5	31.4
CVA risk *)	6.4	11.8
Deductions		
Loan loss provisions on groups of loans	-0.1	-0.1
Minimum requirement for net primary capital	**446.4**	**481.2**

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

CAPITAL ADEQUACY

	2016	2015
Capital ratio	19.6 %	16.2 %
Core (tier 1) capital ratio	19.6 %	16.2 %
Core capital ratio excl. Hybrid Tier 1 capital	19.6 %	16.2 %

The standard method is used for credit risk and market risk, and the basic method for operational risk. The overall requirements for core tier 1 capital and the capital base are 11.5 and 15.0 per cent respectively at the end of 2016. The level of the countercyclical capital buffer requirement is further increased by 0.5 percent from 31 December 2017 with a corresponding increase in the requirement for Core (tier 1) capital ratio and net primary capital from this date.

BASIS OF CALCULATION (RISK-WEIGHTED VOLUME)

NOK million	2016	2015
Credit risk	5 094.6	5 476.6
Of which:		
International organisations		
Local and regional authorities	2.4	
Institutions	95.3	168.5
Loans secured against real estate	4 803.3	5 137.7
Loans past-due	26.7	26.9
Other	169.3	143.5
Total minimum requirement for credit risk	**5 097.0**	**5 476.6**
Counterparty risk		
Position risk		
Operational risk		
Currency risk		
Total minimum requirement for market risk	**0.0**	**0.0**
Operational risk	406.6	392.2
CVA risk *)	80.3	147.5
Deductions		
Loan loss provisions on groups of loans	-1.2	-1.8
Minimum requirement for net primary capital	**5 582.8**	**6 014.5**

Note 27 - Remuneration and related parties

REMUNERATION OF SENIOR EMPLOYEES AND ELECTED OFFICERS

NOK 1000	Ordinary salary	Other benefits [2]	Total remune-ration earned in the year	Pension accrued for the year	Post termi-nation salary (months)	Loans [3]	No. of shares owned [4]
Senior employees							
Åse Jonassen (CEO) [1]	768	138	906	83		3 349	6 769
Total 2016	**768**	**138**	**906**	**83**		**3 349**	**6 769**
Total 2015	753	113	866	68		2 768	5 236

1) Åse Jonassen is not covered by Storebrand's bonus bank scheme.

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

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

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

NOK 1000	Remuneration	Loans	No. of shares owned [1]
Board of Directors			
Odd Arild Grefstad [2]		3 930	92 602
Geir Holmgren [2]		7 967	26 316
Thor Bendik Weider	84	10 160	
Leif Helmich Pedersen	250		
Total 2016	**334**	**22 057**	**118 918**
Total 2015	330	18 925	30 219

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

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

TRANSACTIONS WITH GROUP COMPANIES

	2016		2015	
NOK million	Storebrand Bank ASA	Other group companies	Storebrand Bank ASA	Other group companies
Interest income	2.8		4.0	
Interest expense	53.4		86.8	
Services sold				
Services purchased	60.3	0.5	24.7	0.6
Due from	12.4	0.1	310.6	
Liabilities to	1 091.0		2 058.5	

Covered bonds are not included in the overview. Storebrand Bank ASA has invested a total of NOK 0.7 billion in covered bonds issued by Storebrand Boligkreditt AS as of 31 December 2016.

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

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

LOANS TO EMPLOYEES

NOK million	2016	2015
Loans to the CEO of Storebrand Boligkreditt AS	3.3	2.8
Loans to employees of Storebrand Group	860.1	1 119.5

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

HEADCOUNT AND PERSONNEL INFORMATION

There are no employees in the company.

Storebrand Boligkreditt AS
- Statement from the Board of Directors and the CEO

Today the Board members and the CEO have considered and approved the annual report and annual financial statements of Storebrand Bank ASA for the 2016 financial year and as of 31 December 2016 (2016 annual report).

The annual accounts have been prepared in accordance with International Financial Reporting Standards approved by the EU and appurtenant interpretations, as well as the other disclosure obligations stipulated by the Norwegian Accounting Act and the current applicable regulations relating to annual accounts of banks and finance companies etc. as of 31 December 2016. The annual report complies with the requirements of the Norwegian Accounting Act and Norwegian Accounting Standard no. 16.

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

Lysaker, 7 February 2017
The Board of Directors of Storebrand Boligkreditt AS

Translation - not to be signed

Odd Arild Grefstad
- Chairman of the Board -

Geir Holmgren
- Deputy Chairman -

Leif Helmich Pedersen
- Board member -

Tor Bendik Weider
- Board Member -

Åse Jonassen
- CEO -

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Translation from the original Norwegian version

To the General Meeting of Storebrand Boligkreditt AS

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Storebrand Boligkreditt AS 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 and 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 accompanying financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of the Company 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 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 Boligkreditt AS (Storebrand Boligkreditt) 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 outsourced to Storebrand Bank ASA and service providers.	Management and operation of Storebrand Boligkreditt´s IT-systems is outsourced to Storebrand Bank ASA and service providers. Storebrand Bank ASA 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 Storebrand Boligkreditt´s 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.

IT-systems and control activities relevant for financial reporting, cont.

Key audit matter	How the matter was addressed in the audit
A more detailed description of management and operation of IT-systems can be found in the Board of Directors' report. Effective internal controls 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.	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 Boligkreditt´s service providers to assess whether these service providers had adequate internal controls in areas that are important for Storebrand Boligkreditt'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.

Capital adequacy notes to the financial statements

Key audit matter	How the matter was addressed in the audit
Storebrand Boligkreditt is subject to the regulations on capital requirement in the Norwegian Act on Financial Undertakings and Financial Groups and associated regulations. Storebrand Boligkreditt has outsourced the capital adequacy calculations to Storebrand Bank ASA. The Norwegian regulation on Financial statements for banks requires disclosures about capital adequacy in the notes to the financial statements. Note 26 to the 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 Boligkreditt has outsourced the capital adequacy calculations to Storebrand Bank ASA. Storebrand Bank ASA 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 the 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 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 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 Company 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 scepticism 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.

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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