Storebrand Bank ASA
Annual report 2011

storebrand

Company information

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Company registration number: 953 299 216

Senior Management:

Truls Nergaard	Managing Director
Trond Fladvad	Finance Director
Robert Fjelli	Head of Capital Market Products
Bernt Uppstad	Acting Head of Retail Banking
Torstein Hagen	Head of Corporate Banking
Anne Grete T. Wardeberg	Head of Staff Functions

Board of Directors:

Idar Kreutzer	Chairman
Stein Wessel-Aas	Deputy chairman
Kristine Schei	Board Member
Geir Holmgren	Board Member
Maria Borch Helsengreen	Board Member
Anne-Kristine Baltzersen	Board Member
Heidi Storruste	Board Member

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Other sources of information:
Annual Reports and interim reports of Storebrand Bank ASA are published on www.storebrand.no.

Contents

Key figures - Storebrand Bank Group

NOK million and percentage	2011	2010
Profit and Loss account: (as % of avg. total assets)		
Net interest income [3]	1.13%	1.10%
Other operating income [4]	0.27%	0.21%
Main balance sheet figures:		
Total assets	38,717.7	39,370.9
Average total assets [1]	39,106.5	41,577.7
Total lending to customers	33,474.5	34,460.1
Deposits from customers	18,485.5	18,807.6
Deposits from customers as % of gross lending	55.2%	54.6%
Equity	2,304.8	2,260.6
Other key figures:		
Total non-interest income as % of total income	19.2%	15.8%
Loan losses and provisions as % of average total lending [6]	-0.03%	0.08%
Individual loan loss provisions as % of gross loss-exposed loans	1.0%	2.0%
Cost/income ratio banking activities [6]	65.9%	68.0%
Return on equity before tax [2]	8.3%	5.9%
Core capital ratio	11.4%	10.6%

Definitions:

[1] Average total assets is calculated on the basis of monthly total assets for the quarter and for the year to date respectively.
[2] Annualised profit before tax for continued operations adjusted for hedging ineffectiveness as % of average equity.
[3] Annualised net interest income adjusted for hedging ineffectiveness.
[4] Other operating income includes net fee and commission income. Other operating income in the parent company has been adjusted by write-downs of shares in subsidiaries.
[5] Banking activities consists of Storebrand Bank ASA, Storebrand Boligkreditt AS and Storebrand Eiendomskreditt AS, which is being wound up.
[6] Loan losses and provisions for Storebrand Bank Group includes the item Loan losses for the period and losses real estate at fair value, assets repossessed, in the profit & loss account.

Storebrand Bank

The Board of Directors' report for 2011

(Figures for 2010 are shown in parentheses)

MAIN TRENDS

Storebrand Bank ASA is a wholly owned subsidiary of Storebrand ASA, and is one of four business units in Storebrand Group. Storebrand Bank is a commercial bank with licenses under the Securities Trading Act. Its head office is in Lysaker, in the municipality of Bærum.

The bank achieved a profit before taxes of NOK 190 million for 2011 compared with NOK 135 million in 2010 for continued operations. Storebrand Bank continues on a positive trend and the results for the banking business in 2011 have improved across a range of key areas compared with 2010. In 2011 the bank group has decided to sell its ownership interest in Ring Eiendomsmegling and the profit after taxes for the sold/discontinued operations is presented on a separate line in the accounts.

Through the Group's new retail market strategy, Storebrand Bank's role as part of a unified value proposition to retail market customers has been clarified and specified. In the retail market, the bank aims to establish itself as Norway's best direct bank and during the course of 2011 it has launched new and innovative services such as My Consumption and My Budget which have been very well received. With a new price and product strategy and a clearer focus on home mortgages as a recruitment product for retail market customers, the negative trend for home mortgage volumes has been turned around during 2011 and there is now positive customer capture.

In the corporate market, Storebrand Bank is a customer-focused partner for creating value, supplying a broad spectrum of services to corporate customers in the commercial real estate industry. The bank holds a strong position in the commercial real estate market and during the course of 2011 it has participated in a series of transactions that have set the pace in the Norwegian market. Activities in the corporate customer segment also include project brokering, valuation and financing services. These services are a key part of the bank's focused efforts on increasing other revenues by providing services across more of the constituent parts of the value chain for both new and current customers.

GROUP STRUCTURE AND SUBSIDIARIES

Hadrian Eiendom AS represents the bank group's specialised expertise in property development and commercial property brokerage and is a wholly owned subsidiary. The company also provides valuation services and feasibility studies. The business is run from the company's office in Oslo.

The bank decided to discontinue its ownership stake in Ring Eiendomsmegling AS in 2011. The bank owns 100 per cent of the shares in the company, and the company has been run from the Group's head office in Lysaker in Bærum. For accounting purposes, the estate agency business is therefore presented in a separate line in the annual financial statements under "Sold/discontinued operations" and the corresponding figures for 2010 have been restated. As part of the decision, the shares in Ring's subsidiaries that are operating in Stavanger and Bodø have been sold back to the staff who run the business. In the other subsidiaries the businesses are in the process of being discontinued. Provisions for expenses relating to the discontinued operations have been made in the consolidated financial statements for 2011, to limit the effect on the income statement in the years ahead.

In connection with pledged assets taken over relating to a corporate market loan loss,Storebrand Bank in 2010 sold property under development to the subsidiary Bjørndalen Panorama AS which will complete the project. The company is run from the bank's head office in Lysaker.

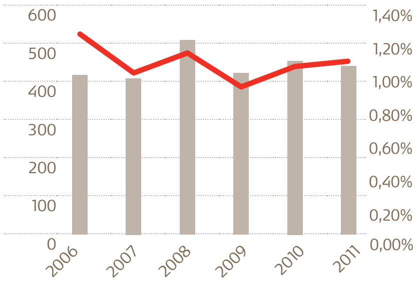
Together with Storebrand Livsforsikring AS, Storebrand Bank owns the company Storebrand Baltic UAB which is located in Vilnius in Lithuania. The bank owns 50 per cent of the company. The activities in this company are integrated into the rest of the Storebrand Bank organisation and it supplies services through much of the value chain, including staff and support functions. The company is a centre of expertise for support services for the entire Storebrand Group, and plays a key role in continuous improvement efforts and work to boost efficiency.

The subsidiary Storebrand Boligkreditt AS holds a licence to issue covered bonds secured by mortgages in residential property. Storebrand Eiendomskreditt AS

Trends in profit before losses

The results for 2010 and 2011 have been restated as a result of the decision to discontinue the ownership stake in Ring Eiendomsmegling.

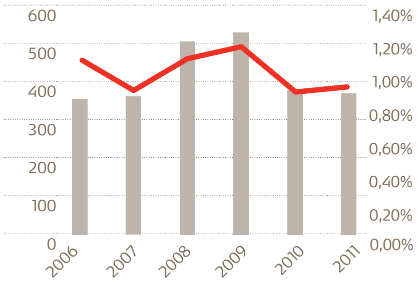
Net interest income and net interest income as a percentage of average total assets



Net interest income

Net interest income as % of average total assets

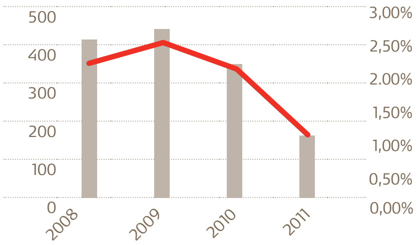
Operating expenses excluding write-downs on real estate at fair value and as a percentage of average total assets



Operating expenses (excluding loss provisions on real estate at fair value

Operating expenses as % of average total assets

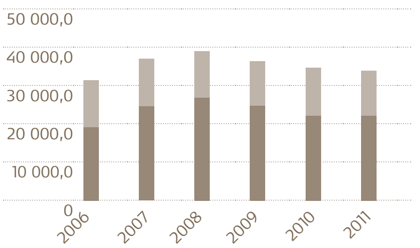
Developments in gross non-performing loans with and without impairment and in the percentage of average gross lending.



Gross non-performing loans with and without evicence of impairment

Gross non-performing loans as % of total lending

Developments in gross lending in both the Retail market and Corporate market



Corporate market

Retail market

(being discontinued) has not had any activity in 2011 and returned its licence to issue covered bonds to the Financial Supervisory Authority of Norway in the first half of 2011. The company will be discontinued in the first half of 2012.

EARNINGS PERFORMANCE

The bank achieved a profit before taxes of NOK 190 million for 2011 compared with NOK 135 million in 2010 for continued operations. The effect of sold/discontinued operations, Ring Eiendomsmegling, on the income statement was minus NOK 60 million for 2011 compared with minus NOK 5 million in 2010. Storebrand Bank Group achieved a profit after taxes of NOK 99 million in 2011 compared with NOK 38 million in 2010.

NET INTEREST INCOME

Net interest income for the bank group amounted to NOK 443 million compared with NOK 457 million in the previous year. Net interest income as a percentage of average total assets was 1.13 per cent in 2011, 0.03 per cent higher than it was in 2010. Turbulent financial markets have lead to increased funding costs, which together with the competitive environment have caused a reduction in lending margins and an increase in deposit margins. Based on the international financial instability, the banks have increased customer lending margins towards the end of 2011.

OTHER INCOME

Net commission income represented NOK 73 million, almost unchanged compared with 2010 while other income has increased by NOK 20 million to NOK 32 million in total. About half of the increase in other income relates to the sale of an ownership interest in a development project. Revaluations of financial instruments recorded at fair value were NOK 2 million compared with minus NOK 11 million in 2010. Interest rate and foreign exchange services supplied to the bank's customers made a positive contribution to the income statement, while the return on the bank's liquidity portfolio and funding-related expenses have made a negative contribution in both 2010 and 2011. Revenues from the subsidiaries Hadrian Eiendom AS and Hadrian Utvikling AS are included in other income. In prior years the business activities of Ring Eiendomsmegling AS have been included in this part of the income statement, but have now been reported under sold/discontinued operations.

OPERATING EXPENSES

The operating expenses in the bank group totalled NOK 372 million (NOK 394 million). The operating expenses for the year include write-downs on investment properties of NOK 4 million (NOK 14 million) related to loan losses that the bank has taken over. The cost income ratio for the banking business was 66 per cent in 2011 (68 per cent). The underlying increase in expenses has been counteracted by further cost measures implemented during the year.

LOSSES AND NON-PERFORMING LOANS

The international financial turbulence has not yet lead to problems in the bank's loan portfolio. Total net loan losses recognised in the income statement including loan loss provisions on repossessed loans amount to NOK 14 million compared with a net amount of NOK 15 million recognised as costs in 2010. The total volume of non-performing loans has decreased, both non-performing loans that are not impaired which amount to NOK 160 million (NOK 262 million) and impaired non-performing loans which total NOK 171 million (NOK 436 million). The total volume of non-performing loans represent 1.0 per cent of gross lending (2.0 per cent). Of this amount, loan loss provisions on investment properties linked to repossessed loans (presented as a separate line item under operating expenses) amount to NOK 4 million compared with NOK 14 million in 2010.

Loan loss provisions on groups of loans in 2011 have been reduced from NOK 84 million in 2010 to NOK 53 million at the end of 2011 for Storebrand Bank Group. The main reason for the reduction is that during the year the bank has changed its process for loan loss provisions, which is now in line with current market practice. The changes mean that parts of the portfolio of unsecured loans are now valued individually rather than as a group, loans are transferred to long term monitoring and are written off for accounting purposes when it is not considered possible to collect the receivable, and that the bank has sold parts of an old non-performing loan portfolio. This change in practice, viewed in isolation, has lead to a reduction in loan loss provisions on groups of loans of about NOK 15 million. Furthermore, positive developments in the risk of the bank's loan portfolio is contributing to a decrease in loan loss provisions on groups of loans.

The annual result for the parent bank Storebrand Bank ASA was minus NOK 40 million (NOK 34 million), mainly due to write-downs of shares in subsidiaries totalling NOK 151 million.

STATEMENT OF FINANCIAL POSITION

At the end of 2011 the bank group ha NOK 38.7 billion in total assets. Gross lending to customers was NOK 33.5 billion at year-end. This is a reduction of NOK 1 billion, representing a decrease of 3 per cent from the end of 2010. The retail market portfolio has developed positively over the last three quarters of the year, while the corporate market portfolio has increased during the final quarter.

The bank group's retail market portfolio represents 67 per cent of total lending, and chiefly comprises low risk home mortgages. The average weighted loan to value ratio is about 54 per cent. Corporate market lending accounts for 33 per cent of the portfolio and at the end of 2011 about 80 per cent of these loans are to income-generating properties and 20 per cent of the loans are to construction projects. The bank has signed a syndication agreement with Storebrand Livsforsikring for high-quality commercial property loans. Loans to income-generating properties are secured by mortgages in rental properties which at the portfolio level are characterised by a well-diversified tenant profile and long term lease contracts. Few of the customers are in default and the portfolio has a low level of loan losses.

The bank has a balanced funding structure and bases its borrowing on customer deposits, the issuance of securities and covered bonds both directly in the market and through a swap scheme with Norges Bank, as well as borrowing in the Norwegian and international capital markets. In 2011 the bank has also prioritised maintaining a good deposit to loan ratio, and at year-end the deposit to loan ratio was 55 per cent (55 per cent).

The bank group has issued a total of NOK 700 million in senior bonds and NOK 1.5 billion in covered bonds during the course of 2011. During 2011 borrowing conducted through the swap scheme with Norges Bank was reduced by NOK 2.4 billion. The bank group takes an active stance in managing liquidity and market makers and over the course of 2011 has bought back outstanding borrowings prior to the maturity date.

The parent bank Storebrand Bank ASA had total assets of NOK 33.4 billion at year-end. Gross lending in the parent bank has decreased by NOK 1.5 billion due to loan repayments and the sale of a set of retail market loans to the subsidiary Storebrand Boligkreditt AS.

BUSINESS SEGMENTS

RETAIL MARKET

The bank has markedly strengthened its competitive power in the retail market in 2011 and was named the third best full service bank by Norsk Familieøkonomi in 2011, an improvement of 82 places from 2010. The bank has turned the negative trend on loans and deposits compared with the two previous years. Total lending has shown a positive development in the last three quarters, while deposits have recorded a small increase during the year. At the end of 2011, the bank had about 72,000 active retail market customers, a slight reduction from the 2010 figure. At the same time, the profitability has remained unchanged.

Storebrand Group has established a new integrated retail market strategy in 2011. As a consequence of the new retail market strategy the bank is being more closely integrated into the Group's overall strategy for the retail market. Sales and customer relationship management take place jointly on behalf of Storebrand Group's business areas. The new retail ¬market strategy, new price and product concept and increased marketing have been important elements in the positive development.

The development on the internet has continued in 2011 and during the second quarter the bank launched the new and innovative services "My Consumption" and "My Budget". In 2012 internet banking will be more closely integrated into the Group's other online solutions and the banking customers will gain access to a complete suite of financial services in the internet bank.

CORPORATE MARKET

The bank's efforts in the corporate market are primarily focused on the commercial real estate market. The bank's competitive advantage is connected to its many years of experience and specialised expertise within the market segment, as well as its ability to provide comprehensive solutions and good service. In addition, the corporate market, together with other units in the Storebrand Group, provides services to selected niches which include investors and the SMB segment.

The volume of transactions in commercial properties has been lower than expected in 2011. The international financial instability has decreased the volume of sales and thereby also reduced the customer capture for Storebrand Bank. Property development has shown increased volume and activity in 2011. As a whole, total lending volume has decreased by NOK 0.8 billion during the course of 2011, but there is a good pipeline of new projects that are expected to moderately increase total lending volume in 2012. The portfolio quality has improved substantially during the year and there are no new sizeable problem loans. The volume of deposits is slightly reduced by NOK 250 million from 2010. Margins have increased on both lending and deposit products during 2011.

CAPITAL MARKET PRODUCTS

From 2011 the Capital market products (Markets) business area will be reported on as part of the retail market and the corporate market. The area supplies products to the business area's customers including advisory services and sales of products to hedge foreign exchange risk and interest rate risk, stockbroking, corporate advice as well as arranging and selling savings products. Stockbroking focuses on performing transactions at competitive prices on both the Oslo Børs and the majority of foreign stock exchanges. Securities trading over the internet has shown a positive development in the number of customers in 2011.

Storebrand Bank also provides equity guarantees in connection with equity issues within the business area's customer base.

STOREBRAND BOLIGKREDITT AS

At the end of 2011 Storebrand Boligkreditt AS had 12,287 home mortgages and flexible mortgages secured by property equivalent to almost NOK 17 billion on its balance sheet. The quality of the portfolio is very good and covered bonds with a net nominal value totalling NOK 12 billion have been issued with maturities from 6 months to 8 years. NOK 5 billion of these bonds have been invested in the market, while the remaining NOK 7 billion are being held on Storebrand Bank ASA's balance sheet. The bank has used NOK 3.5 billion of a swap scheme administered by Norges Bank.
At year-end, there were 18 customers in default, equivalent to NOK 29 million. This amounted to 0.2 per cent of the portfolio. The average loan to value ratio is about 48 per cent compared with 46 per cent in 2010. The established loan programme is Aaa rated by Moody's rating agency.

STOREBRAND EIENDOMSKREDITT AS UNDER AVVIKLING

Storebrand Eiendomskreditt AS Under avvikling was established to issue covered bonds secured by mortgages in commercial real estate. In January 2011 the decision was made to discontinue operations in Storebrand Eiendomskreditt AS Under avvikling due to the closure of the swap scheme with Norges Bank and Storebrand Bank therefore acquired the subsidiary's loan portfolio. The transaction has not had an effect on the income statement in the consolidated financial statements. The subsidiary Storebrand Eiendomskreditt AS Under avvikling was authorised by the Financial Supervisory Authority of Norway on 12 April 2011 to discontinue its operations as a mortgage company, and return its licence. The company will be discontinued in the first half of 2012.

RING EIENDOMSMEGLING AS

As part of its long term strategy, Storebrand Bank has decided that estate agency is not a future focus area and has therefore decided to discontinue its ownership of Ring Eiendomsmegling. The local staff who run the business have been given the opportunity to take over the offices as owners. The offices in which this has not been possible are now being discontinued. A collaboration with the Eie chain of estate agents has been established and a separate group has been assembled which has responsibility for completing all settlements and winding up all client accounts. The profit after taxes for Ring Eiendomsmegling is presented in the accounts on the line for sold/discontinued operations. Necessary provisions relating to the costs of discontinuing Ring of approximately NOK 20 million have been reserved in the fourth quarter. In addition, goodwill and other intangible assets have been written down to zero.

Ring Eiendomsmegling sold a total of 1,743 properties in 2011 compared with 2,183 properties in 2010 and total revenues were NOK 76 million in 2011 (NOK 89 million). The effect of Ring Eiendomsmegling on the income statement for the bank group was minus NOK 60 million after taxes for 2011 compared with minus NOK 5 million in 2010.

RISK MANAGEMENT

A bank's core activities are linked to creating value through exposure to acceptable risks. Storebrand Bank is proactive in managing the risks in its business activities and continuously works to develop its routines and processes for risk management. The current overall risk profile is regarded as being satisfactory and the company expects to make only minor adjustments to its risk profile during 2012.

For Storebrand Bank credit risk and liquidity risk are the principal forms of risk. The bank group is also exposed to operational risk, compliance risk and market risk to a lesser extent.

The risks in Storebrand Bank are closely monitored in accordance with guidelines for risk management and internal control that have been approved by the Board. The bank's appetite for risk is expressed through the risk strategy that is designed to support the goals of the business. Policy documents defining risk parameters are prepared for each of the forms of risk defined in the guidelines. Developments in these parameters are followed up through risk reporting to the Board of the Bank.

CREDIT RISK

Storebrand Bank's gross credit exposure is almost unchanged in 2011 and represents NOK 42 billion as at 31 December 2011.

Loans to the corporate market total just over NOK 11 billion while equivalent loans to the retail market amount to slightly over NOK 22 billion. The volume of non-performing and impaired loans has been reduced by NOK 367 million in 2011, and accounts for 1.0 per cent of gross loans.

As we enter 2012, we are seeing growing uncertainty about future market developments and to what extent the international financial instability will affect the Norwegian economy. Based on developments during the year, total group write-downs have decreased in the first three quarters, but increased in the fourth quarter to NOK 53 million at the end of 2011. Group write-downs have decreased, partly due to the bank in 2011 changing its accounting practice for unsecured loans as described above.

The credit quality of the corporate market portfolio is considered to be good. Approximately 80 per cent of the portfolio's loans are property loans and about 20 per cent relate to development and constructions loans. The property loans are characterised by a well-diversified tenant profile and good lease durations. The bank is secured a cash flow from tenants with these types of loans, in addition to having security in the property itself. A well-diversified set of tenants ensures similar diversification of cash flows, which reduces the overall risk inherent in the portfolio.

The greatest risk in the portfolio is considered to be connected with development projects where the bank has a total exposure of approximately NOK 2.5 billion. This segment is largely composed of loans to construction projects in the housing and office sector in and around the central Oslo area. Loans to new property projects are contingent upon a high proportion of advance sales, and the risk is deemed to be satisfactory.

The credit risk has improved during the year as new lower risk loans have been made, and the current loans have developed in a positive direction. The concentration risk connected with large loans has decreased over the last several years.

The credit quality of the retail market portfolio is considered to be very good. Almost the entire portfolio is secured by way of property mortgages. The portfolio's high security coverage indicates a limited risk of loss. The loan to value ratio of the property loans is relatively low and only a limited number of loans have been made which exceed 80 per cent of the market value.

The average weighted loan to value ratio in the bank group is approximately 54 per cent on retail mortgages. Approximately 94 per cent of retail mortgages have a loan to value ratio within 80 per cent and about 97 per cent are within a 90 per cent loan to value ratio. In the bank group, about 58 per cent of retail mortgages are within a 60 per cent loan to value ratio.

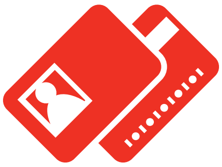
The retail market portfolio has had low losses historically. For the bank as a whole, a high share of retail market loans is considered important in reducing the bank's total risk. The proportion of loans in the retail market as a percentage of the bank's total lending is 67 per cent at the end of 2011, up from 65 per cent in 2010.

The flexible mortgage product has delivered strong growth over the last several years and is expected to grow at a slightly lower rate in the future. This will result in a slight increase in portfolio risk, but the risk will be counteracted by stricter loan criteria for flexible mortgages, monitoring customers with a high degree of utilisation and those who do not pay interest and instalments on a regular basis.

Storebrand Bank's guarantee portfolio amounted to almost NOK 300 million at year-end. The majority of the guarantees have been made for customers in connection with property development projects in Oslo and Akershus.

At year-end, the bank group had deposited securities with a fair value of NOK 2.2 billion as collateral for drawing rights to overnight loans and F-loans in Norges Bank. In addition, NOK 3.5 billion has been pledged as collateral in connection with the swap scheme with Norges Bank.

According to the licence to the estate agency, Hadrian Eiendom AS has signed the statutory insurance and guarantee agre-



During 2011 Storebrand Bank has reported 16 cases to the police. We are seeing a reduction in the number of credit card fraud attempts. There have been four attempts at fraud using document forgery, of which one has resulted in a loss for the bank.

ements. Through its activities, the company has limited credit risk but as with other areas of Storebrand Bank, it is exposed to developments in the Norwegian property market in the commercial real estate segment.

LIQUIDITY RISK

The proportion of long term funding over 1 year has been between 95 per cent and 103 per cent throughout 2011. The deposit-to-loan ratio of 55 per cent has remained the same during 2011. The bank attaches great importance to having a balanced funding structure in relation to the different maturities and issuances in different markets. The average remaining maturity for external funding excluding subordinated loans is 2.5 years, a reduction from 2.7 years in 2010. The proportion of total deposits over NOK 2 million amounts to 32 per cent, a decrease from 2010 (33 per cent).

The bank has established good liquidity buffers. Credit facilities/agreements have been established with other banks that Storebrand Bank can draw down as required. Storebrand Bank is rated by S&P and Moody's.

MARKET RISK

Storebrand Bank's aggregate market risk through interest rate and exchange rate exposure and the maximum risk of loss on the liquidity portfolio are restricted through low exposure limits. Also, the bank does not have an active investment strategy for shares. Limits for shares are only established to cover requirements relating to the management of non-performing loans (repossessed assets).

Storebrand Bank is part of Storebrand, which works systematically to reduce its impact on the environment, through its own business activities, investments, procurement and property management. The Group's head office in Lysaker is a building with high environmental standards.

OPERATIONAL RISK

Storebrand Bank manages operational risk by focusing on establishing good work and control routines, but also works systematically to create the right attitude among the bank's employees. The most important measures to reduce operational risk are systematic risk reviews carried out at least quarterly on all of the bank's activities, and also when starting projects or in special circumstances. The last risk review was performed in autumn 2011. The results of the risk review, including documentation of identified risks and a description of measures with deadlines are recorded in the bank's internal control system.

COMPLIANCE RISK

The risk that the bank incurs public sanctions or financial losses due to failure to comply with external and internal regulations is defined as the bank group's compliance risk. The company is particularly focused on the risk relating to compliance and implementation of changes in the current legislation. The compliance manager has responsibility for preparing, documenting, implementing and maintaining the compliance process in Storebrand Bank ASA, and is head of the bank's compliance forum. Furthermore, the compliance manager participates in Storebrand Group's working groups which regularly meet to exchange information, discuss common current problems and prepare common routines to ensure that the compliance work is as consistent and effective as possible. Reports on the compliance work and breaches are carried out in accordance with approved guidelines.

LEGAL DISPUTES

During 2011 Storebrand Bank has reported 16 cases to the police. We are seeing a reduction in the number of credit card fraud attempts. There have been four attempts at fraud using document forgery, of which one has resulted in a loss for the bank. New this year are two fraud incidents using stolen BankIDs (electronic proof of identity). BankID enables customer relationships and new products to be quickly established. These types of cases require substantial resource use and the bank is also exposed to a higher risk of loss.

In 2011 Storebrand Bank has not received any new complaint cases requiring a hearing with regard to retail customers' investments in various stock index bonds in Storebrand Bank ASA. A total of 69 private customers have complained to the Norwegian Financial Services Complaints Board about their investments in various stock index bonds in Storebrand Bank. The Norwegian Financial Services Complaints Board has obtained a stay in proceedings for these cases until a legally binding judgement has been made.

In 2009 an action was brought against Storebrand Bank seeking damages for economic loss in respect of investments in one of Storebrand's stock index bonds. Oslo District Court gave judgement in favour of the bank and the plaintiffs were ordered to pay the bank's case costs. The judgement was appealed and Borgarting Court of Appeal dismissed the plaintiffs' appeal in a judgement of 18 April 2011. The plaintiffs have appealed the case to the Supreme Court as it deals with a matter of principal interest. The case was tried in January 2012, but a judgement has not been handed down at the date on which the financial statements were being prepared. In the bank's opinion there is a high probability that the claim for compensation will be denied and it has therefore not made any provisions in this regard in the financial statements as at 31 December 2011.

On 29 April 2011 the district court delivered judgement in a damages suit in favour of the bank and the plaintiff was ordered to pay the bank's case costs. However the bank's claim against the borrower and the guarantor was reduced by NOK 3.8 million. A provision was made for the equivalent amount of the bank's claim in the second quarter of 2011. Storebrand Bank appealed the part of the judgement which related to the reduction in the claim to the Borgarting Court of Appeal. The case has now been settled out of court. The settlement resulted in a reversal for NOK 3 million.

CAPITAL MANAGEMENT

CAPITAL ADEQUACY

Storebrand Bank Group has net primary capital of NOK 2.8 billion at the end of 2011, unchanged from the end of 2010. This gives a capital adequacy of 13.4 per cent compared with 13.0 per cent as at 31 December 2010. The core capital ratio is 11.4 per cent compared with 10.6 per cent as at 31 December 2010. Storebrand Bank considers it necessary to have a core capital ratio of at least 9 per cent at all times, irrespective of the economic cycle. In good economic times the core capital ratio will be considerably higher than this and Storebrand Bank will therefore aim for a core capital ratio of at least 11 per cent from 2013. The increase in the core capital ratio in 2011 is due to higher core capital from the net income and a reduced risk weighted balance sheet due to a lower lending volume.

In May 2011 the Financial Supervisory Authority of Norway granted the bank approval for early repayment of a subordinated loan of NOK 100 million maturing in 2016. The repayment was completed in December 2011.

Storebrand Bank Group has satisfactory solvency and good liquidity as at 31 December 2011.

PERSONNEL, ORGANISATION, CORPORATE BODIES AND THE ENVIRONMENT

FROM CORPORATE SOCIAL RESPONSIBILITY TO SUSTAINABILITY

For 15 years Storebrand has used corporate social responsibility as a phrase that captures the essence of work undertaken within the environment, social questions and community involvement. To safeguard the long-term reason for existence as a company in terms of financial, social and environmental parameters requires more than corporate social responsibility. It requires a sustainable strategy and it calls for requirements for sustainability in all internal processes and decisions. The procurement department sets a requirement for sustainability as one of three critical parameters, HR places ethics and employee satisfaction high on the agenda and sustainability has been to a large extent integrated into the company's core activities. The bank participates in the Group's general work in this area and continually works to implement these goals into the business' activities through its own processes and decisions.

ENVIRONMENT

Storebrand Bank is part of Storebrand, which works systematically to reduce its impact on the environment, through its own business activities, investments, procurement and property management. The Group's head office in Lysaker is a building with high environmental standards. Even though the Group actively works to reduce emissions, it is not presently possible to eliminate all emissions of CO2. In order to compensate for this, Storebrand purchases UN certified emissions reductions which cover its emissions from flights and energy use. The Group became Norway's first climate neutral financial entity in 2008 and has remained so since that time.

PERSONNEL AND THE ORGANISATION

At year-end there were 175 employees in the bank group, compared with 274 at the start of the year. This represents a difference of 99 employees since last year and is largely due to discontinuing the ownership interest in Ring Eiendomsmegling and a new, changed organisational structure for Storebrand Group in 2011. Women represent 51 per cent of the bank's employees. The average age is 44 years old and the average length of service is 11 years.

The proportion of women on the Board of the bank is 57 per cent in 2011. The share of women in senior management is 16 per cent compared with 33 per cent in 2011. Among managerial positions with personnel responsibilities, 39 per cent are held by women.

No injuries to people, property damage, or accidents of significance were reported in Storebrand Bank in 2011.

EQUALITY / DIVERSITY

Measures the Group has adopted relating to executive development for women, flexible working hours, opportunities to take time off and full salary if the employee, their children or their parents become ill, are also being implemented in the bank.

ABSENCE DUE TO ILLNESS

Health and well-being are incorporated into the scorecard for all business areas and health has consistently been high on the agenda in Storebrand Bank and the Storebrand Group in 2011. The physical working conditions are included in the health indicators, and a number of initiatives have been implemented to make sure that the physical working conditions are as favourable as possible.

Absence due to illness in the bank at the start of the year was measured at 5.9 per cent compared with 3.9 per cent in 2011. Like the Group, the bank is committed to creating an inclusive workplace.

EXPERTISE

2011 was the year in which training programmes connected to advisory services and MiFID were conducted and completed in Storebrand Bank and Storebrand Group. Different learning environments and the individual's responsibility for developing expertise are firmly rooted in the organisation. We prioritise having much of the work on developing expertise take place during the employees' day-to-day activities.

Storebrand Bank, together with other companies in Storebrand Group, uses a common e-learning platform. This has increased the visibility and accessibility of the training programmes and meant that more people are taking advantage of the various training programmes that the company provides. The Group has developed training plans for various roles in Storebrand, in which skills training in all arenas are combined.

ETHICS AND TRUST

Storebrand, and Storebrand Bank live by trust. We do not sell a physical product, but rather a promise to be there when it matters, whether it is tomorrow, in ten or forty years. Therefore we set strict requirements for high ethical standards in our Group's employees. All employees are measured by their performance, conduct and attitude. One of the Group's core values in 2011 was Reliable and one of the Group principles was We take corporate social responsibility.

STATEMENT OF COMPANY MANAGEMENT

Storebrand Bank's systems for internal control and risk management linked to the accounting process adhere to Storebrand Group guidelines. The Board decides upon the guidelines annually. In addition, the bank purchases, via its service contracts, all accounting and reporting services from Storebrand Livsforsikring. Storebrand Group established corporate governance policies in 1998. Storebrand Group reports on the Group's policies and practice for corporate governance in accordance with section 3-3b of the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance of 20 October 2011. For further information on Storebrand Bank's corporate governance and a statement of company management in accordance with section 3-3b of the Norwegian Accounting Act, refer to a separate description in section 10 of the Storebrand Group annual report regarding the Group's accounting processes.

The work of the Board is regulated by special rules of procedure for the Board. The Board of Storebrand ASA has also established a set of instructions for the Boards of subsidiary companies which describe how guidelines, plans and strategies adopted by the Group's Board of Directors are expected to be complied with. These instructions do not reduce the independent management and supervisory responsibilities for the Boards of the subsidiary companies. The Board of Storebrand ASA has two advisory subcommittees, common to Storebrand Group: the Remuneration Committee and the Audit Committee. In 2011 a Compensation committee was also established that is common to Storebrand ASA, Storebrand Livsforsikring AS, Storebrand Bank ASA, Storebrand Kapitalforvaltning AS and Storebrand Finansiell Rådgivning AS, in accordance with section 3, third paragraph of the Compensation Regulations. The Compensation Committee is in addition to the Remuneration Committee. The committee cannot make decisions on behalf of the individual board.

The bank has recorded in the articles of association that the company shall have the same nomination committee as Storebrand ASA and will thereby follow Storebrand Group processes for appointing and replacing board members.
The Bank does not have any provisions in the Articles of Association and authorisations granting the Board the authority to decide that the company shall buy back or issue its own shares or equity certificates.
Changes in the composition of the Board

At the Board of Representatives meeting on 1 June 2011, Geir Holmgren, Head of products and services Norway in Storebrand Livsforsikring AS was elected to the Board, and replaces Roar Thoresen who has left the Group.

CONTINUING OPERATIONS

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

EVENTS AFTER THE BALANCE SHEET DATE

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

ALLOCATION OF THE RESULT FOR THE YEAR

Storebrand Bank ASA (the parent bank) achieved an annual result for 2011 of minus NOK 39.9 million.

The Board proposes a tax-free Group contribution be made of NOK 50 million to Storebrand ASA. The Board considers the Group's capital situation to be good given the risk profile and proposes to the bank's Board of Representatives and Annual General Meeting the following disposition of the result for the year:

FIGURES IN NOK MILLION:	
Group contribution after taxes	50,0
Transferred from other equity	-89,9
Total allocations	**-39,9**

The company's equity available for distribution was NOK 1.4 billion as of 31 December 2011 which more than covers the primary capital in respect of the capital requirement regulations.

STRATEGY AND OUTLOOK FOR 2012

In 2012 Storebrand Bank will continue to focus on improving the business' profitability combined with moderate growth. The consequences of the international financial instability for both the banking industry and our customers will be closely monitored. The bank will prioritise maintaining a moderate risk profile with a good balance sheet and funding composition.

In the retail market the bank will prioritise customer recruitment as part of the Group's retail market strategy. The bank will prioritise developing products and ideas that are adjusted to the life phase concepts of the Group in other respects. The bank's internet solution will be integrated into the Group's other internet solutions, enabling the bank's customers to gain access to a complete suite of financial services from the Group.

For the corporate customer segment, Storebrand Bank will continue its work to provide value-creating services and solutions based on the bank group's collective expertise and range of services in commercial real estate.

The bank will continue the work of implementing internal ratings-based (IRB) models to calculate capital requirements and develop the bank's system for comprehensive risk management to enable the bank to apply for permission to use the IRB method during 2012.

In an environment characterised by much international uncertainty the bank will maintain its focus on sound management of the bank's credit risk, liquidity risk, control of the operational risk in key work processes and also continue to closely monitor developments in non-performing loans and loan losses.

Developments in the Norwegian and international capital markets, interest rates, unemployment and the property market are regarded as the key risk factors that can affect the results of Storebrand Bank Group in 2012.

Lysaker, 13 February 2012
The Board of Directors of Storebrand Bank ASA
Translation – not to be signed.

Idar Kreutzer Chairman	Anne-Kristine Baltzersen Board member	Maria Borch Helsengreen Board member
Stein Wessel-Aas Deputy chairman	Kristine Schei Board member	Heidi Storruste Board member
Geir Holmgren Board member		Truls Nergaard CEO

Accounts & Notes

Profit and loss account
Storebrand Bank Group

1 January - 31 December

NOK million	**Note**	**2011**	**2010**
Interest income		1,536.9	1,525.4
Interest expense		-1,093.9	-1,068.5
Net interest income	**10**	**443.0**	**456.9**
Fee and commission income from banking services		91.5	91.5
Fee and commission expense for banking services		-18.5	-17.8
Net fee and commission income	**11**	**73.0**	**73.7**
Net income and gains from associated companies	24	0.9	-1.3
Net gains on financial instruments at fair value	10	2.0	-11.2
Other income	12	29.1	24.6
Total other operating income		**32.0**	**12.2**
Staff expenses	14, 15	-130.1	-155.0
General administration expenses	14	-85.4	-88.8
Other operating costs	13, 14, 33, 34	-152.2	-135.6
Losses real estate at fair value, assets repossessed	32	-3.9	-14.1
Total operating costs		**-371.6**	**-393.6**
Operating profit before loan losses		176.4	149.2
Loan losses for the period	16	13.9	-14.5
Profit before tax		**190.2**	**134.7**
Tax	17	-31.5	-91.1
Result after tax sold/discontinued operations	49	-59.8	-5.4
Profit for the year		**98.9**	**38.2**
Allocated to:			
Parent company		98.9	38.1
Minority interests		0.0	0.1

Statement of comprehensive income

NOK million	**Note**	**2011**	**2010**
Pension experience adjustments	15	2.8	-13.6
Profit for the period		98.9	38.2
Total comprehensive income for the period		**101.7**	**24.6**
Allocated to:			
Shareholders		101.7	24.5
Minority interests		0.0	0.1
Total		**101.7**	**24.6**

Statement of financial position - balance sheet Storebrand Bank Group

31 December

Assets

NOK million	Note	2011	2010
Cash and deposits with central banks	4, 18, 20	508.4	164.7
Loans to and deposits with credit institutions	4, 18, 22	268.6	673.4
Financial assets designated at fair value through the profit and loss account:			
Equity instruments	8, 18, 23	5.2	5.1
Bonds and other fixed-income securities	4, 8, 18, 25, 27	2,655.0	3,036.2
Derivatives	4, 8, 18, 28	920.6	710.2
Bonds at amortised cost	26	651.2	
Other current assets	18, 36	210.3	254.3
Gross lending	4, 8, 19, 30	33,474.5	34,460.1
Loan loss provisions	31	-156.6	-257.5
Net lending to customers	4, 18, 30	33,317.9	34,202.6
Investments in associated companies	24	2.8	24.6
Tangible assets	34	11.2	15.9
Real estate at fair value	32	11.7	43.3
Intangible assets and goodwill	33	111.1	86.7
Deferred tax assets	17	8.1	68.9
Assets sold/discontinued operations	49	35.4	84.7
Total assets		**38,717.7**	**39,370.9**

Liabilities and equity

NOK million	Note	2011	2010
Liabilities to credit institutions	5, 8, 18, 19	6,015.8	8,052.7
Deposits from and due to customers	5, 8, 18, 19, 37	18,485.5	18,807.6
			0.0
Other financial liabilities:			0.0
Derivatives	4, 8, 18, 28	500.2	371.5
Commercial papers and bonds issued	5, 18, 19, 39	10,082.8	8,725.3
Other liabilities	18, 42	501.8	220.7
Liabilities sold/discontinued operations	49	30.0	36.7
Provision for accrued expenses and liabilities	41	0.8	3.7
Pension liabilities	15	103.7	102.0
Subordinated loan capital	5, 18, 19, 40	692.3	790.1
Total liabilities		**36,412.9**	**37,110.3**
Share capital		960.6	960.6
Other paid-in share capital		556.3	556.3
Retained earnings		787.9	740.4
Minority interests	43	0.1	3.3
Total equity		**2,304.8**	**2,260.6**
Total liabilities and equity		**38,717.7**	**39,370.9**

LLysaker, 13 February 2012 The Board of Directors of Storebrand Bank ASA
Translation – not to be signed.

Idar Kreutzer Chairman	Stein Wessel-Aas Deputy Chairman	Kristine Schei Board Member	Geir Holmgren Board Member	Maria Borch Helsengreen Board Member	Anne-Kristine Baltzersen Board Member	Heidi Storruste Board Member	Truls Nergaard CEO

Changes in equity Storebrand Bank Group

	Majority's share of equity								
	Paid-in equity				Other equity				
NOK million	Share capital	Share premium reserve	Other paid-in equity	Total paid-in equity	Revenue and costs applied to equity	Other equity	Total other equity	Minority interest *)	Total equity
Equity at 31.12.2009	960.6	156.0	400.3	1 516.8	31.2	730.6	761.7	3.4	2,281.9
Profit for the period						38.1	38.1	0.1	38.2
Pension experience adjustments					-13.6		-13.6		-13.6
Total other comprehensive income	**0.0**	**0.0**	**0.0**	**0.0**	**-13.6**	**0.0**	**-13.6**	**0.0**	**-13.6**
Total comprehensive income for the period	**0.0**	**0.0**	**0.0**	**0.0**	**-13.6**	**38.1**	**24.5**	**0.1**	**24.6**
Equity transactions with owners:									
Receipts of group contribution						118.4	118.4		118.4
Group contribution paid						-164.4	-164.4		-164.4
Other changes						0.3	0.3	-0.2	0.1
Equity at 31.12.2010	**960.6**	**156.0**	**400.3**	**1,516.8**	**17.5**	**722.9**	**740.5**	**3.3**	**2,260.6**
Profit for the period						98.9	98.9	0.0	99.0
Pension experience adjustments					2.8		2.8		2.8
Total other comprehensive income	**0.0**	**0.0**	**0.0**	**0.0**	**2,8**	**0.0**	**2.8**	**0.0**	**2.8**
Total comprehensive income for the period	**0.0**	**0.0**	**0.0**	**0.0**	**2.8**	**98.9**	**101.7**	**0.0**	**101.7**
Equity transactions with owners:									
Purchase of minority interests						-1.0	-1.0	-4.0	-5.1
Group contribution paid						-50,0	-50.0		-50.0
Other changes						-3,2	-3.2	0.8	-2.4
Equity at 31.12.2011	**960.6**	**156.0**	**400.3**	**1,516.8**	**20.3**	**767.6**	**787.9**	**0.1**	**2,304.8**

*) See note 43 Minority interests

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 fund 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 Public Limited Liabilities Company Act.

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

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

Storebrand Bank view it as necessary to have a core capital ratio of at least 9 per cent at all times, regardless of macro economic environment. In good economic conditionas, the core capital ratio should be substantially higher and Storebrand Bank therefore targes at core capital ratio of at least 11 per cent from 2013. In general, the equity of the banking group can be managed without material restrictions if the capital requirements are met and the respective legal entities have adequate solidity.

For further information on the group's fulfilment of the capital requirements, see note 46.

Cash flow statement Storebrand Bank Group

1 January - 31 December

NOK million	Note	2011	2010
Cash flow from operations			
Receipts of interest, commissions and fees from customers		1,516.9	1,682.7
Payments of interest, commissions and fees to customers		-498.2	-474.0
Net disbursement/payments on customer loans		981.9	1,651.1
Net receipts/payments of deposits from banking customers		-305.9	472.7
Net receipts/payments - securities at fair value		105.1	1,689.0
Net receipts/payments - real estate at fair value		56.9	95.7
Payments - taxes		0.0	-5.2
Payments of operating costs		-355.8	-398.9
Net receipts/payments on other operating activities		-68.3	-42.9
Net cash flow from operating activities		**1,432.6**	**4,670.1**
Cash flow from investment activities			
Net payments on purchase/capitalisation of subsidiaries		-5.1	
Net payments on purchase/sale of fixed assets etc.		-43.9	-19.1
Net cash flow from investment activities		**-49.0**	**-19.1**
Cash flow from financing activities			
Payments - repayments of loans and issuing of bond debt		-1,481.6	-3,646.0
Receipts - new loans and issuing of bond debt		2,801.4	2,107.5
Payments - interest on loans		-573.1	-620.2
Payments - repayments of subordinated loan capital		-100.0	-175.0
Payments - interest on subordinated loan capital		-43.4	-34.6
Net receipts/payments of liabilities to credit institutions		-2,043.8	-2,162.7
Receipts - group contribution			118.4
Payments - group contribution / dividends			-164.4
Net cash flow from financing activities		**-1,440.5**	**-4,577.1**
Net cash flow in the period		**-56.9**	**73.9**
Net cash flow in the period		-56.9	73.9
Cash and bank deposits at the start of the period for new companies and discontinued operations		-4.2	
Cash and bank deposits at the start of the period		838.1	764.2
Cash and bank deposits at the end of the period		**777.0**	**838.1**
Cash and deposits with central banks	20	508.4	164.7
Loans to and deposits with credit institutions	22	268.6	673.4
Total cash and bank deposits in the balance sheet		**777.0**	**838.1**

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

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

Investment activities
Includes cash flows for holdings in group companies and tangible fixed assets.

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

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

Contents notes Storebrand Bank Group

Note 1 | Company information and accounting policies

1. COMPANY INFORMATION

Storebrand Bank ASA is a Norwegian public limited company with bonds listed on Oslo Børs. The consolidated financial statements for 2011 were approved by the Board of Directors on 13 February 2012.

Storebrand Bank provides traditional banking services such as accounts and loans in the retail market and project financing to selected corporate customers. Storebrand Bank Group comprises the business areas of corporate market, retail market and treasury. The Group's head office is located at Professor Kohts vei 9, in Lysaker.

2. THE BASIS FOR PREPARATION OF THE FINANCIAL STATEMENTS

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

The consolidated financial statements of Storebrand Bank ASA have been prepared in accordance with International Financial Reporting Standards (IFRS) approved by the EU and appurtenant interpretations, as well as other Norwegian disclosure obligations pursuant to the law 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 about this.

3. CHANGES IN ACCOUNTING POLICIES

During the course of 2011 changes were made in certain IFRS standards. However none of these changes have affected the presentation, recognition and measurement of items in the consolidated financial statements for Storebrand Boligkreditt AS.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR MATERIAL ITEMS ON THE STATEMENT OF FINANCIAL POSITION

The assets side of the Group's statement of financial position primarily consists of financial instruments. The majority of the financial instruments fall under the category Loans and receivables and are stated at amortised cost. The statement of financial position also includes capitalised intangible assets.
The liabilities side of the Group'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.

5. CONSOLIDATION

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

COMPANY INTEGRATION

The acquisition method is applied when accounting for business combinations. The acquisition cost is measured at fair value after accounting for any equity instruments plus any costs directly attributable to the acquisition. Any expenses relating to the issuance of shares are not included in the acquisition cost, and are charged to equity.

Identifiable tangible and intangible assets acquired and liabilities assumed are valued at fair value on the date of acquisition. If the acquisition cost exceeds the value of identifiable assets and liabilities, the difference is recognised as goodwill. If the acquisition cost is lower than the identifiable assets and liabilities on the date of the transaction, the difference is recognised as income. With acquisitions of less than 100 per cent of a business, 100 per cent of the additional value and value shortfall are recognised in the statement of financial position with the exception of goodwill of which only Storebrand's share is included.

The acquisition method is applied when accounting for acquired units. Investments in associated companies (normally investments of between 20 per cent and 50 per cent of the company's equity) in which the Group exercises significant influence are consolidated in accordance with the equity method. Interests in joint ventures are consolidated in accordance with the proportionate consolidation method, which includes the share of revenues, expenses, assets and liabilities in the appropriate lines in the financial statements.

When purchasing investments, including investment properties, a decision is made as to whether the purchase is subject to IFRS 3 regulations for business combinations. When these purchases are not regarded as an acquisition of a business, the acquisition method pursuant to IFRS 3 Business combinations is not applied and therefore a determination is not made of any additional value and a provision is not allocated for deferred tax as would have occurred in a business combination.

CURRENCIES AND TRANSLATION OF FOREIGN COMPANIES' ACCOUNTS

The Group's presentation currency is Norwegian kroner. Foreign companies included in the Group which use a different functional currency are translated into Norwegian kroner. The income statement figures are translated using an average exchange rate for the year and the statement of financial position is translated using the exchange rate prevailing at the end of the financial year. As differences will arise between the exchange rates applied when recording items in the statement of financial position and the income statement, any translation differences are included in the total comprehensive income. Any translation differences are included in the total comprehensive income.

ELIMINATION OF INTERNAL TRANSACTIONS

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

6. INCOME RECOGNITION

NET INTEREST INCOME - BANKING

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

INCOME FROM PROPERTIES AND FINANCIAL ASSETS

Income from properties and financial assets is described in Sections 9 and 10.

OTHER INCOME

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

7. GOODWILL

Additional value on the acquisition of a business that is not directly attributable to assets or liabilities on the date of the acquisition is classified as goodwill on the statement of financial position. Goodwill is valued at acquisition cost on the date of the acquisition. Goodwill arising from the acquisition of subsidiaries is classified as an intangible asset.

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

If the discounted present value of the pertinent future cash flows is less than the carrying value, goodwill will be written down to its fair value. Reversal of an impairment loss for goodwill is prohibited even if information later comes to light showing that there is no longer a need for the write-down or the impairment loss has been reduced. Goodwill is allocated to the relevant cash flow generating units that are expected to benefit from the acquisition so that it can subsequently be tested for impairment. Cash flow generating units are identified according to operational segments.

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

8. INTANGIBLE ASSETS

Intangible assets with limited useful economic lives are valued at acquisition cost less accumulated amortisation and any write downs. The useful life and amortisation method are reassessed each year. With initial recognition of intangible assets in the statement of financial position, it must be demonstrated that probable future economic benefits attributable to the asset will flow to the Group. The cost of the asset must also be measured reliably. The value of an intangible asset is tested for impairment when there are indications that its value has been impaired. In other respects intangible assets are subject to write-downs and reversals of write-downs in the same manner as described for tangible fixed assets.

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

9. INVESTMENT PROPERTIES

Investment properties are valued at fair value. Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

Investment properties are principally repossessed property projects. Refer to note 32 for further information on investment properties.

10. FINANCIAL INSTRUMENTS

10-1. GENERAL POLICIES AND DEFINITIONS

Recognition and derecognition

Financial assets and liabilities are recognised in the statement of financial position when Storebrand Bank becomes party to the instrument's contractual terms and conditions. Ordinary purchases and sales of financial instruments are booked on the transaction date. When a financial asset or a financial liability is initially recognised in the financial statements, 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 in the profit and loss account.

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

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, hold-to-maturity investments, loans and receivables as well as financial liabilities not at fair value in the profit and loss account, 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

Refer to the definition of fair value in section 9. 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 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 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 financial assets

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

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

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

10-2. 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 the profit and loss account in accordance with the fair value option (FVO)
- Financial assets loans and receivables

Held for trading

A financial asset is held for trading if:

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

With the exception of derivatives, only a limited proportion of Storebrand Bank's financial instruments fall into this category. Financial assets held for trading are measured at fair value at the reporting date, with all changes in their fair value recognised in the profit and loss account.

At fair value through the profit and loss account in accordance with the fair value option (FVO)

Storebrand Bank's liquidity portfolio is classified at fair value through the income statement 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 managed and reported on a fair value basis
- The accounting treatment is equivalent to that for held for trading assets.
-

Loans and receivables

A significant proportion of Storebrand Bank'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 such 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 as at fair value through the profit and loss account,

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

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

10-3. 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 the profit and loss account.

The majority of the derivatives used routinely for balance sheet management fall into this category.

10-4. HEDGE ACCOUNTING

Fair value hedging

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

10-5. FINANCIAL LIABILITIES

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

11. PENSION OBLIGATIONS

From 1 January 2011 Storebrand Bank has been offering a defined contribution scheme to employees. Until 31 December 2010 Storebrand Bank had a defined benefit scheme for its members of staff. The defined benefit scheme was closed to new members on 1 January 2011, and members at the time could voluntarily elect to transfer to a defined contribution pension plan.

11-1. BENEFIT SCHEME

Pension costs and pension obligations for defined benefit pension schemes are determined using a linear accrual formula and expected final salary as the basis for the entitlements, based on assumptions about the discount rate, future salary increases, pensions and National Insurance benefits, future returns on pension plan assets as well as actuarial estimates of mortality, disability and voluntary early leavers. As Norway does not have an active market for high quality corporate bonds, the discount rate is determined to be the risk free interest rate (treasury bill) taking into account the average remaining maturity. The net pension cost for the period comprises the total of the accrued future pension entitlements during the period, the interest cost on the calculated pension liability and the expected return on pension plan assets.

Actuarial gains/losses and the effects of changes in assumptions are included in the total comprehensive income in the income statement for the period in which they occur. The effects of changes in the pension scheme are recognised on an ongoing basis, unless the changes are conditional upon accrued future pension entitlements. In which case the benefit is apportioned on a straight line basis until the entitlement has been fully earned. The employer's national insurance contributions are included as part of the pension liability and are included in the actuarial gains/losses shown in the total comprehensive income.

Storebrand Bank has both an insured and an uninsured pension scheme. The insured scheme is managed by Storebrand Livsforsikring AS.

11-2. DEFINED CONTRIBUTION SCHEME

For the defined contribution pension scheme, involves the Group pays an annual contribution to the employees' collective pension savings. The future pension will depend upon the size of the contribution and the annual return on the pension savings. The Group does not have any further work-related obligations after the annual contribution has been paid. No provisions are made for ongoing pension liabilities for these types of schemes. Defined contribution pension schemes are recognised directly in the financial statements.

12. TANGIBLE FIXED ASSETS

The Group's tangible fixed assets comprise equipment, fixtures and fittings, vehicles and IT systems.

Equipment, fixtures and fittings and vehicles are valued at acquisition cost less accumulated depreciation and any write-downs.

The depreciation period and method are reviewed annually to ensure that the method and period being used both correspond to the useful economic life of the asset. The disposal value is similarly reviewed.

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

13. TAX

The tax expense in the income statement comprises current tax and change in 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 directly in equity. Deferred tax and deferred tax assets are calculated on the differences between accounting and tax values of assets and liabilities.

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

14. PROVISION FOR GROUP CONTRIBUTION

In accordance with IAS 10 on events after the balance sheet date, proposed Group contributions shall be classified as equity until approved by the AGM.

15. LEASING

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

16. STATEMENT OF CASH FLOWS

The statement of cash flows is prepared using the direct method and shows cash flows grouped by sources and use. 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.

17. SHARE-BASED REMUNERATION

Storebrand Bank Group has share-based remuneration agreements with key personnel. The fair value of the share options is determined on the date of the allocation. Valuation is made on the basis of recognised valuation models adjusted to the characteristics of the actual options. The value determined on the date of the allocation is periodised in the income statement over the option's vesting period with a corresponding increase in equity. The amount is recognised as an expense and is adjusted to reflect the actual number of share options earned. The vesting period is the period of time from when the scheme is established until the options are fully vested.

Note 2 | Critical accounting estimates and judgements

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

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

FINANCIAL INSTRUMENTS AT FAIR VALUE

There will be some uncertainty associated with the pricing of financial instruments not priced in an active market. This is particularly true for the types of securities priced on the basis of non-observable assumptions, and for these investments various valuation techniques are used to determine fair value. Any changes to the assumptions could affect recognised amounts.

Please also refer to note 8 in which the valuation of financial instruments at fair value is described in more detail.

FINANCIAL INSTRUMENTS AT AMORTISED COST

Financial instruments valued at amortised cost are assessed on the reporting date to see whether there is any objective evidence that a financial asset or group of financial assets 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 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. This will apply to provisions for loan losses in the retail and corporate markets and bonds carried at amortised cost.

INTANGIBLE ASSETS

Goodwill and intangible assets with undefined useful economic lives are tested annually for impairment. Goodwill is allocated to the Group's cash generating units. The test's valuation method involves estimating cash flows arising in the relevant cash flow generating unit, as well as applying the relevant discount rate. Tangible fixed assets and other intangible assets are assessed annually to ensure that the method and time period used correspond with economic realities.

An intangible asset arising from development (or from the development phase of an internal project), should be recognised if all of the following points are documented:

a. the technical prerequisites for completing the intangible asset intended to be available for use or sale
b. the company intends to complete the intangible asset and either use it or sell it
c. the company's ability to either use or sell the intangible asset
d. how the intangible asset will probably generate future economic benefits As examples, the company can demonstrate that a market exists for the products of the intangible asset or for the intangible asset itself, or if it will be applied internally, the benefits from the intangible asset.
e. the availability of sufficient technical, financial and other resources to complete its development, and to use or sell the intangible asset
f. the company's ability to reliably measure the expenses attributable to the intangible asset while it is being developed

PENSIONS

The present value of pension obligations depends upon the financial and demographic assumptions used in the calculation. The assumptions must be realistic, mutually consistent and up to date as they should be based on a cohesive set of estimates about future financial performance. The pension liability calculations are undertaken by actuaries. Any changes to these estimates including forecast salary growth and the discount rate can have a substantial effect on the recognised pension liabilities relating to own employees. Estimates of future real interest rates, real salary growth, future adjustments to the national insurance base amount and future inflation, are subject to significant uncertainty.

CONTINGENT LIABILITIES

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

NOTE 3 | Risk management

The Board of Storebrand Bank has adopted guidelines for risk management and internal control which ensure that the bank has established effective and robust functions for risk management, internal control, compliance and internal audit. The guidelines make sure that the bank's strategies are implemented correctly and that the risk-taking limits are complied with.

Storebrand Bank has identified the following areas of risk: credit risk, liquidity risk, market risk, operational risk, business risk and compliance risk. The company's risk strategy forms the foundation for managing the risk areas through policies to achieve the bank's target risk profile. The risk strategy is determined by the Board and is updated at least annually.

The Risk Management unit prepares monthly risk reports in which the areas of risk are monitored in relation to their respective policies. The risk reports are considered by the balance sheet management committee and the Board of the bank.

NOTE 4 | Credit risk

The risk of loss arising from the client lacking the capacity or intent to fulfil its obligations. This includes the risk that the security is less effective than expected (residual risk) and concentration risk. Credit risk encompasses counterparty risk.

RISK MANAGEMENT

The risk strategy establishes overall limits for how much credit risk Storebrand Bank ASA is willing to accept. The willingness to accept risk is adjusted to the bank's risk appetite and target risk profile, solvency, profitability, liquidity and growth, as well as the bank's strategy in other respects, including the equity requirement for credit activities. At a more detailed level the bank's risk strategy will provide limits for the key elements of the credit policies for the corporate and retail market business areas.

Credit policies establish general principles for granting credit. For the corporate market, the policy also relates to special areas such as development projects in commercial properties and concentration risk.

Storebrand Bank ASA's routines for credit management are set out in credit manuals for the corporate and retail markets. The credit manuals are primarily designed for account managers and others who are involved in case credit processes. The credit manuals contain common guidelines for the company's credit activities, and shall safeguard uniform and consistent credit management practices. The credit manuals and adopted routines provide specific criteria for monitoring non-performance, loan covenants, loss assessments and the annual loan review. Furthermore, the models ensure uniform portfolio risk assessment classifications and reporting on risk development. Specialised functions have been established for deposits, loan establishment and administration of the customer portfolio.

Treasury has credit risk for its counterparties in the investment portfolio. Permitted counterparties and the composition of the portfolio are set out in the investment policy and counterparty risk policy of Storebrand Bank ASA.

Counterparty risk in connection with the trading of financial derivatives with customers as the counterparty, is included in credit risk. The customer derivatives trades are hedged using derivatives. These transactions involve counterparty risk. The derivatives policy specifies which financial derivatives the bank is permitted to trade.

RISK MANAGEMENT

As part of the bank's risk reporting procedures, ongoing reports are submitted to the bank's executive management about developments in the bank's credit risk in relation to the target risk.

The most important credit risk management is implemented and administered by the credit units in the retail and corporate markets which:
- Have ongoing responsibility for making sure that established routines in the credit areas are in accordance with the adopted risk profile and that they are adhered to on a day-to-day basis.
- Participate in the corporate market credit meetings and carry out a formal check on all credit cases. This work includes credit authorisation, analyses, correct routine use, complying with the strategy and the balance between risk and potential earnings.
- Ensure adequate risk classification systems in the credit areas and that they are being applied consistently.
- From an independent standpoint, identify, monitor, check and report on credit risk.
- Check that loss assessments and loss reporting in the bank are in accordance with routines and ensure that non-performing loans are reported correctly and monitored.
- Attend to the control and approval of monthly allocation protocols in the corporate market and prepare reports for the Board.
- Evaluate whether there is a need for updating the corporate market and retail market credit manuals and the corporate market routine manual, and if so, provide suggestions and recommend amendments to the finance director. Ensure that the updates are in keeping with the bank's risk profile, risk strategy and the business strategy for the two credit areas.
- Provide suggestions for the annual internal audit plan for the two credit areas.
- Support the internal auditor's review of the credit processes in the two business areas as necessary.

Customer exposure resulting from trading financial derivatives with customers is continually reported from the Capital Market Products Department to the corporate market and the price development is monitored in respect of the customer's situation, cleared lines and breach of clauses. Middle Office implements its own spot checks of this reporting process. Middle Office also checks whether credit customers engaging in share trading are within the applicable limits. Back Office in the Capital Market Products Department maintains ongoing control over these customers. Trades with counterparties made by Treasury are controlled by Middle Office in accordance with separate routines and work descriptions.

ANALYSIS OF CREDIT RISK BY TYPE OF FINANCIAL INSTRUMENT

The maximum credit exposure is the sum of gross loans, guarantees, amounts drawn from credit lines and undrawn amounts of credit lines. Maximum credit exposure is slightly lower than it was at the end of 2010 due to a reduction in the amount of loans, counteracted by an increase relating to interest rate swaps.

	Maximum credit exposure	
NOK million	**2011**	**2010**
Liquidity portfolio	3,304.9	3,036.2
Total commitments customers *)	37,525.9	38,234.7
Interest rate swaps	913.0	657.7
Forward foreign exchange contracts	7.6	52.5
Total	**41,751.4**	**41,981.1**
*) Of which net loans to and amounts due from customers measured at fair value:	787.7	673.1

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 2011**	**Total 2010**
NOK million	**Fair value**	**Fair value**	**Fair value**	**Fair value**	**Fair value**	**Fair value**	**Fair value**
Sovereign and Government Guaranteed bonds							903.6
Credit bonds	65.5		307.8	190.8		564.1	440.0
Mortgage and asset backed bonds	1,599.3	491.6				2,090.9	1,692.6
Total	**1,664.8**	**491.6**	**307.8**	**190.8**		**2,655.0**	**3,036.2**

Rating classes are based on Standard & Poors.

Change in value:							
Total change in value on the balance sheet	3.9	0.3	0.6	0.2		4.9	6.3
Change in vaule recognised in the profit and loss during period	5.4	-2.9	-1.3	0.2		1.4	-5.2

Interest-bearing securities at amortised cost

Credit risk per counterparty

Short-term holdings of interest-bearing securities

Issuer category	**AAA**	**AA**	**A**	**BBB**	**NIG**	**Total 2011**	**Total 2010**
NOK million	**Fair value**	**Fair value**	**Fair value**	**Fair value**	**Fair value**	**Fair value**	**Fair value**
Sovereign and Government Guaranteed bonds	526.5					526.5	
Credit bonds	97.5	25.9				123.4	
Total	**624.0**	**25.9**				**649.8**	**0.0**

Rating classes are based on Standard & Poors.

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

Credit risk per counterparty

	AAA	**AA**	**A**	**BBB**	**NIG**	**Total 2011**	**Total 2010**
NOK million	**Fair value**	**Fair value**	**Fair value**	**Fair value**	**Fair value**	**Fair value**	**Fair value**
Norway	508.4					508.4	164.7
Total deposits with central bank	**508.4**					**508.4**	**164.7**
Norway		268.6				268.6	672.3
Lithuania							1.2
Total loans to and deposits with credit institutions		**268.6**				**268.6**	**673.4**
Total loans to and deposits with credit institutions and central bank	**508.4**	**268.6**				**777.0**	**864.1**

CREDIT EXPOSURE FOR LENDING ACTIVITIES

CORPORATE MARKET

Gross lending in the corporate market represents about NOK 11.2 billion. There are also about NOK 600 million in unused credit facilities and almost NOK 350 million in guarantees. In addition, loans of nearly NOK 3.1 billion are managed and syndicated to Storebrand Livsforsikring AS.
About 80% of the loans have been made on income generating property. Just short of 20% relate to property development projects. Under 5% of the Corporate portfolio is secured by pledged assets other than property. The security for the portfolio is principally commercial properties.
Construction loans of just over NOK 900 million and commercial real estate mortgages for almost NOK 400 million have been granted at the end of 2011, but the funds have not been disbursed or the offer has not yet been accepted by the customers.

About 29% of the portfolio is to groups of connected debtors with total loans of over NOK 200 million. The definition of a group of connected debtors is given in the regulations relating to large exposures. 22% of the portfolio relates to groups of connected debtors with total loans under NOK 50 million. 49% of the loans have been made to groups of connected debtors with consolidated exposure of between NOK 50 million and NOK 200 million. The bank has 13 groups of connected debtors which have total loans exceeding NOK 200 million, and 58 groups of connected debtors with total borrowings of between NOK 50 million and NOK 200 million. Large loans have increased during 2011.
The bank's exposure is secured by pledged assets in Oslo, close to 55%. A further 28% of the bank's exposure is secured by assets pledged in the area surrounding Oslo and the rest of Eastern Norway. The remaining loans are secured primarily in and around Bergen and Stavanger.
Assets pledged are valued at their sellable value in addition to separate assessments based on yield considerations.

A classification model for firms in the commercial real estate industry is used when determining debtors' capacity to service debt. The model is composed of a qualitative and a quantitative part. The qualitative part evaluates a range of factors including the management, structure, board, history, market, political risk and tenants.
The quantitative factors are evaluated differently for construction loans and commercial real estate mortgages. Construction loans are assessed based on reserves available for unforeseen costs, the sales buffer, advance sales and project management.

Commercial real estate mortgages are assessed quantitatively through analysis of cash flows and evaluating certain key ratios. The cash flow is calculated for the duration of the project. For corporate market loans, risk is classified on a scale from 1 to 5, where 1 is best. The first indicates the debtor's debt servicing capacity (ability to make repayments), the second indicates the quality of the security (degree of security/loan to value ratio).
To assess the risk on loans and receivables on customers the bank has implemented a classification system for corporate market customers and selected retail market customers (including private investors etc). The loans are classified both on establishment, and when there are changes in the loans. In addition, corporate market customers are reclassified annually or as necessary. The classifications thereby provide an overview of the risk exposure in the portfolio at all times.
The largest risk for commercial real estate mortgages is tenant risk. For construction loans the two largest risks are construction costs and advance sales. This is closely monitored by the bank. Of loans that are not non-performing or in arrears, about 80% of the loans have a loan to value ratio of under 80%. Approximately 95% of the loans have a loan to value ratio within 90%. The remaining performing loans have a loan to value ratio of under 100% for the most part. For corporate market loans in arrears, the loan to value ratio is under 80% for 98% of the volume of the loans. There is a low volume of non-performing loans without evidence of impairment. These loans are well secured, and the loan to value ratio is under 10% for the loan with the highest loan to value ratio.
For non-performing loans with evidence of impairment, the loan loss provisions that have been made have taken into account that the pledged assets do not cover the value of the loans and other costs related to the non-performance. The losses that have been recorded are considered to be sufficient. The bank does not believe that new losses will be forthcoming from these customers at this time. In the event of non-performance the bank will sell the securities or take over the assets if that is most appropriate. In the current portfolio in the parent bank there are two properties that have been taken over. These loans totalled NOK 25 million and are classified as non-performing with evidence of impairment by the parent bank. The provisions that have been made are considered to be sufficient.

RETAIL MARKET

The retail market is largely composed of home mortgages. There are mortgages amounting to about NOK 22 billion with a further amount of almost NOK 2.2 billion in unused credit facilities. Total loans and credit facilities in mortgages are therefore about NOK 24.2 billion.

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

The average weighted loan to value ratio in the Bank Group is about 54%, and 93.5% of housing loans are within a loan to value ratio of 80% and about 97% are within a 90% loan to value ratio. Approximately 58% of housing loans have a loan to value ratio of less than 60% in the Bank Group. The portfolio is considered to have a low credit risk.

There is largely good collateral on non-performing loans without evidence of impairment for retail customers. The average loan to value ratio for these loans is 60%. Housing loans that are part of the volume of non-performing loans total just under NOK 139 million. About NOK 120 million in loans are within a loan to value ratio of 80% , and about NOK 128 million are within a loan to value ratio of 90%. The collateral is also good on mortgages which are between 1 and 90 days past due. Assets pledged as collateral are sold in the retail market. They are not taken over by the bank.

In the credit card portfolio about NOK 151 million has been drawn, and approximately NOK 622 million is available as unused credit facilities. For credit accounts about NOK 116 million has been drawn, and approximately NOK 330 million is available as unused credit facilities.

Commitments per customer group

	2011			
NOK million	**Loans to and due from customers**	**Guarantees [1]**	**Undrawn credit limits**	**Total commitments**
Development of building projects	1,236.3	40.3	18.1	1,294.7
Sale and operation of real estate	7,944.2	299.5	504.8	8,748.6
Service providers	1,383.8	5.3	2.4	1,391.5
Wage-earners	22,586.6	0.1	3,142.1	25,728.9
Other	323.6	2.4	36.2	362.3
Total	33,474.5	347.7	3,703.7	37,525.9
Loan loss provisions on individual loans	-103.4			-103.4
Loan loss provisions on groups of loans	-53.2			-53.2
Total loans to and due from customers	**33,317.9**	**347.7**	**3,703.7**	**37,369.3**

[1] Guarantees include NOK 55 million in undrawn credit limits.

	2010			
NOK million	**Loans to and due from customers**	**Guarantees [1]**	**Undrawn credit limits**	**Total commitments**
Development of building projects	1,152.1	36.0	4.3	1,192.4
Sale and operation of real estate	8,570.7	253.4	569.9	9,394.0
Service providers	1,251.1	7.1	11.1	1.269.2
Wage-earners	23,121.6	1.2	2,845.7	25,968.5
Other	364.6	3.9	42.1	410.6
Total	34,460.1	301.6	3,473.0	38,234.7
Loan loss provisions on individual loans	-173.6			-173.6
Loan loss provisions on groups of loans	-83.9			-83.9
Total loans to and due from customers	**34,202.6**	**301.6**	**3,473.0**	**37,977.2**

[1] Guarantees include NOK 82.7 million in undrawn credit limits.

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 of total commitments per customer group

	2011			
NOK million	**Average volume loans to and due from customers**	**Average volume guarantees**	**Average volume undrawn credit limits**	**Average volume total commitments**
Development of building projects	1,194.2	38.2	11.2	1,243.6
Sale and operation of real estate	8,268.8	276.5	537.4	9,082.7
Service providers	1,317.4	6.2	6.7	1,330.3
Wage-earners	22,854.1	0.7	2,993.9	25,848.7
Other	344.1	3.1	39.2	386.4
Total	**33,978.7**	**324.6**	**3,588.4**	**37,891.7**

NOK million	Average volume loans to and due from customers	Average volume guarantees	Average volume undrawn credit limits	Average volume total commitments
	2010			
Development of building projects	1,294.2	81.6	76.7	1,452.5
Sale and operation of real estate	7,931.6	206.3	345.2	8,483.1
Service providers	1,286.1	4.8	7.3	1,298.2
Wage-earners	24,406.0	1.2	2,820.2	27,227.5
Other	373.8	22.2	35.3	431.2
Total	**35,291.7**	**316.0**	**3,284.8**	**38,892.6**

Given the relatively stable development of the balance sheet, the average of 31 December 2011 and 31 December 2010 is a best estimate for the average of the portfolio.

Commitments per geographical area

2011

NOK million	Loans to and due from customers	Guarantees [1)]	Undrawn credit limits	Total commitments	Non-performing loans without evidence of impairment	Non-performing and loss-exposed loans with evidence of impairment	Gross defaulted and loss-exposed loans	Provisions for individual loan losses	Net defaulted and loss-exposed loans
Eastern Norway	28,094.7	332.2	2,946.0	31,372.8	118.0	149.9	267.9	82.9	185.1
Western Norway	3,266.7	15.2	506.0	3,788.0	26.3	1.0	27.3	1.1	26.2
Southern Norway	396.3	0.0	54.2	450.5	8.1		8.1		8.1
Mid-Norway	934.0		102.5	1,036.5	3.6	0.3	3.9	0.3	3.6
Northern Norway	498.7	0.3	62.6	561.5	1.6		1.6		1.6
Rest of world	284.1		32.4	316.5	1.8	19.6	21.4	19.1	2.3
Total	**33,474.5**	**347.7**	**3,703.7**	**37,525.9**	**159.5**	**170.8**	**330.2**	**103.4**	**226.9**

2010

NOK million	Loans to and due from customers	Guarantees [1)]	Undrawn credit limits	Total commitments	Non-performing loans without evidence of impairment	Non-performing and loss-exposed loans with evidence of impairment	Gross defaulted and loss-exposed loans	Provisions for individual loan losses	Net defaulted and loss-exposed loans
Eastern Norway	28,592.9	301.2	2,769.7	31,663.8	200.4	399.8	600.1	141.3	458.8
Western Norway	3,266.1	0.2	435.1	3,701.3	49.8	10.4	60.2	5.9	54.3
Southern Norway	418.7	0.0	69.8	488.6	0.6		0.6		0.6
Mid-Norway	1,293.8		96.7	1,390.5	5.1	0.3	5.3	0.3	5.1
Northern Norway	584.2	0.3	61.6	646.0	5.3		5.3		5.3
Rest of world	304.5		40.0	344.5	0.4	25.6	26.0	26.1	-0.2
Total	**34,460.1**	**301.6**	**3,473.0**	**38,234.7**	**261.6**	**436.0**	**697.6**	**173.6**	**524.0**

Total engagement amount by remaining term to maturity

		2011		
NOK million	Loans to and due from customers	Guarantees [1]	Undrawn credit limits	Total commitments
Up to 1 month	36.7	0.1	4.5	41.4
1 - 3 months	371.1	0.5	26.0	397.6
3 months - 1 year	1,640.9	3.1	183.9	1,827.9
1 - 5 years	3,876.9	337.8	606.4	4,821.1
More than 5 years	27,548.9	6.1	2,882.9	30,437.9
Total	**33,474.5**	**347.7**	**3,703.7**	**37,525.9**

		2010		
NOK million	Loans to and due from customers	Guarantees [1]	Undrawn credit limits	Total commitments
Up to 1 month	112.0	45.7	21.9	179.6
1 - 3 months	191.7	0.2	15.4	207.3
3 months - 1 year	1,449.4	29.4	300.3	1,779.1
1 - 5 years	5,632.1	226.3	1,306.8	7,165.2
More than 5 years	27,075.0		1,828.5	28,903.5
Total	**34,460.1**	**301.6**	**3,473.0**	**38,234.7**

Age distribution of overdue engagements without impairments

		2011		
NOK million	Loans to and due from customers	Guarantees	Undrawn credit limits	Total commitments
Overdue 1 - 30 days	1,372.3	10.0	0.4	1,382.7
Overdue 31 - 60 days	132.2	0.1	2.1	134.4
Ovedue 61- 90 days	27.4	0.2	4.0	31.7
Overdue more than 90 days	158.5		0.6	159.1
Total	**1,690.5**	**10.3**	**7.0**	**1,707.8**
Engagements overdue more than 90 days by geographical area:				
Eastern Norway	117.4		0.6	118.0
Western Norway	26.1		0.2	26.3
Southern Norway	8.1		0.0	8.1
Mid-Norway	3.6		0.0	3.6
Northern Norway	1.6		0.0	1.6
Rest of world	1.7		0.1	1.8
Total	**158.5**		**1.0**	**159.5**

		2010		
NOK million	Loans to and due from customers	Guarantees	Undrawn credit limits	Total commitments
Overdue 1 - 30 days	600.1		5.0	605.1
Overdue 31 - 60 days	165.2	1.3	1.8	168.2
Ovedue 61- 90 days	21.2		0.1	21.3
Overdue more than 90 days	258.0		3.6	261.6
Total	**1,044.5**	**1.3**	**10.5**	**1,056.3**
Engagements overdue more than 90 days by geographical area:				
Eastern Norway	197.5		2.9	200.4
Western Norway	49.3		0.5	49.8
Southern Norway	0.6		0.0	0.6
Mid-Norway	5.0		0.0	5.1
Northern Norway	5.3		0.0	5.3
Rest of world	0.4		0.0	0.4
Total	**258.0**		**3.6**	**261.6**

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

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

Credit risk per customer group

2011							
NOK million	**Non-performing and loss-exposed loans with evidence of impairment**	**Non-performing loans without evidence of impairment**	**Gross defaulted and loss-exposed loans**	**Total provisions for individual loan losses**	**Net defaulted and loss-exposed loans**	**Total value changes**	**Total value change recognised in the profit and loss account during period**
Development of building projects	1.7		1.7	2.8	-1.1		-7.0
Sale and operation of real estate	68.7	0.4	69.0	44.3	24.7		-4.2
Service providers		0.0	0.0		0.0		-4.4
Wage-earners	80.8	157.3	238.1	36.8	201.3		-47.7
Other	19.6	1.8	21.5	19.5	2.0		-6.9
Total	**170.8**	**159.5**	**330.2**	**103.4**	**226.9**		**-70.2**

2010							
NOK million	**Non-performing and loss-exposed loans with evidence of impairment**	**Non-performing loans without evidence of impairment**	**Gross defaulted and loss-exposed loans**	**Total provisions for individual loan losses**	**Net defaulted and loss-exposed loans**	**Total value changes**	**Total value change recognised in the profit and loss account during period**
Development of building projects	9.4	0.0	9.4	9.8	-0.3		3.2
Sale and operation of real estate	262.1		262.1	48.5	213.6		-4.6
Service providers	4.1	6.5	10.6	4.4	6.2		-4.2
Wage-earners	134.5	254.7	389.2	84.6	304.7		-5.4
Other	25.8	0.4	26.2	26.4	-0.2		2.7
Total	**436.0**	**261.6**	**697.6**	**173.6**	**524.0**		**-8.4**

Repossessed assets

In the event of non-performing loans Storebrand Bank ASA will sell the collateral or repossessed assets if this is most appropriate. The bank has two repossessed assets held as subsidiaries in the Storebrand Bank Group and internal transactions have been eliminated in the normal manner.

Fiancial assets at fair value through profit and loss (FVO)

	Lending to customers		**Liquidity portfolio**	
NOK million	**2011**	**2010**	**2011**	**2010**
Book value	787.7	673.1	2,655.0	3,036.2
Maximum exposure to credit risk	787.7	673.1	2,655.0	3,036.2
Book value of related credit derivatives that reduce credit risk				
This year's change in fair value of financial assets due to change in credi risk				
Accumulated change in fair value of financial assets due to change in credit risk			-1.4	-5.1
This year's change in value of related credit derivatives			4.9	6.3
Accumulated change in value of related credit derivatives				

Lending to customers is measured at fair value based on valuation techniques. The valuation techniques use interest rate curves from Reuters and credit spreads for equivalent new loans as per the end of December.
Financial assets are designated at fair value through the profit and loss account (FVO) the first time they are recognised where another measurement would result in an inconsistency in the profit and loss account.

Financial liabilities at fair value through profit and loss (FVO)

NOK million	2011	2010
Book value	3,496.9	6,034.4
Maximum exposure to credit risk		
Book value of related credit derivatives that reduce credit risk		
The year's change in fair value of liabilities due to changes in credit risk	-1.6	7.3
Difference between book value of liabilities and contractual amount due at maturity	3.8	4.1
Accumulated change in fair value of liabilities due to changes in credit risk	-1.6	7.3
Difference between book value of liabilities and contractual amount due at maturity	3.8	4.1

Credit risk derivatives

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

Credit risk per counterparty

NOK million	AAA Fair value	AA Fair value	A Fair value	BBB Fair value	NIG Fair value	Total 2011 Fair value	Total 2010 Fair value
England							372,1
Norway		36.3	398.4		468.8	903.5	95.0
Sweden			14.7			14.7	243.2
Denmark			2.4			2.4	
Total		**36.3**	**415.5**		**468.8**	**920.6**	**710.2**
Change in value:							
Total change in value on the balance sheet		36.3	415.5		468.8	920.6	710.2
Change in value recognised in the profit and loss during period	-82.3	-48.9	175.3	-302.5	468.8	210.4	-97.2

Equity options, interest rate swaps, basis swaps and forward foreign exchange contracts

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

Note 5 | Liquidity risk

The risk that the Bank Group, the parent bank and subsidiaries are unable to fulfill their obligations without incurring substantial additional expense in the form of low prices for assets that must be realised, or in the form of especially expensive financing.

RISK MANAGEMENT

The risk strategy establishes overall limits for how much liquidity risk the bank group is willing to accept. The liquidity risk policy builds on the strategy and describes the principles for liquidity management and specifies stress testing, minimum liquidity reserves and financial indicators for measuring liquidity risk. In addition to this, the bank's Treasury Department prepares an annual funding strategy and funding plan that set out the overall limits for the bank's funding activities.

Stress tests are used to illustrate the expected effects of various scenarios on the balance sheet and on cash flows. The stress tests are used to evaluate the actual risk capacity against the desired willingness to accept risk. The bank prepares a contingency plan annually to safeguard effective management of the liquidity situation during stressful periods.

The treasury function in the bank's Capital Market Products Department is responsible for the bank's liquidity management, and Middle Office in the Risk Management unit monitors and reports on the utilisation of limits pursuant to the liquidity strategy and policy.

RISK MANAGEMENT

The means of controlling liquidity risk include monthly reports of the liquidity indicators and monitoring developments in the bank's maturity profile. Both of these activities are included in the administration's ongoing reporting to the Board through the risk reports and the CEO's business briefings. The risk strategy and liquidity policy specify which liquidity indicators are followed. Middle Office performs checks on trades undertaken by Treasury to ensure conformance with the applicable policies.

Non-discounted cash flows - financial liabilties

NOK million	0-6 months	6-12 months	1-3 years	3-5 years	More than 5 years	Total	Book value
Liabilities to credit institutions	1,483.6	416.6	4,319.0			6,219.3	6,015.8
Deposits from and due to customers	18,485.5					18,485.5	18,485.5
Commercial papers and bonds issued	1,719.7	473.4	3.807.5	6,327.7	1,241.8	13,570.2	10,082.8
Other liabilities	501.8					501.8	501.8
Subordinated loan capital	259.4	162.8	465.7	1.6	74.4	964.0	692.3
Undrawn credit limits	3,748.6					3.748.6	
Lending commitments	1,408.5					1.408.5	
Total financial liabilities 2011	**27,607.2**	**1,052.9**	**8,592.2**	**6,329.3**	**1,316.2**	**44,897.8**	**35,778.2**
Derivatives related to funding 31.12.11	**-102.3**	**-11.3**	**-268.3**	**-130.2**	**-54.7**	**-220.5**	**192.9**
Total financial liabilities 2010	25,062.6	2,987.9	8,216.6	4,848.1	1,050.5	42,165.7	36,633.1

The amounts includes accrued interests.

The overview of non-discounted cash flows includes interest. Implicit forward interest rates based on the yield curve on 31 December 2011 are used to calculate interest costs for lending with FRN conditions. The maturity profile was set up using the PortWin risk management system.
The call date is used as the maturity date on borrowing which has a call date.

Specification of subordinated loan capital

NOK million

ISIN code	Issuer	Net nominal value	Currency	Interest	Call-date	Book value
Dated subordinated loan capital						
NO0010036427	Storebrand Bank ASA	250.0	NOK	Floating	08.05.2012	251.4
NO0010040278	Storebrand Bank ASA	150.0	NOK	Floating	19.12.2012	150.1
Other subordinated loan capital						
NO00177116	Storebrand Bank ASA	9.3	NOK	Fixed	perpetual	9.3
Tier 1 hybrid capital						
NO0010024206	Storebrand Bank ASA	107.0	NOK	Fixed	29.10.2014	112.7
NO0010024207	Storebrand Bank ASA	168.0	NOK	Floating	29.10.2014	168.8
Total subordinated loan capital 2011						**692.3**
Total subordinated loan capital 2010						790.1

Specification of liabilites to credit institutions

NOK million	2011	2010
Total liabilites to credit institutions without fixed maturity at amortised cost	**5.1**	**5.4**
F-loan:		
Maturity 2011		500.0
Maturity 2012	1,413.1	1,012.1
Loan with floating interest rate:		
Maturity 2011		78.1
Maturity 2012	350.0	350.0
Maturity 2013	750.0	250.0
Accrued expenses	0.8	1.2
Total liabilities to credit institutions with fixed maturity at amortised cost	**2,513.9**	**2,191.4**
Borrowings under the Norwegian Government's Swap scheme:		
Maturity 2011		2,365.1
Maturity 2013	2,508.4	2,500.4
Maturity 2014	988.4	990.4
Total liabilities to credit institutions with fixed maturity at fair value (FVO)	**3,496.9**	**5,855.9**
Total liabilities to credit institutions	**6,015.8**	**8,052.7**

As per 31 December 2011, Storebrand Bank ASA had only one current credit facility. A NOK 750 million Revolving Credit Facility was signed in October 2010. The credit facility agreement for NOK 750 million contains certain special covenants.
In 2011, Storebrand Bank ASA fulfilled all the terms and conditions of the agreement.

SPECIFICATION OF COMMERCIAL PAPERS AND BONDS ISSUED

NOK million

ISIN code	Issuer	Net nominal value	Currency	Interest	Maturity	Book value
Commercial papers						
NO001063070	Storebrand Bank ASA	500,0	NOK	Fast	20.06.2012	501.4
Total commercial papers						**501.4**
Bond loans						
NO001054848	Storebrand Bank ASA	500,0	SEK	Floating	26.01.2012	438.2
NO001049263	Storebrand Bank ASA	520,5	NOK	Floating	20.02.2012	522.9
NO001045553	Storebrand Bank ASA	327,0	NOK	Fixed	03.09.2012	338.0
NO001059077	Storebrand Bank ASA	500,0	NOK	Floating	10.05.2013	502.8
NO001047340	Storebrand Bank ASA	408,0	NOK	Floating	21.11.2013	415.0
NO001050777	Storebrand Bank ASA	648,0	NOK	Floating	30.04.2014	659.1
NO001059982	Storebrand Bank ASA	400,0	NOK	Floating	11.08.2014	401.9
NO001043982	Storebrand Bank ASA	310,0	NOK	Fixed	04.06.2015	344.8
NO001051323	Storebrand Bank ASA	300,0	NOK	Fixed	25.05.2016	324.6
Total bond loans						**3,947.4**
Covered bonds						
NO0010466071	Storebrand Boligkreditt AS	1,250	NOK	Fixed	24.04.2014	1,370.6
NO0010428584	Storebrand Boligkreditt AS	1,000	NOK	Fixed	06.05.2015	1,121.2
NO0010575913	Storebrand Boligkreditt AS	515	NOK	Floating	03.06.2016	516.5
NO0010612294	Storebrand Boligkreditt AS	1,535	NOK	Floating	15.06.2016	1,530.9
NO0010548373	Storebrand Boligkreditt AS	1,000	NOK	Fixed	28.10.2019	1,094.8
Total covered bonds						**5,634.0**
Total commercial papers and bonds issued 2011						**10,082.8**
Total commercial papers and bonds issued 2010						8,725.3

The loan agreements contain standard covenants.
Storebrand Bank ASA, Storebrand Boligkreditt AS and Storebrand Eiendomskreditt AS were in compliance with all relevants covenants in 2011.
Under the loan programme in Storebrand Boligkreditt AS the company's overcollateralisation requirement was 109.5 percent fulfilled.

Note 6 | Market risk

The risk of losses on open positions in financial instruments due to changes in market variables and/or market conditions within a pecified time horizon. Covers counter-party risk in financial instruments trading, as well as stock market risk, interest rate risk and exchange rate risk.

RISK STRATEGY

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

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

The exposure limits are reviewed and renewed by the Board at least annually. The sizes of these limits are set on the basis of stress tests and analyses of market movements, as well as risk capacity and willingness.

RISK MANAGEMENT

Middle Office in the Risk Management unit is responsible for the ongoing, independent monitoring of market risk. The means of controlling market risk include monthly reports of the market risk indicators. The market risk indicators that are followed are specified in the risk strategy, interest rate risk policy and currency risk policy. Monthly reports for the individual portfolios are produced for the bank's balance sheet management committee and the bank's 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 2011:

Effect on income

NOK million	**Amount**
Interest rate -1.5%	-25.3
Interest rate +1.5%	25.3

Effect on net profit/equity [1)]

NOK million	**Amount**
Interest rate -1.5%	-25.3
Interest rate +1.5%	25.3

[1)] Before taxes

The note presents the accounting effect over a 12 month period of an immediate parallel change in interest rates of +1.5% and -1.5% respectively. It has taken into account the one-time effect that such an immediate change in interest rates would have on the items recognised at fair value and the value of hedging, and the effect that the change in interest rates would have on the net profit for the remaining duration of the interest rate before the change in interest rates has an effect on income and expenses. The sensitivity analysis has been performed using the risk management system PortWin. Items that would be affected by the one-time effect and are recorded at fair value are the investment portfolio, fixed interest rate loans, borrowing via the swap scheme with the government, deposits with returns linked to the stock market and derivatives. Items that would be affected by the one-time effects and which are recorded using hedging accounting are fixed interest rate loans.

See also note 28 regarding foreign exchange risk.

NOTE 7 | Operational risk

Operational risk: The risk of financial loss due to ineffective, inadequate or fail internal processes or systems, human error, external events or failure to comply witn internal guidelines. Breach of laws and regulations can obstruct the Group from achieving its objectives and this part of compliance risk is included in operational risk.

RISK MANAGEMENT

Operational risk management and compliance with laws, regulations and internal rules are an integral part of the management responsibilities of all managers in the Storebrand Group. Risk assessments and internal control reporting are linked to a unit's ability to achieve its goals. Risk assessments are continually recorded and documented in Easy Risk Manager (ERM, a risk management system supplied by Det Norske Veritas).
The Business Management Department in Storebrand has the responsibility for coordinating the risk assessment process and owns the ERM system. The governing structure for operational risk management follows the group organisation (the corporate governance model).
Operational risk in Storebrand Bank is governed through an operational risk policy. The Risk Management unit is responsible for monitoring operational risk in the bank.
The compliance manager at Storebrand Bank shall be able to extract risks that are defined as being high with regard to breaching external or internal regulations from ERM.

RISK MANAGEMENT

If the risk assessment requires the implementation of planned improvement measures, the measures must be documented and reported via ERM. Routines for any spot checks or other forms of regular quality control and the results from these must also be documented.
The work on operational risk is documented in an internal control status report that is considered by the bank's Board.
Middle Office in the Risk Management unit carries out numerous checks and reconciliations in conjunction with monthly, quarterly and annual financial statements in order to check and reduce operational risk. In addition to this, the bank's compliance officer, financial crime unit and internal auditor carry out spot checks in a number of the bank's most important work processes. The results of these are reported to the bank's management team and the Board.

Compliance risk: The risk that the Group incurs public sanctions or financial losses due to failure to comply with external and internal regulations.

RISK MANAGEMENT

The compliance risk in Storebrand Bank is managed through routines for the bank's compliance manager. Furthermore, the compliance risk is governed through the compliance manager's processes which include:

- Maintaining an overview of the applicable laws and regulations at all times, and how the division of responsibilities for ensuring compliance is assigned within the organisation.
- Monitoring that the company complies with its commitments under the Securities Trading Act and accompanying regulations and other requirements.
- Regularly assessing the company's routines and guidelines, in regard to the company's risk profile.
- Functioning as an internal adviser to employees on questions relating to compliance.

The compliance manager participates in the Group's compliance working group which meets on a regular basis to exchange information, discuss common current problems and prepare common routines.

RISK MANAGEMENT

The compliance manager is responsible for keeping and updating the compliance journal in accordance with special routines and carrying out ongoing spot checks pursuant to compliance with own account trading regulations, Mifid and similar. In order to be able to identify problem areas by gaining a complete overview of problems that arise internally, the bank has implemented routines for continuously reporting incidents to the compliance manager, who is responsible for inputting the reported incidents into a separate event journal. Reported incidents are reviewed and considered by the compliance forum in the bank. The event journal provides the operational risk with a good basis for evaluating/implementing measures to reduce the unit's operational risk.

NOTE 8 | Valuation of financial instruments at fair value

Specification of financial assets at fair value

NOK million	Quoted prices	Observable assumptions	Non-observable assumptions	Book value 31.12.2011	Book value 31.12.2010
Equities and units		5.2		5.2	5.1
Lending to customers		787.7		787.7	673.1
Sovereign and Government Guaranteed bonds					903.6
Credit bonds		564.1		564.1	440.0
Mortage and asset backed bonds	50.0	2,040.9		2,090.9	1,692.7
Total bonds	50.0	2,605.0	0.0	2,655.0	3,036.2
Interest rate derivatives		423.3		423.3	342.5
Currency derivatives		-2.9		-2.9	-3.9
Total derivatives	0.0	420.4	0.0	420.4	338.7
Derivatives with a positive fair value		920.6		920.6	710.2
Derivatives with a negative fair value		-500.2		-500.2	-371.5

Changes between quoted prices and observable assumptions

NOK million	From quoted prices to observable assumptions	From observable assumptions to quoted prices
Equities and units		
Bonds and other fixed-income securities		
Derivatives		
Liabilities		

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

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

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

The Storebrand Group categorises financial instruments that are valued at fair value into three different levels which are described in more detail below. The levels express the differing degrees of liquidity and different measurement methods used.

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

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

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

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

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

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

Note 9 | Segment reporting

Analysis of profit and loss account by segment:

	Corporate		Retail		Treasury/other		Total	
NOK million	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Profit and loss items:								
Net external interest income	216.0	195.9	255.0	275.0	-28.0	-14.0	443.0	456.9
Net internal interest income								
Net interest income	**216.0**	**195.9**	**255.0**	**275.0**	**-28.0**	**-14.0**	**443.0**	**456.9**
Net external fee and commission income	15.3	16.5	57.9	59.5	-0.2	-2.3	73.0	73.7
Net internal fee and commission income								
Net fee and commission income	**15.3**	**16.5**	**57.9**	**59.5**	**-0.2**	**-2.3**	**73.0**	**73.7**
Other external operating income	33.2	21.4	3.4	2.9	-4.6	-12.2	32.0	12.2
Other internal operating income								
Total other operating income	**33.2**	**21.4**	**3.4**	**2.9**	**-4.6**	**-12.2**	**32.0**	**12.2**
Operating costs	-125.6	-127.8	-234.3	-237.1	-7.8	-14.5	-367.7	-379.4
Losses real estate at fair value, assets repossessed					-3.9	-14.1	-3.9	-14.1
Total operating costs	**-125.6**	**-127.8**	**-234.3**	**-237.1**	**-11.7**	**-28.6**	**-371.6**	**-393.5**
Operating profit before loan losses	138.9	106.0	82.0	100.3	-44.5	-57.1	176.4	149.2
Loan losses	-2.9	-20.4	5.7	-12.2	11.1	18.1	13.9	-14.5
Ordinary profit from continuing operations	**136.0**	**85.6**	**87.7**	**88.1**	**-33.5**	**-39.0**	**190.2**	**134.7**
Ordinary profit from businesses sold/ discontinued operations	**0.0**	**0.0**	**0.0**	**0.0**	**-59.8**	**-5.4**	**-59.8**	**-5.4**
Balance sheet items:								
Gross lending	11,184.1	12,000.2	22,028.8	22,498.8	261.6	-38.9	33,474.5	34,460.1
Loan loss provisions	-142.0	-180.0	-28.5	-91.4	13.9	13.9	-156.6	-257.5
Net customer lending	**11,042.1**	**11,820.2**	**22,000.3**	**22,407.4**	**275.5**	**-25.0**	**33,317.9**	**34,202.6**
Other assets					5,399.8	5,168.3	5,399.8	5,168.3
Total assets	**11,042.1**	**11,820.2**	**22,000.3**	**22,407.4**	**5,675.3**	**5,143.3**	**38,717.7**	**39,370.9**
Deposits from and due to customers	6,961.9	7,323.5	10,854.5	11,350.8	669.1	133.3	18,485.5	18,807.6
Other liabilities	2,971.0	3,304.7	10,151.2	10,039.0	4,805.1	4,959.0	17,927.4	18,302.7
Equity	1,109.1	1,192.0	994.6	1,017.6	201.1	51.0	2,304.8	2,260.6
Total liabilities and equity	**11,042.1**	**11,820.2**	**22,000.3**	**22,407.4**	**5,675.3**	**5,143.3**	**38,717.7**	**39,370.9**
Key figures:								
Cost/income ratio	47.%	55.%	74.%	70.%	-36.%	-100.%	67.%	70.%
Deposits from customers as% of gross lending	62.%	61.%	49.%	50.%	256.%	-343.%	55.%	55.%
Total level of provisioning		66.%		25.%			48.%	37.%

Description of the segments:

The bank's segment reporting has been changed with effect from the fourth quarter of 2011, and is no longer directly comparable with figures presented in prior reports. The comparable figures in the notes have been restated. The bank now reports for two segments: the Corporate market and the Retail market.

Corporate market: The segment includes corporate customers' deposits and loans, mainly property owners and developers, as well as commercial estate agency for corporate customers (Hadrian Eiendom AS). Changes in the value of acquired assets that are presented in the income statement as a separate line item, are shown in the segment note on the losses line, reflecting the accounting treatment internally. The reclassification is presented under the "Treasury/other" segment. Stockbroking, corporate business and other capital market business for customers within the bank's corporate market segment are presented under the

"Corporate market" segment. The subsidiaries Hadrian Eiendom AS and Hadrian Utvikling AS are also included in this area. The bank holds an ownership interest of 100% and 96.09% respectively at the end of 2011.

Retail market: Deposits from and loans to retail market customers, including credit cards. Loans comprise primarily home mortgages. The segment includes loans in Storebrand Boligkreditt AS. The bank's 50 per cent ownership interest in Storebrand Baltic UAB in Lithuania is included in the segment "Retail market". The ownership interest is classified as an associated company from 1 January 2011.
Stockbroking, corporate business and other capital market business for customers within the bank's retail market segment are presented under the "Retail market" segment.
The bank's entire estate agency business is being wound up, and the results are presented on the line for discontinued operations and is not included in the segment note.

The allocation of income and expenses that are not directly attributable has been made on the basis of assumed resource use. The elimination of double entries principally applies to customer businesses that relate to more than one category. The effects of financial risk management and the liquidity portfolio have not been allocated to the business areas and are reported under "Treasury/other".

NOTE 10 | Net income from financial instruments

NOK million	**2011**	**2010**
Net interest income		
Interest and other income on loans to and deposits with credit institutions	21.5	19.9
Interest and other income on loans to and due from customers	1,394.0	1,391.5
Interest on commercial paper, bonds and other interest-bearing securities	115.3	106.0
Other interest income and related income	6.1	8.1
Total interest income *)	**1,536.9**	**1,525.4**
Interest and other expenses on debt to credit institutions	-225.2	-287.8
Interest and other expenses on deposits from and due to customers	-475.4	-451.5
Interest and other expenses on securities issued	-329.0	-267.1
Interest and expenses on subordinated loan capital	-39.5	-31.8
Other interest expenses and related expenses	-24.7	-30.3
Total interest expenses **)	**-1,093.9**	**-1,068.5**
Net interest income	**443.0**	**456.9**
*) Of which total interest income on financial assets that are not at fair value through the profit and loss account	1,150.7	1,380.9
**) Of which total interest expenses on financial liabilities that are not at fair value through the profit and loss account	-922.9	-848.2

Interest expense and changes in value of issued funding at FVO:	**2011**	**2010**
Interest expense issued funding at FVO	-171.3	-220.4
Changes in value of issued funding at FVO	-7.9	-7.3
Net expense issued funding at FVO	**-179.2**	**-227.7**

Net income and gains from financial assets and liabilities at fair value:	2011	2010
Equity instruments		
Dividends received from equity investments	0.1	0.3
Net gains/losses on realisation of equity investments		-0.1
Net change in fair value of equity investments	0.2	0.1
Total equity instruments	**0.3**	**0.3**
Commercial papers and bonds		
Realised gain/loss on commercial papers and bonds	1.6	-0.9
Unrealised gain/loss on commercial papers and bonds	-1.4	-4.7
Total gain/loss on commercial papers and bonds	**0.2**	**-5.5**
Financial derivatives		
Realised gain/loss on financial derivatives, held for trading	-57.3	-10.7
Unrealised gain/loss on financial derivatives, held for trading	58.7	4.7
Total financial derivatives	1.4	-6.0
Net income and gains from financial assets and liabilities at fair value	**2.0**	**-11.2**
Net gain/loss on financial assets at fair value through the profit and loss account:		
Financial assets designated at fair value upon initial recognition	17.6	-11.7
Financial assets classified as held for trading	-21.1	8.2
Changes in fair value of assets due to changes in credit risk	4.9	6.3
Net gain/loss on financial liabilities at fair value through the profit and loss account:		
Financial liabilities designated at fair value upon initial recognition	-7.9	-7.3
Financial liabilities classified as held for trading		

Note 11 | Net commission income

NOK million	2011	2010
Fees related to banking operations	53.8	51.3
Commissions from sale of group products	1.5	0.8
Commissions from saving products	26.3	25.5
Commissions from stockbroking	4.9	5.1
Fees from loans	4.7	6.4
Other fees and commissions receivable	0.4	2.3
Total fees and commissions receivable *)	**91.5**	**91.5**
Fees and commssisions payable relating to banking operations	-13.2	-13.5
Commissions payable on saving products	-4.9	-3.5
Commissions payable on stockbroking	-0.4	-0.7
Other fees and commissions payable		-0.1
Total fees and commissions payable **)	**-18.5**	**-17.8**
Net commission income	**73.0**	**73.7**
*) *Of which total fees and commission income on book value of financial assets and liabilities that are not at fair value through the profit and loss account*	*58.4*	*55.1*
**) *Of which total fees and commission expense on book value of financial assets and liabilities that are not at fair value through the profit and loss account*	*-13.2*	*-13.5*

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

Note 12 | Other income

NOK million	2011	2010
Income from real estate broking corporate	16.9	13.8
Income from other capital market products	0.1	1.9
Gain on sale of real estate	3.5	3.5
Other income	8.7	5.4
Total other income	**29.1**	**24.6**

NOTE 13 | Remuneration paid to auditors

Remuneration excluding value added tax:

NOK 1000	**2011**	**2010**
Statutory audit	1,172	1,465
Other reporting duties	403	564
Taxation advice	10	29
Other non-audit services	242	159
Total	**1,827**	**2,217**
Of which remuneration to Deloitte AS (excl. VAT):		
Statutory audit	1,172	1,461
Other reporting duties	403	564
Taxation advice	10	29
Other non-audit services	242	159
Total	**1,827**	**2,213**

NOTE 14 | Operating expenses

NOK million	**2011**	**2010**
Ordinary wages and salaries	81.2	102.8
Employer's social security contributions	13.4	18.0
Other staff expenses	13.5	16.1
Pension cost (see note 15) [1]	22.0	18.1
Total staff expenses	**130.1**	**155.0**
IT costs	78.3	80.2
Printing, postage etc.	3.6	4.3
Travel, entertainment, courses, meetings	2.4	3.0
Other sales and marketing costs	1.1	1.2
Total general administration expenses	**85.4**	**88.8**
Depreciation fixed assets and intangible assets (see note 32 and 33)	26.4	31.4
Contract personnel	10.6	6.5
Operating expenses on rented premises	13.4	15.7
Inter-company charges for services [2]	71.7	43.4
Other operating expenses	30.2	38.6
Total other operating expenses	**152.2**	**135.6**
Total operating expenses	**367.6**	**379.4**

[1] Pension costs include NOK 0.2 million recognized by subsidiaries that operate defined contribution pension schemes.
[2] Services purchased from the group contain costs relating to bank production, IT services, joint administrative functions, financial and legal services, marketing activities, HR and skills development, purchasing, information services and savings advice.

NOTE 15 | Pensions

The employees in Storebrand in Norway have both defined contribution and defined benefit pension schemes that are established in Storebrand Livsforsikring AS, but the group is not a member of the contractual pension scheme (AFP). From 1 January 2011 the defined benefit scheme was closed to new members. At the same date a defined contribution pension scheme was established. The defined contribution based scheme applies to all new employees from 1 January 2011 and to those who chose to transfer from a defined benefit to a defined contribution pension arrangement. For the defined contribution based scheme, the cost is equal to the employee's pension savings contribution during the period, which totals 5 per cent annually of the contribution basis between 1 and 6 G (G = the National Insurance scheme's basic amount which was NOK 79,216 as of 31 December 2011), and 8 per cent of the contribution basis between 6 and 12 G. The contributions are deposited in the employees' pension accounts each month. The future pension depends upon the amount of the contributions and the return on pension savings.

The employees who are members of the defined benefit pension scheme are secured a pension of about 70 per cent of pensionable salary at the time of retirement. Full pension entitlement is reached after 30 years of membership in the pension scheme. The cost for the period shows the employees' accrued future pension entitlements during the financial year. From 1 July 2011 the retirement age is 67 years old. Nonetheless employees are given the right to retire at 65 years old and receive a pension from Storebrand until they reach 67 years old.

The pension for employees aged between 65 and 67 years old and pensions linked to salaries over 12 G are paid out directly from the companies and apply to both members of the defined contribution scheme and the defined benefit scheme. A guarantee has been granted for earned pensions on salaries over 12 G for employees retiring before the age of 65. The pension conditions are determined by the pension regulations. Storebrand is obliged to have an occupational pension scheme pursuant to the Act relating to mandatory occupational pensions. The company's pension scheme satisfies the requirements of the Act.

Reconciliation of pension assets and liabilites in the balance sheet:

NOK million	2011	2010
Present value of insured pension liability	147.5	142.1
Pension assets at fair value	-92.4	-90.5
Net pension liability/surplus for the insured schemes	55.0	51.6
Present value of uninsured pension liability	48.7	50.4
Net pension liabilities in the balance sheet	**103.7**	**102.0**

Includes employer's NI contributions on net underfunded liabilities.

Experience adjustments applied to equity

NOK million	2011	2010
Year's change in experience adjustments included in equity after tax	2.8	-13.6
Accumulated experience adjustments included in equity	20.3	17.5

Changes in the net defined benefits pension liabilities in the period

NOK million	2011	2010
Net pension liability at 01.01. incl. provision for employer's NI contribution	192.5	161.9
Net pension cost recognised in the period incl. provision for employer's NI contribution	19.2	17.5
Interest on pension liabilities	7.5	6.9
Experience adjustments	-16.8	12.4
Gain/loss of curtailment	-1.6	
Pension paid	-2.8	-4.7
Reversed employer's NI contribution	-1.8	-1.6
Net pension liability at 31.12.	**196.2**	**192.5**

Change in the fair value of pension assets

NOK million	2011	2010
Pension assets at fair value at 01.01.	90.5	82.4
Expected return	4.3	4.6
Experience adjustments	-13.0	-6.5
Gain/loss of curtailment	-0.6	
Premium paid	12.8	11.5
Pensions paid	-1.6	-1.5
Net pension assets at 31.12.	**92.4**	**90.5**

Expected premium payments (pension assets) in 2012: NOK 11.6 million.

Pension assets are based on the financial assets held by Storebrand Livsforsikring composed as of 31.12.	2011	2010
Properties and real estate	17%	16%
Bonds at amortised cost	38%	26%
Secured and other lending	2%	2%
Equities and units	22%	22%
Bonds	14%	24%
Commercial papers	6%	9%
Other short-term financial assets	1%	1%
Total	**100%**	**100%**

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

The book (realised) return on the assets was 4.5% in 2011, 4.7% in 2010 and 5.0% in 2009.

Net pension cost booked to the profit and loss account specified as follows:

NOK million	2011	2010
Payment to defined contribution pension scheme in the period	0.6	0.2
Current service cost including employer's NI contributions	19.2	17.5
Interest on pension liabilities	7.5	6.9
Expected return on pension assets	-4.3	-4.6
Gain/loss of curtailment	-1.0	
Correction for pension cost included earlier years		-1.9
Net pension cost booked to profit and loss account in the period	**22.0**	**18.1**

Net pension cost includes national insurance contributions and is included in operating expenses. See note 14.

Main assumptions used when calculating net pension liability at 31.12:

NOK million	31.12.2011	31.12.2010
Discount rate	3.1%	4.0%
Expected return on pension fund assets in the period	4.6%	4.9%
Expected earnings growth	3.6%	3.9%
Expected annual increase in social security pensions	3.8%	3.8%
Expected annual increase in pensions payment	1.5%	2.0%
Disability table	KU	KU
Mortality table	K2005	K2005

Financial assumptions:

The financial assumptions have been determined on the basis of the regulations in IAS 19. Long term assumptions such as future inflation, real interest rates and real wage growth are particularly subject to a high degree of uncertainty. As Norway does not have a deep and active market for high quality corporate bonds, IAS 19 requires that the interest rate on government bonds be used as the discount rate. Moreover, IAS 19 does not specify the need for a deep and active market for government bonds in order to use this interest rate as the discount rate. Specific company conditions including expected direct wage growth are taken into account when determining the financial assumptions.

Actuarial assumptions:

In Norway, standardised assumptions on rates of mortality and disability as well as other demographic factors are prepared by Finance Norway. The mortality table K2005 is being used until new common mortality rates for the industry are adopted and can provide a basis for more accurate calculations. The average employee turnover rate is 2-3 per cent of the entire workforce as a whole and includes an assumption of reduced rates of turnover with increasing age.

Net pension liability at 31.12.

NOK million	2011	2010	2009	2008	2007
Discounted current value of defined benefit pension liabilities	196.2	192.5	161.9	154.2	147.6
Fair value of pension assets	92.4	90.5	82.4	74.0	78.1
Deficit (surplus)	103.7	102.0	79.5	80.1	69.5
Fact based adjustments liabilities	32.1	-6.4	-4.6	-23.7	
Fact based adjustments pension assets	-13.0	6.5	-3.8	-16.4	

Sensitivity analysis pension calculations	2011	
Change in discount rate	1%	-1%
Percentagewise change in pension:		
Pension liabilities	29%	-21%
The period's net pension costs	26%	-19%

The pension liabilities are not sensitive to changes in the discount rate. A reduction in the discount rate seen in isolation would result in anincrease in the pension liabilities.

NOTE 16 | Loan losses

NOK million	2011	2010
Change in loan loss provisions on individual loans for the period	70.3	8.4
Change in loan loss provisions on groups of loans for the period	30.7	23.3
Other corrections to loan loss provisions	-2.8	-2.4
Realised losses in period on commitments specifically provided for previously		
Realised losses on commitments not specifically provided for previously	-95.2	-47.3
Recoveries on previously realised losses	-6.7	-1.1
Loan losses for the period	17.7	4.7
Periodens nedskrivninger på utlån og garantier	**13.9**	**-14.5**
Interest recognised to the profit and loss account on loans subject to loan loss provisions	4.6	12.1

NOTE 17 | Tax

Tax charge for the year

NOK million	2011	2010
Tax payable for the period	-10.0	-24.6
Changes in deferred tax/deferred tax asset	-21.4	-66.5
Total tax cost	**-31.5**	**-91.1**

Reconciliation of expected and actual tax charge

NOK million	2011	2010
Ordinary pre-tax profit	190.2	134.7
Expected tax on income at nominal rate	-53.3	-37.7
Tax effect of:		
Realised shares/structured bonds	2.4	
Associated companies	10.0	
Permanent differences	-2.1	6.6
Reversal of recognised provision for group contribution between parent bank and it's subsidiaries		-40.0
Changes earlier years	11.4	-19.9
Tax charge	**-31.5**	**-91.1**
Tax payable	-10.0	-24.6
- tax effect of group contribution paid		
Tax payable in the balance sheet (see note 42)	**-10.0**	**-24.6**

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

NOK million	2011	2010
Tax increasing timing differences		
Operating assets	37.3	35.6
Financial instruments	46.0	51.0
Other	0.2	0.1
Total tax increasing timing differences	**83.5**	**86.7**
Tax reducing timing differences		
Pensions	-103.7	-102.0
Provisions	-3.9	-9.3
Other	-8.5	
Total tax reducing timing differences	**-116.1**	**-111.3**
Losses/allowances carried forward	-70.1	-245.4
Net base for deferred tax/tax assets	-102.7	-270.0
Write-down of deferred tax asset	73.8	23.7
Net base for deferred tax and deferred tax asset	-28.9	-246.2
Net deferred asset/liability in the balance sheet	**8.1**	**68.9**

Analysis of tax payable and deferred tax applied directly to equity:	2011	2010
Pension experience adjustments	-1.1	5.3
Total	**-1.1**	**5.3**

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

Note 18 | Classification of financial assets

NOK million	Loans and receivables	Fair value, trading	Fair value, FVO	Liabilities at amortised cost	Total
Financial assets					
Cash and deposits with central banks	508.4				508.4
Loans to and deposits with credit institutions	268.6				268.6
Equity instruments			5.2		5.2
Bonds and other fixed-income securities	651.2		2,655.0		3,306.2
Derivatives		920.6			920.6
Lending to customers	32,530.2		787.7		33,317.9
Other assets	210.3				210.3
Total financial assets 2011	**34,168.8**	**920.6**	**3,447.9**	**0.0**	**38,537.3**
Total financial assets 2010	34,655.6	710.2	3,714.4	0.0	39,080.2
Financial liabilities					
Deposits from and due to credit institutions			3,496.9	2,518.9	6,015.8
Deposits from and due to customers				18,485.5	18,485.5
Commercial papers and bonds issued				10,082.8	10,082.8
Derivatives		500.2			500.2
Other liabilities				501.8	501.8
Subordinated loan capital				692.3	692.3
Total financial liabilities 2011	**0.0**	**500.2**	**3,496.9**	**32,281.3**	**36,278.4**
Total financial liabilities 2010		371.5	6,034.4	30,598.6	37,004.6

Note 19 | Fair value of financial assets and liabilities at amortised cost

	2011		2010	
NOK million	Book value	Fair value	Book value	Fair value
Assets				
Loans and receivables:				
Bonds, amortised cost	651.2	649.8		
Loans to and deposits with credit institutions, amortised cost	268.6	268.6	673.4	672.1
Lending to customers, amortised cost	32,686.8	32,471.1	33,787.0	33,567.5
Liabilities				
Deposits from and due to credit institutions, amortised cost	2,518.9	2,514.0	2,196.8	2,687.2
Deposits from and due to customers, amortised cost	18,485.5	18,485.5	18,629.0	18,629.0
Commercial papers and bonds issued, amortised cost	10,082.8	9,824.3	8,725.3	8,785.6
Subordinated loan capital, amortised cost	692.3	685.4	790.1	772.4

The fair value of lending to customers subject to variable interest rates is stated as book value. However, the fair value of lending to corporate customers with margin loans is slightly lower than book value since some loans have lower margins than they would have had had they been taken out at year-end 2010. The shortfall is calculated using a discounted difference between the agreed margin and the current market price over the remaining term to maturity. Fair value is also adjusted for individual loan loss provisions. The fair values of lending, liabilities to financial institutions and securities issued are based on valuation techniques. The valuation techniques use interest rate curves and credit spreads from external providers with exception of lending which are assessed to spreads on new loans correspondingly. The calculations are made using the PortWin risk management system.

NOTE 20 | Cash and deposits with central banks

NOK million	2011 Book value	2010 Book value
Cash	2.5	2.1
Deposits with central banks at amortised cost, loans and receivables	506.0	162.6
Total cash and deposits with central banks	**508.4**	**164.7**

NOTE 21 | Balances held for customers and liability to customers

NOK million	2011 Book value	2010 Book value
Balances held for customers	40.1	54.5
Liability to customers	37.5	54.5
Over/under cover	**2.5**	**0.0**

Balances held for customers and liability to customers arise in respect of the activitiy of Hadrian Eiendom AS, which is authorised to operate as real estate brokers. Insufficient/ excess funds are included in the item 'Other current assets'. See also note 35.
Companies with balances held for customers and liabilities to customers within Ring Eiendomsmegling are not included in the note as Ring Eiendomsmegling are reported on seperate items in the accounts. See also note 49.

NOTE 22 | Loans to and deposits with credit institutions

NOK million	2011 Book value	2010 Book value
Total loans to and deposits with credit institutions without fixed maturity at amortised cost	268.6	673.4
Total loans to and deposits with credit institutions at amortised cost	**268.6**	**673.4**

NOTE 23 | Shares and other equity instruments

NOK million	Ownership interest	2011 Fair value	2010 Fair value
Storebrand Institusjonelle Investor ASA	5,15%	1.1	0.9
Visa Inc. A-shares		0.5	0.4
Skjærhallen Brygge AS	3,13%	3.4	3.4
Other		0.2	0.3
Total		**5.2**	**5.1**
Of which			
Listed shares			
Unlisted shares		5.2	5.1

Shares and other equity instruments are classified as financial assets at fair value through the profit and loss account.

NOTE 24 | Investments in associated companies and joint ventures

Associated companies

Main accounting figures for associated companies - figures shown are the Storebrand Bank Group share.

NOK million	2011	2010
Revenue:		
Seilduksgaten 25/31 AS		1.3
Storebrand Baltic UAB	12.1	
Profit & Loss:		
Seilduksgaten 25/31 AS		-1.3
Storebrand Baltic UAB	0.9	
Assets:		
Seilduksgaten 25/31 AS		15.1
Storebrand Baltic UAB	3.5	
Liabilities:		
Seilduksgaten 25/31 AS		18.7
Storebrand Baltic UAB	0.8	

Investments in associated companies are accounted for on the equity method. Seilduksgaten 25/31 AS have been sold in 2011.
Storebrand Baltic UAB have been reclassified from a joining venture to an associated company from 1 January 2011.

Ownership interests in associated companies

NOK million	Ownership interest	Acquisition cost	Book value at 01.01	Additions/ disposals	Share in profit	Book value at 31.12
Seilduksgaten 25/31 AS	50%	27.1	24.6	-24.6		0.0
Storebrand Baltic UAB	50%	0.5		1.9	0.9	2.8
Total		**27.6**	**24.6**	**-22.7**	**0.9**	**2.8**

Joint ventures

Overview of companies included in the accounts – figures shown are the Storebrand Bank Group share:

NOK million	2011	2010
Revenue:		
Storebrand Baltic UAB	0.0	8.8
Profit & Loss:		
Storebrand Baltic UAB	0.0	0.8
Assets:		
Storebrand Baltic UAB	0.0	3.1
Liabilities:		
Storebrand Baltic UAB	0.0	1.2

The joint venture is a business the bank group operates together with Storebrand Livsforsikring AS. Joint ventures are recognised through proportional consolidation.
Storebrand Baltic UAB have been reclassified from a join venture to an associated company from 1 January 2011.

NOTE 25 | Bonds and other fixed-income securities at fair value through the profit and loss account

NOK million	2011 Acquisition cost	2011 Fair value	2010 Fair value
Sovereign and Government Guaranteed bonds			903.6
Credit bonds	558.6	564.1	440.0
Mortgage and asset backed bonds	2,079.4	2,090.9	1,692.7
Total bonds and other fixed-income securities at fair value through the profit and loss account	**2,638.0**	**2,655.0**	**3,036.2**
Modified duration		0.15	0.15
Average effective yield per 31.12.		2.94%	2.77%

The portfolio is mainly denominated in NOK, as per 31 December 2011 the bank had only one covered bond in EUR.
The effective yield for each asset is calculated using the observed market price. Calculated effective yields are weighted to give an average effective yield on the basis of each asset's share of the total interest rate sensitivity.

NOTE 26 | Bonds at amortised cost

	2011				2010	
NOK million	Nominal value	Acquisition cost	Book value	Fair value	Book valuei	Fair value
Sovereign and Government Guaranteed bonds	525.0	525.1	528.0	526.5		
Mortgage and asset backed bonds	126.0	123.2	123.3	123.4		
Total bonds at amortised cost	**651.0**	**648.3**	**651.2**	**649.8**	**0.0**	**0.0**
Modified duration				0.16		
Average effective yield per 31.12.				3.24%		

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

NOTE 27 | Transferred financial assets (swap scheme)

NOK million	2011 Balanseført verdi	2010 Balanseført verdi
Covered bonds:		
Covered bonds in Storebrand Bank ASA [1]	6,664.6	7,224.5
Swap scheme	3,496.9	5,855.9

Transferred financial assets consist of swap agreements with the state through the Ministry of Finance concerning the posting of financial collateral (see note 45). The swap agreements were entered into through auctions that are administrated by Norges Bank. In the swap agreement, the state sells treasury bills to the bank through a timerestricted swap for covered bonds. The bank can either keep the treasury bills and receive payment from the state when the swap agreement falls due for repayment, or it may sell the treasury bills in the market. When the bills become due within the term of the swap agreement, the bank must purchase new bills from the state at the price that is determined by the market price for treasury bills. This rollover will be ongoing throughout the entire term of the agreement. Upon expiry of the swap agreement, the bank is obliged to purchase the covered bonds back from the state at the same price that the state purchased them for. Storebrand Bank ASA will receive the interest on the transferred covered bonds. All risk concerning the covered bonds continues to lie with Storebrand Bank ASA.

[1] The stated amount is before elimination of covered bonds issued in Storebrand Boligkreditt AS.

Note 28 | Financial derivatives

Nominal volum

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

			2011		
	Gross	Average	Net nom.	Fair value [2]	
NOK million	nom.value [2]	nom. value [3]	value [2]	Asset	Liability
Equity derivatives		114.6			
Interest rate derivatives [1]	25,707.4	26,802.2	12,381.2	913.0	489.7
Currency derivatives	4,180.1	4,786.6	-53.3	7.6	10.5
Total derivatives	**29,887.5**	**31,703.4**	**12,327.9**	**920.6**	**500.2**

			2010		
	Gross	Average	Net,nom.	Fair value[2]	
NOK million	nom.value,[2]	nom.,value,[3]	value,[2]	Asset	Liability
Equity derivatives	173.1	436.7	22.3		
Interest rate derivatives [1]	27,245.1	33,328.4	9,203.3	657.7	315.2
Currency derivatives	4,423.9	4,392.9	-42.3	52.5	56.3
Total derivatives	**31,842.1**	**38,158.0**	**9,183.3**	**710.2**	**371.5**

[1] Interest rate swaps includes accrued interest.
[2] Value at 31.12.
[3] Average for the year.

Note 29 | Foreign exchange risk

Financial assets and liabilities in foreign currency	Statement of financial position items		Currency forwards	Net position	
NOK million	Assets	Liabilities	Net sale	in currency	in NOK
CHF	59.2	0.0	-59.5	0.0	-0.3
DKK	0.3	0.0	0.0	0.1	0.3
EUR	81.1	34.3	-53.3	-0.8	-6.5
GBP	4.7	4.6	0.0	0.0	0.1
JPY	1.0	0.0	-1.0	0.5	0.0
SEK	67.3	439.3	372.0	-0.1	0.0
USD	51.0	33.8	-9.4	1.4	7.8
Andre	0.2	0.8	0.0		-0.6
Total 2011					**0.8**
Total 2010					1.8

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

NOTE 30 | Loan portfolio and guarantees

NOK million	2011 Book value	2010 Book value
Lending to customers at amortised cost	32,686.8	33,787.0
Lending to customers at fair value	787.7	673.1
Total gross lending to customers	**33,474.5**	**34,460.1**
Loan loss provisions on individual loans (see note 31)	-103.4	-173.6
Loan loss provisions on groups of loans (see note 31)	-53.2	-83.9
Net lending to customers	**33,317.9**	**34,202.6**

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

NOTE 31 | Loan loss provisions

NOK million	2011 Book value	2010 Book value
Loan loss provisions on individual loans 01.01	173.6	218.9
Losses realised in the period on individual loans previously written down	-95.2	-47.3
Loan loss provisions on individual loans for the period	38.6	79.2
Reversals of loan loss provisions on individual loans for the period	-11.4	-68.1
Other corrections to loan loss provisions *)	-2.1	-9.0
Loan loss provisions on individual loans at 31.12	**103.4**	**173.6**
Loan loss provisions on groups of loans and guarantees 01.01	83.9	107.2
Grouped loan loss provisions for the period	-30.7	-23.3
Loan loss provisions on groups of loans and guarantees etc. 31.12	**53.2**	**83.9**
Total loan loss provisions	**156.6**	**257.5**

*) Other corrections to loan loss provisions relates to effects of amortisation.

The bank has no provisions for guarantees as at 31.12.10 and as at 31.12.09.
The accounting policies for recording loans have changed during the course of 2011 and the treatment of doubtful credit card debts has been moved from loan loss provisions on groups of loans loan to loan loss provisions on individual loans.

NOTE 32 | Real estate at fair value

NOK million	2011 Book value	2010 Book value
Book value at 01.01.	43.3	165.2
Supply due to addition	0.0	56.3
Disposals	0.0	-164.0
Net changes in fair value	-31.6	-14.1
Total	**11.7**	**43.3**

In connection with the take over of collateral associated with loss exposed commitments in the corporate market, Storebrand Bank and Storebrand Bank's subsidiaries activated real estate under development. Storebrand Bank ASA has taken over shares in companies with loan commitments, and the companies are consolidated as subsidiaries in Storebrand Bank Group.

NOTE 33 | Intangible assets and goodwill

NOK million	Brand name	IT systems	Customer lists	Goodwill	2011 Book value	2010 Book value
Acquistion cost at 01.01	30.7	153.6	1.1	19.3	204.7	188.4
Additions in the period:						
Purchased separately		44.8			44.8	16.2
Disposals in the period		-0.2			-0.2	0.0
Acquisition cost at 31.12	**30.7**	**198.2**	**1.1**	**19.3**	**249.3**	**204.6**
Accumulated depreciation and write-downs at 01.01		111.4	1.1	5.4	117.9	90.2
Depreciation in the period		17.9			17.9	17.3
Write-downs in the period		4.6			4.6	10.3
Other changes				-2.2	-2.2	0.0
Accumulated depreciation and write-downs at 31.12	**0.0**	**133.9**	**1.1**	**3.2**	**138.2**	**117.9**
Book value at 31.12	**30.7**	**64.3**	**0.0**	**16.1**	**111.1**	**86.7**

Intangible assets are depreciated on a linear basis over periods from four months to eight years. The brand name identified on the acquisition of Hadrian Eiendom AS is not subject to depreciation.

Depreciation and write-downs of intangible assets are included in the line "Other operating costs" in the profit and loss account.
During 2011 Storebrand Bank has made a write-down of intangible assets by NOK 4.6 million.
The write-down are mainly related to systems for credit risk which no longer are in use.

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

Analysis of goodwill by business acquisition

NOK million	Acquisition cost 01.01	Accumulated depreciation 01.01	Book value 01.01	Additions / disposals	Write-downs	Book value 31.12
Hadrian Eiendom AS	16.1	0.0	16.1			16.1
Hadrian Utvikling AS	5.4	-5.4	0.0			0.0
Group correction related to Ring Eiendomsmegling AS	-2.2	0.0	-2.2		2.2	0.0
Total	**19.3**	**-5.4**	**13.9**	**0.0**	**0.0**	**16.1**

In accordance with IFRS goodwill is tested at least annually or if there is reason to believe that the carrying value is impaired. When Ring Eiendomsmegling AS was acquired in spring 2008 the purchase price was allocated across the net identifiable assets in accordance with IFRS 3 and is linked to key employees' expertise and customer relations. As a consequence of the decision to discontinue and sell all the companies in Ring Eiendomsmegling Group, and dismiss the estate agents, there is no longer any goodwill in Ring Eiendomsmegling AS. The remaining goodwill relating to these acquisitions has therefore been written down as of 31 December 2011 and the carrying value of goodwill will be reduced to zero for Ring Eiendomsmegling in the Group financial statements of Storebrand Bank. The value of goodwill written off was NOK 35.9 million in 2011 and NOK 11 million in the fourth quarter of 2011.
In calculating the value in use of Hadrian Eiendom AS, a cash flow based assessment of value has been made using the expected profit before taxes. The calculation is based on Board-authorised budgets and forecasts for the next three years. A stable growth rate of 2.5% has been assumed in determining the terminal value, corresponding to the rate of inflation. The value in use is calculated by applying the required rate of return after tax of 12.4%. The required rate of return is determined by establishing the risk-free rate of return and adding a premium to reflect the risk in the business. Thecalculations show that the goodwill relating to Hadrian Eiendom AS has not been impaired.

Note 34 | Fixed assets

NOK million	Fixtures and fittings	IT	Real estate *)	Total book value 2011	Total book value 2010
Book value at 01.01	10.3	2.2	3.1	15.6	15.9
Additions	0.5	0.0	0.0	0.5	4.3
Disposals	-1.2	0.0	0.0	-1.2	-0.7
Depreciation	-1.7	-1.6	-0.4	-3.7	-3.7
Book value at 31.12	**7.9**	**0.6**	**2.7**	**11.2**	**15.9**
Opening acquisition cost	13.1	6.8	5.7	25.7	22.8
Closing acquisition cost	11.8	6.8	5.7	24.3	26.1
Opening accumulated depreciation and write-downs	0.8	4.6	2.6	8.0	-6.8
Closing accumulated depreciation and write-downs	1.6	6.2	3.0	10.9	-10.2

For each class of fixed assets:					
Method for measuring cost price	Acquisition cost	Acquisition cost	Acquisition cost		
Depreciation method	linear	linear	linear		
Depreciation period and economic life	3 - 10 years	4 - 6 years	15 years		

1) Holiday cabins valued using the cost method.

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

Note 35 | Operational leasing

Minimum future payments on operational leases for fixed assets are as follows:

NOK million	Minimum lease less than 1 year	Minimum lease between 1 - 5 years	Minimum lease more than 5 years
Minimum lease payments less than 1 year	0.9		
Minimum lease payments between 1 - 5 years	0.9	3.1	
Minimum lease payments nore than 5 years	7.9	31.4	22.3
Total	**9.6**	**34.5**	**22.3**

Of which future lease income

Amount through the profit and loss account

NOK million	2011	2010
Lease payments through the profit and loss account	9.4	16.8
Future lease income through the profit and loss account		3.0

Operational leases are primarily lease for Storebrand's head office in Lysaker, and the rental of coffee machines and photocopiers.
Costs are included in the item "General adminstration expenses" and the item "Other operating costs".
Companies in the group also have lease contracts related to postage machines, printers, computers and projectors, but are not included in this note as the amounts are considered to have no material effect in the accounts.

Specification of substantial lease agreements

NOK million	Yearly lease (cost)	Of which future lease income	Duration of the agreement	Option for renewal? (Yes/No)
Rent agreement Lysaker Park	7.9		2019	YES
Other rent agreements	0.7		2017	YES
Lease agreement photocopiers	0.9		2013	NO
Total	**9.5**	**0.0**		

NOTE 36 | Other current assets

NOK million	2011 Book value	2010 Book value
Interest accrued	99.7	120.0
Other accrued income	8.9	19.5
Due from customers	10.8	1.5
Due from stockbrokers	22.8	16.0
Due from customers stockbrokerage	65.5	74.6
Balances held for customers and liability to customers, real estate broking (note 21)	2.5	
Other assets	0.2	22.8
Total other current assets	**210.3**	**254.3**

NOTE 37 | Deposits from customers

NOK million	2011 Book value	2010 Book value
Deposits from customers without agreed maturity	17,366.7	17,598.7
Term loans and deposits from customers with agreed maturity	1,118.8	1,208.9
Total deposits from customers	**18,485.5**	**18,807.6**

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

Deposits from customers per sector and industry classification and geographical distribution:

NOK million	2011 Book value	2010 Book value
Sector and industry classification		
Development of building projects	184.6	203.4
Sale and operation of real estate	2,582.8	2,409.2
Service providers	2,828.3	3,018.3
Wage-earners	10,729.3	10,885.9
Other	2,160.5	2,290.8
Total	**18,485.5**	**18,807.6**
Geographic distribution		
Eastern Norway	14,838.3	14,444.6
Western Norway	1,960.5	2,333.5
Southern Norway	234.5	231.4
Mid-Norway	447.4	516.7
Northern Norway	584.6	809.0
Rest of world	420.2	472.3
Total	**18,485.5**	**18,807.6**

Note 38 | Hedge accounting

Storebrand uses fair value hedging for interest risk, when the hedging items are financial assets and financial liabilities measured at amortised cost.
Derivatives are recognised at fair value through the profit or loss (FVO). Changes in the value of the hedged item that relate to the hedged risk are applied to the book value on the item and are recognised in the profit and loss account.
Hedging effectiveness is monitored at the individual item level. Each portfolio comprises swaps and hedged items with maturity within the same half year period. Hedging effectiveness when the hedge is created measures the relationship between changes in the hedged value of the interest rate hedging instrument and the item hedged in the event of a 2-percentage point interest rate shock.
Subsequently, hedging effectiveness is measured on the basis of the simple Dollar Offset method for both prospective and retrospective calculations. Hedging is expected to be highly efficient in the period.

	2011			2010		
	Contract/	Fair value 1)		Contract/	Fair value 1)	
NOK million	**nominal value**	**Assets**	**Liabilities**	**nominal value**	**Assets**	**Liabilities**
Interest rate swaps	4,297.0	383.9	0.0	4,297.0	300.5	0.0
Total interest rate derivatives	4,297.0	383.9	0.0	4,297.0	300.5	0.0
Total derivatives	4,297.0	383.9	0.0	4,297.0	300.5	0.0

	Contract/	Fair value 1)		Contract/	Fair value 1)	
	nominal value	**Assets**	**Liabilities**	**nominal value**	**Assets**	**Liabilities**
Total underlying items	4,294.0	0.0	4,706.9	4,294.0	0.0	4,522.0
Hedging effectiveness - prospective			101%			100%
Hedging effectiveness - retrospective			99%			96%

Gain/loss on fair value hedging: 2)

	2011	2010
NOK million	**Gain / loss**	**Gain / loss**
On hedging instruments	86.8	-22.2
On items hedged	-89.0	15.0

1) Book value at 31.12.

2) Amounts included in the line "Net interest income".

Note 39 | Bonds and commercial papers issued

	2011	2010
NOK million	**Book value**	**Book value**
Commercial papers	501.4	400.9
Bond loans	9,581.4	8,324.4
Total bonds and commercial papers issued	**10,082.8**	**8,725.3**

See also note 5 for analysis of bonds and commercial papers issued.

NOTE 40 | Subordinated loan capital

NOK million	2011 Book value	2010 Book value
Dated subordinated loan capital	401.5	501.3
Other subordinated loan capital	9.3	9.3
Tier 1 hybrid capital	281.5	279.4
Total subordinated loan capital	**692.3**	**790.1**

See also note 5 for analysis of subordinated loan capital and Tier 1 hybrid capital.

NOK million	2011	2010
Subordinated loan capital included in capital adequacy calculation	692.3	790.1
Interest expense		
Interest expense booked in respect of subordinated loan capital	33.6	31.8

All subordinated loans are denominated in NOK.

NOTE 41 | Provisions

	Provisions for restructuring	
NOK million	2011	2010
Provisions 1 January	3.7	7.0
Provisions during the period		0.8
Provisions used during the period	-2.9	-4.0
Total provisions 31 December	**0.8**	**3.7**
Classified as:		
Provision for accrued expenses and liabilities	0.8	3.7

Provisions were made for restructuring in Storebrand Bank ASA carried out in 2008 and 2009. Expected settlement time for the provision is in the period 2012-2013.

NOTE 42 | Other liabilities

NOK million	2011 Book value	2010 Book value
Money transfers	43.2	2.8
Accrued interest expenses financial debt	14.3	16.5
Accrued expenses and prepaid income	31.1	53.0
Due to brokers related to settlement of financial instruments	296.1	
Accounts payable	4.8	8.0
Payable to stockbrokers	42.1	34.3
Payable to customers stockbrokerage	45.0	54.7
Tax payable (see note 17)	10.0	24.6
Other debt	315.1	26.7
Total other liabilities	**801.8**	**220.7**

Note 43 | Minority interests

NOK million	2011	2010
Minority interests at 01.01.	3.3	3.4
Share of profits due to minority interests		0.1
Dividend to minority interests	-0.4	-0.2
Sale of minority interests	-4.0	
Re-allocation of minority interest related to winding up of subsidiary	1.2	0.0
Minority interests at 31.12.	0.1	3.3

Relates to minority interests within Ring Eiendomsmegling group, and in Hadrian Utvikling AS, where Storebrand Bank ASA held 96.09% at 31 December 2011.

Note 44 | Off balance sheet liabilities and contingent liabilities

NOK million	2011	2010
Guarantees	293.6	301.6
Undrawn credit limits	3,706.9	4,049.8
Lending commitments	1,408.5	816.6
Total contingent liabilities	**5,409.0**	**5,168.0**

Guarantees are mainly payment guarantees and contract guarantees. See also note 4.

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

In 2009 an action was brought against Storebrand Bank by two customers seeking damages for economic loss in connection with investments in one of Storebrand Bank's stock index bonds. The bank won in both the district court and the court of appeal, and the case has been appealed by the plaintiff to the Supreme Court, due to it dealing with a matter of principal interest. The Supreme court heard the case in January 2012 but has not rendered a decision at the time the financial statements were being prepared. The bank believes it to be highly probable that the claim for compensation will be denied and has therefore not made any provisions in the financial statements.

Note 45 | Collateral

Collateral pledged and received

The subsidiary Hadrian Eiendom AS has an agreement concerning the pledging of security for customers via the Norwegian Association of Real Estate Agents and TrygVesta amounting to NOK 30 million with the limit of NOK 10 millionper sale per claimant. Otherwise, the banking group has not received any collateral except securities pledged as collateral for F-loans in Norges Bank and securities pledged as collateral in connection with the scheme for swapping covered bondsfor government papers (see table below).

This note does not cover collateral on lending to customers.

Collateral and security pledged

NOK million	2011	2010
Booked value of bonds pledged as collateral for the bank's lending from Norges Bank	2,159.4	2,926.3
Booked value of bonds pledged as collateral for swap scheme	3,496.9	5,855.9
Booked value of securities pledged as collateral in other financial institutions	286.5	
Total	**5,942.8**	**8,782.2**

Securities pledged as collateral are linked to lending access in Norges Bank for which, pursuant to regulations, the loansmust be fully guaranteed with collateral in interest-bearing securities and/or the bank's deposits in Norges bank. Storebrand Bank ASAhas a F-loan for NOK 1.4 billion in Norges Bank as per 31.12.2011.

In connection with the package of measures by the authorities concerning the banks, Storebrand Bank ASA has entered into an agreement involving the following amounts to conditions and terms for a swap scheme of covered bonds for treasury bills:

NOK million	Amount	Issued	Maturity	Interest rate
	496.5	06.05.2009	19.03.2014	NIBOR minus 20BP
	493.8	04.06.2009	19.03.2014	NIBOR minus 20BP
	493.5	17.06.2009	20.03.2013	NIBOR minus 20BP
	491.5	09.09.2009	18.12.2013	NIBOR pluss 24BP
	1 487.9	21.10.2009	18.09.2013	NIBOR pluss 70BP

NOTE 46 | Capital Adequacy

Capital adequacy calculations are subject to special consolidation rules in accordance with the Regulation on consolidated application of the capital adequacy rules etc. (the "Consolidation Regulation"). The Storebrand Bank group is defined pursuant to Section 5 of the Consolidation Regulation as a financial group comprising solely or mainly undertakings other than insurance companies. The valuation rules used in the company's accounts form the basis for consolidation. Consolidation is, in the main, carried out in accordance with the same principles as used in the accounts, with all internal transactions eliminated, including shares, loans and deposits as well as other receivables and liabilities. Companies in which the group has a minority interest are included on a proportional basis applying the percentage interest held by the group at 31 December 2011. Primary capital includes profit for the year.

Net primary capital

NOK million	2011	2010
Share capital	960.6	960.6
Other equity	1,344.2	1,300.0
Total equity	**2,304.8**	**2,260.6**
Deductions:		
Goodwill	-16.1	-45.9
Intangible assets	-95.0	-73.9
Deferred tax asset	-22.6	-84.2
Provision for group contribution	-50.0	-50.0
Addition:		
Tier 1 hybrid capital	279.0	279.4
Core capital	**2,400.1**	**2,286.0**
Supplementary capital	409.2	509.2
Deductions		
Net primary capital	**2,809.3**	**2,795.2**

Minimum capital requirement

NOK million	2011	2010
Credit risk	1,597.8	1,627.7
Of which:		
Local and Regional authorities	2.5	
Publicly owned companies	8.0	
Institutions	19.8	28.6
Corporates	664.3	618.2
Loans secured on real estate	800.6	817.8
Retail market	44.2	54.0
Loans past-due	21.1	58.0
Covered bonds	17.7	13.5
Other	19.6	37.6
Total minimum requirement for credit risk	**1,597.8**	**1,627.7**
Settlement risk		0.5
Total minimum requirement for market risk	**0.0**	**0.5**
Operational risk	91.1	97.1
Deductions		
Loan loss provisions on groups of loans	-4.3	-6.7
Minimum requirement for capital base	**1,684.7**	**1,718.6**

Capital adequacy

	2011	2010
Capital ratio	13.3%	13.0%
Core capital ratio	11.4%	10.6%

The company uses the standard method for credit risk and market risk, and the basic method for operational risk.
The minimum requirement for the capital ratio is 8 per cent.

Note 47 | Changes in the group's composition

The company Tekågel Invest 450 AS was acquired in January 2011. The company later changed its name to Filipstad Invest AS.

Storerand Bank ASA's ownership interest of 50% in Storebrand Baltic UAB has been reclassified from 1 January 2011 from being a joint venture to an associated company, and the bank's share of the company's profit has been consolidated into "Net revenues and gains from associated companies". Storebrand Bank ASA's ownership interest of 50% in Seilduksgaten 25/31 AS was sold in the first quarter of 2011. The gain from the sale is included in the item "Other revenues" in the income statement.

Two new equity issues totalling NOK 14 million were made in Ring Eiendomsmegling AS in 2011. Storebrand Bank ASA has acquired the remaining shares in Hadrian Eiendom AS and owns 100% of the shares at the end of 2011. A new equity issue of NOK 0.5 million was made in Bjørndalen Panorama AS in 2011.

Storebrand Bank ASA has decided to withdraw from estate agency and the decision has been made to discontinue the ownership of Ring Eiendomsmegling AS and its subsidiaries. The parent bank's shareholding in Ring Eiendomsmegling AS has been written down by NOK 140.4 million during 2011.Also refer to note 49 Businesses sold and discontinued operations

Note 48 | Close associates

Transactions with group companies

NOK million	2011 Other group companies [1]	2010 Other group companies 1)
Interest income		
Interest expense	0.2	0.2
Services sold	3.4	4.7
Services purchased	82.6	66.7
Due from	0.2	1.3
Liabilities to	65.4	62.1

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

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

Transactions with other related parties

Storebrand Bank ASA defines Storebrand Optimér ASA as a related party as the company's objective is to offer alternative savings products to the bank's customers. Storebrand Optimér ASA has no employees and the company has entered into an agreement with Storeband Bank ASA to carry out the day-to-day operation of the company. The bank also acts as a Manager for issues of shares carried out by Storebrand Optimér ASA. The bank has booked NOK 5.7 million as revenue in the accounts for 2011 and the bank has a receivable due from the company of NOK 1.6 million as of 31.12.11. The fees paid to the bank are based on the arm's length principle.

Storebrand Bank ASA also defines Storebrand Infrastruktur ASA as a related party since the general manager of Storebrand Infrastruktur ASA is an employee of Storebrand Bank ASA and the company's objective is to offer alternative savings products to the bank's customers. Storebrand Infrastruktur ASA has no employees and the company has entered into an agreement with Storeband Bank ASA to carry out the day-to-day operation of the company. The bank also acts as a Manager for issues of shares carried out by Storebrand Infrastruktur ASA. The bank has booked NOK 0.6 million as revenue in the accounts for 2011 and the bank has a receivable due from the company of NOK 0.2 million as of 31.12.11. The fees paid to the bank are based on the arm's length principle.

Loans to employees:

NOK million	2011	2010
Loans to employees of Storebradn Bank ASA	48.0	82.6
Loans to employees of Storebrand group including Storebrand Bank ASA	1,887.8	1,592.7

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

Number of employees:

	2011	2010
Number of employees at 31 December 1)	175	274
Number of employees expressed as full-time equivalent positions 1)	172	270

[1] Includes employees and person-years in Storebrand Bank ASA, Ring Eiendomsmegling AS, Hadrian Eiendom AS and Hadrian Utvikling AS. Storebrand Baltic UAB has been reclassifised to associated companies with effect from 1 January 2011 and number of employees in Storebrand Baltic UAB are not included in total number of employees for 2011.

NOTE 49 | Sold operations or dicontinued operations

Due to the decision to sell/discontinue operations, the accounts have been presented in accordance with IFRS 5 and the net income for Ring Eiendomsmegling AS has been presented as a separate line item in the financial statements for Storebrand Bank Group. Similarly, assets and liabilities have been presented separately on the balance sheet.

Effect of Ring Eiendomsmegling AS in Storebrand Bank Group:

Profit and loss items

NOK million	**2011**	**2010**
Net interest income	-0.1	0.0
Other income	76.0	88.7
Staff expenses	-55.8	-49.7
General administration expenses	-11.4	-14.3
Other operating costs	-77.5	-30.1
Total operating costs	-144.7	-94.1
Profit before tax	**-68.9**	**-5.4**
Tax	9.0	-0.1
Profit for the year	**-59.8**	**-5.4**

Balance sheet items

NOK million	**2011**	**2010**
Loans to and deposits with credit institutions	16.6	25.9
Other current assets	1.9	7.7
Tangible assets	2.5	2.8
Intangible assets and goodwill		33.0
Deferred tas assets	14.5	15.3
Total assets	**35.4**	**84.7**
Liabilities to credit institutions		
Other liabilities	30.0	36.7
Total liabilities	**30.0**	**36.7**

Ring Eiendomsmegling AS has excess funds on balances held for customers of NOK 12.8 million as at 31.12.2011. Balances held for customers are included in the item "loan to and deposits with credit institutions" in this overview.

Cash flow analysis

NOK million	**2011**	**2010**
Receipts of operating income from franchises and other	76.0	76.7
Payments of operating costs	-143.7	-88.3
Payments - taxes		-0.5
Net receipts/payments on other operating activities	41.7	-2.6
Net cash flow from operating activities	**-26.0**	**-14.7**
Net payments on purchase/sale of fixed assets etc.	5.2	-1.0
Net cash flow from investment activities	**5.2**	**-1.0**
Receipts - new share capital and share premium capital	14.0	40.0
Payments of debt	-2.1	-25.5
Net receipt - minority interests	-0.4	0.2
Net cash flow from financing activites	**11.5**	**14.7**
Net cash flow in the period	**-9.3**	**-1.0**
Net cash flow in the period	-9.3	-1.0
Cash and bank deposits at the start of the period	25.9	26.9
Cash and bank deposits at the end of the period	**16.6**	**25.9**

Profit and loss account Storebrand Bank ASA

1 January - 31 December

NOK million	Note	2011	2010
Interest income		1,329.6	1,249.0
Interest expense		-959.6	-946.2
Net interest income	**10**	**370.0**	**302.8**
Fee and commission income from banking services		105.3	104.5
Fee and commission expense for banking services		-18.5	-17.8
Net fee and commission income	**11**	**86.9**	**86.7**
Net income and gains from associated companies	23	0.9	-1.3
Net gains on financial instruments at fair value	10	-11.6	-18.8
Other income	12	-71.4	78.8
Total other operating income		**-82.1**	**58.8**
Staff expenses	14, 15	-120.8	-141.4
General administration expenses	14	-84.6	-86.7
Other operating costs	13, 14, 32, 33	-140.7	-104.9
Total operating costs		**-346.1**	**-332.9**
Operating profit before loan losses		28.7	115.4
Loan losses for the period	16	2.5	-35.3
Profit before tax		**31.2**	**80.0**
Tax	17	-71.1	-45.7
Profit for the year		**-39.9**	**34.3**
Transfers and allocations:			
Transferred to/from other equity		-89.9	-84.1
Provision for group contribution		50.0	118.4
Total transfers and allocations		**-39.9**	**34.3**

Statement of comprehensive income

NOK million	Note	2011	2010
Pension experience adjustments	15	2.8	-13.6
Profit for the period		-39.9	34.3
Total comprehensive income for the period		**-37.2**	**20.7**

Statement of financial position - balance sheet Storebrand Bank ASA

31 December

Assets

NOK million	Note	2011	2010
Cash and deposits with central banks	4, 18, 20	508.4	164.7
Loans to and deposits with credit institutions	4, 18, 19, 21	4,404.4	3,842.0
Financial assets designated at fair value through the profit and loss account:			
Equity instruments	8, 18, 22	1.8	1.6
Bonds and other fixed-income securities	4, 8, 18, 25, 27	9,319.6	10,260.6
Derivatives	4, 8, 18, 27, 37	606.1	470.0
Bonds at amortised cost	26	651.2	
Other current assets	18, 35	1,263.4	1,922.9
Gross lending	4, 18, 19, 30	16,963.8	18,482.3
Loan loss provisions	31	-169.1	-269.6
Net lending to customers	4, 18, 30	16,794.7	18,212.6
Investments in associated companies	23	1.4	25.1
Tangible assets	33	10.7	15.5
Intangible assets	32	64.3	42.2
Deferred tax assets	17	21.5	83.6
Total assets		**33,647.4**	**35,040.9**

Liabilities and equity

NOK million	Note	2011	2010
Liabilities to credit institutions	5, 8, 18, 19	6,318.0	8,320.2
Deposits from and due to customers	5, 18, 19, 36	18,492.4	18,817.5
Other financial liabilities:			
Derivatives	4, 8, 18, 28	500.2	371.5
Commercial papers and bonds issued	5, 18, 19, 37, 38	4,448.9	4,022.8
Other liabilities	5, 18, 41	888.7	323.6
Provision for accrued expenses and liabilities	40	0.8	3.7
Pension liabilities	15	103.7	102.0
Subordinated loan capital	5, 18, 19, 39	692.3	790.1
Total liabilities		**31,445.0**	**32,751.4**
Share capital		960.6	960.6
Other paid-in share capital		156.0	156.0
Retained earnings		518.7	518.7
Minority interests		567.2	654.3
Total equity		**2,202.4**	**2,289.6**
Total liabilities and equity		**33,647.4**	**35,040.9**

Lysaker, 13 February 2012
The Board of Directors of Storebrand Bank ASA

Translation - not to be signed

Idar Kreutzer
Chairman

Stein Wessel-Aas
Deputy Chairman

Kristine Schei
Board Member

Geir Holmgren
Board Member

Maria Borch Helsengreen
Board Member

Anne-Kristine Baltzersen
Board Member

Heidi Storruste
Board Member

Truls Nergaard
CEO

Changes in equity Storebrand Bank ASA

	Paid-in equity				Other equity			
NOK million	Share capital	Share premium reserve	Other paid-in equity	Total paid-in equity	Revenue and costs applied to equity	Other equity	Total other equity	Total equity
Equity at 31.12.2009	960.6	156.0	518.7	1,635.3	29.2	645.3	674.6	2,309.8
Profit for the period						34.3	34.3	34.3
Pension experience adjustments					-13.6		-13.6	-13.6
Total other comprehensive income	**0.0**	**0.0**	**0.0**	**0.0**	**-13.6**	**0.0**	**-13.6**	**-13.6**
Total comprehensive income for the period	**0.0**	**0.0**	**0.0**	**0.0**	**-13.6**	**34.3**	**20.7**	**20.7**
Equity transactions with owners:								
Receipts of group contribution						-50.0	-50.0	-50.0
Group contribution paid						55.1	55.1	55.1
Other changes						-46.0	-46.0	-46.0
Equity at 31.12.2010	**960.6**	**156.0**	**518.7**	**1,635.3**	**15.6**	**638.7**	**654.3**	**2,289.6**
Profit for the period						-39.9	-39.9	-39.9
Pension experience adjustments					2.8		2.8	2.8
Total other comprehensive income	**0.0**	**0.0**	**0.0**	**0.0**	**2.8**	**0.0**	**2.8**	**2.8**
Total comprehensive income for the period	**0.0**	**0.0**	**0.0**	**0.0**	**2.8**	**-39.9**	**-37.2**	**-37.2**
Equity transactions with owners:								
Provision for group contribution						-50.0	-50.0	-50.0
Equity at 31.12.2011	**960.6**	**156.0**	**518.7**	**1,635.3**	**18.3**	**548.8**	**567.1**	**2,202.4**

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

The equity changes with the result for the individual period, equity transactions with the owners and items that are entered directly on the balance sheet. Share capital, the share premium fund 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 Public Limited Liabilities Company Act.

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

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

The company view it as necessary to have a core capital ratio of at least 9 per cent at all times, regardless of macro economic environment. In good economic conditionas, the core capital ratio should be substantially higher and Storebrand Bank therefore targes at core capital ratio of at least 11 per cent from 2013. In general, the equity of the companycan be managed without material restrictions if the capital requirements are met and the respective legal entities have adequate solidity.

For further information on the group's fulfilment of the capital requirements, see note 44.

Cash flow statement Storebrand Bank ASA

1 January - 31 December

NOK million	Note	2011	2010
Cash flow from operations			
Receipts of interest, commissions and fees from customers		1,073.8	988.0
Payments of interest, commissions and fees to customers		-498.2	-474.0
Net disbursement/payments on customer loans		1,514.0	2,799.4
Net receipts/payments of deposits from banking customers		-300.4	453.9
Net receipts/payments - securities at fair value		946.6	1,557.8
Payments - taxes			5.6
Payments of operating costs		-324.1	-324.9
Net receipts/payments on other operating activities		-56.8	-91.3
Net cash flow from operating activities		**2,355.0**	**4,914.5**
Cash flow from investment activities			
Net receipts on sale of subsidiaries and assoiated companies		32.5	
Net payments on purchase/capitalisation of subsidiaries		730.7	-52.2
Net payments on purchase/sale of fixed assets etc.		-43.4	-19.7
Net cash flow from investment activities		**719.8**	**-71.9**
Cash flow from financing activities			
Payments - repayments of loans and issuing of bond debt		-901.2	-1,527.8
Receipts - new loans and issuing of bond debt		1,299.8	699.8
Payments - interest on loans		-440.5	-435.6
Payments - repayments of subordinated loan capital		-100.0	-175.0
Payments - interest on subordinated loan capital		-43.4	-34.6
Net receipts/payments of liabilities to credit institutions		-2,010.2	-2,039.3
Receipts - group contribution		142.2	200.1
Payments - group contribution / dividends		-115.5	-211.9
Net cash flow from financing activities		-2,168.7	-3,524.3
Net cash flow in the period		**906.1**	**1,318.2**
Net cash flow in the period		906.1	1,318.2
Cash and bank deposits at the start of the period for new companies		4,006.7	2,688.4
Cash and bank deposits at the end of the period		**4,912.8**	**4,006.7**
Cash and deposits with central banks	20	508.4	164.7
Loans to and deposits with credit institutions	21	4,404.4	3,842.0
Total cash and bank deposits in the balance sheet		**4,912.8**	**4,006.7**

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

Operational activities

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

Investment activities

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

Financing activities

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

Cash/cash equivalents

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

Contents notes Storebrand Bank ASA

Note 1 | Company information and accounting policies

1. COMPANY INFORMATION

Storebrand Bank ASA is a Norwegian public limited company with bonds listed on Oslo Børs. The company's 2011 financial statements were approved by the Board of Directors on 13 February 2012.

Storebrand Bank provides traditional banking services such as accounts and loans in the retail market and project financing to selected corporate customers. Storebrand Bank ASA comprises the business areas of corporate market, retail market and treasury. Storebrand Bank ASA is headquartered at Professor Kohts vei 9, Lysaker.

2. THE BASIS OF 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 for Storebrand Bank ASA are prepared in accordance with the Accounting Act and section 1-5 of the regulations relating to annual accounts of banks and finance companies etc, which deal with the simplified application of EU-approved International Financial Reporting Standards (IFRS) and related interpretations, as well as the other Norwegian disclosure obligations pursuant to laws 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 about this.

3. CHANGES IN ACCOUNTING POLICIES

During the course of 2011 changes were made in certain IFRS standards. However, none of these changes have affected the presentation, recognition and measurement of items in the financial statements of Storebrand Bank ASA.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR MATERIAL ITEMS ON THE STATEMENT OF FINANCIAL POSITION

The assets side of the company's statement of financial position primarily consists of financial instruments. The majority of the financial instruments fall under the category Loans and receivables and are stated at amortised cost. The statement of financial position also includes capitalised intangible assets.
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.

5. INCOME RECOGNITION

NET INTEREST INCOME – BANKING

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

INCOME FROM FINANCIAL ASSETS

Income from financial assets is described in Section 8.

OTHER INCOME

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

6. GOODWILL

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

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

If the discounted present value of the pertinent future cash flows is less than the carrying value, goodwill will be written down to its fair value. Reversal of an impairment loss for goodwill is prohibited even if information later comes to light showing that there is no longer a need for the write-down or the impairment loss has been reduced. Goodwill is allocated to the relevant cash flow generating units that are expected to benefit from the acquisition so that it can subsequently be tested for impairment. Cash flow generating units are identified according to operational segments.

7. INTANGIBLE ASSETS

Intangible assets with limited useful economic lives are valued at acquisition cost less accumulated amortisation and any write downs. The useful life and amortisation method are reassessed each year. With initial recognition of intangible assets in the statement of financial position, it must be demonstrated that probable future economic benefits attributable to the asset will flow to the Group. The cost of the asset must also be measured reliably. The value of an intangible asset is tested for impairment when there are indications that its value has been impaired. In other respects intangible assets are subject to write-downs and reversals of write-downs in the same manner as described for tangible fixed assets.

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

8. FINANCIAL INSTRUMENTS

8-1. GENERAL POLICIES AND DEFINITIONS

Recognition and derecognition

Financial assets and liabilities are recognised in the statement of financial position when Storebrand Bank becomes party to the instrument's contractual terms and conditions. Ordinary purchases and sales of financial instruments are booked on the transaction date. When a financial asset or a financial liability is initially recognised in the financial statements, 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 in the profit and loss account.

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

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, hold-to-maturity investments, loans and receivables as well as financial liabilities not at fair value in the profit and loss account, 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 knowledgeable, willing parties in an arm's length transaction. . The fair value of financial assets listed on a stock exchange or on another regulated market place 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 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 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 financial assets

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

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

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

8-2. 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 the profit and loss account in accordance with the fair value option (FVO)
- Financial assets loans and receivables

Held for trading

A financial asset is held for trading if:

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

With the exception of derivatives, only a limited proportion of Storebrand Bank's financial instruments fall into this category.
Financial assets held for trading are measured at fair value at the reporting date, with all changes in their fair value recognised in the profit and loss account.

At fair value through the profit and loss account in accordance with the fair value option (FVO)

Storebrand Bank's liquidity portfolio is classified at fair value through the income statement 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 managed and reported on a fair value basis

The accounting treatment is equivalent to that for held for trading assets.

Loans and receivables

A significant proportion of Storebrand Bank'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 such 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 as at fair value through the profit and loss account,

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

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

8-3. 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 the profit and loss account.

The majority of the derivatives used routinely for balance sheet management fall into this category.

8-4. HEDGE ACCOUNTING

Fair value hedging

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

8-5. FINANCIAL LIABILITIES

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

9. PENSION OBLIGATIONS

From 1 January 2011 Storebrand Bank has been offering a defined contribution scheme to employees. Until 31 December 2010 Storebrand Bank had a defined benefit scheme for its members of staff. The defined benefit scheme was closed to new members on 1 January 2011, and members at the time could voluntarily elect to transfer to a defined contribution pension plan.

9-1. BENEFIT SCHEME

Pension costs and pension obligations for defined benefit pension schemes are determined using a linear accrual formula and expected final salary as the basis for the entitlements, based on assumptions about the discount rate, future salary increases, pensions and National Insurance benefits, future returns on pension plan assets as well as actuarial estimates of mortality, disability and voluntary early leavers. As Norway does not have an active market for high quality corporate bonds, the discount rate is determined to be the risk free interest rate (treasury bill) taking into account the average remaining maturity. The net pension cost for the period comprises the total of the accrued future pension entitlements during the period, the interest cost on the calculated pension liability and the expected return on pension plan assets.

Actuarial gains/losses and the effects of changes in assumptions are included in the total comprehensive income in the income statement for the period in which they occur. The effects of changes in the pension scheme are recognised on an ongoing basis, unless the changes are conditional upon accrued future pension entitlements. In which case the benefit is apportioned on a straight line basis until the entitlement has been fully earned. The employer's national insurance contributions are included as part of the pension liability and are included in the actuarial gains/losses shown in the total comprehensive income.

Storebrand Bank has both an insured and an uninsured pension scheme. The insured scheme is managed by Storebrand Livsforsikring AS.

9-2. DEFINED CONTRIBUTION SCHEME

For the defined contribution pension scheme, involves the Group pays an annual contribution to the employees' collective pension savings.The future pension will depend upon the size of the contribution and the annual return on the pension savings. The company does not have any further work-related obligations after the annual contribution has been paid. No provisions are made for ongoing pension liabilities for these types of schemes. Defined contribution pension schemes are recognised directly in the financial statements.

10. TANGIBLE FIXED ASSETS

The company's tangible fixed assets comprise equipment, fixtures and fittings, vehicles and IT systems.

Equipment, fixtures and fittings and vehicles are valued at acquisition cost less accumulated depreciation and any write-downs.

The depreciation period and method are reviewed annually to ensure that the method and period being used both correspond to the useful economic life of the asset. The disposal value is similarly reviewed.

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

11. TAX

The tax expense in the income statement comprises current tax and change in 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 directly in equity. Deferred tax and deferred tax assets are calculated on the differences between accounting and tax values of assets and liabilities.

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

12. PROVISION FOR GROUP CONTRIBUTION

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

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

14. STATEMENT OF CASH FLOWS
The statement of cash flows is prepared using the direct method and shows cash flows grouped by sources and use. 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.

15. SHARE-BASED REMUNERATION
Storebrand Bank has share-based remuneration agreements with key personnel. The fair value of the share options is determined on the date of the allocation. Valuation is made on the basis of recognised valuation models adjusted to the characteristics of the actual options. The value determined on the date of the allocation is amortised in the income statement over the option's vesting period with a corresponding increase in equity. The amount is recognised as an expense and is adjusted to reflect the actual number of share options earned. The vesting period is the period of time from when the scheme is established until the options are fully vested.

NOTE 2 | Critical accounting estimates and judgements

In preparing the company's financial statements the management are required to make judgements, estimates and assumptions of uncertain amounts. The estimates and underlying assumptions are reviewed on an ongoing basis and 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.

FINANCIAL INSTRUMENTS AT FAIR VALUE
There will be some uncertainty associated with the pricing of financial instruments not priced in an active market. This is particularly true for the types of securities priced on the basis of non-observable assumptions, and for these investments various valuation techniques are used to determine fair value. Any changes to the assumptions could affect recognised amounts.

Please also refer to note 8 in which the valuation of financial instruments at fair value is described in more detail.

FINANCIAL INSTRUMENTS AT AMORTISED COST
Financial instruments valued at amortised cost are assessed on the reporting date to see whether there is any objective evidence that a financial asset or group of financial assets 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 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. This will apply to provisions for loan losses in the retail and corporate markets and bonds carried at amortised cost.

INTANGIBLE ASSETS
Goodwill and intangible assets with undefined useful economic lives are tested annually for impairment. Goodwill is allocated to the Group's cash generating units. The test's valuation method involves estimating cash flows arising in the relevant cash flow generating unit, as well as applying the relevant discount rate. Tangible fixed assets and other intangible assets are assessed annually to ensure that the method and time period used correspond with economic realities.
An intangible asset arising from development (or from the development phase of an internal project), should be recognised if all of the following points are documented:
a. the technical prerequisites for completing the intangible asset intended to be available for use or sale
b. the company intends to complete the intangible asset and either use it or sell it
c. the company's ability to either use or sell the intangible asset
d. how the intangible asset will probably generate future economic benefits As examples, the company can demonstrate that a market exists for the products of the intangible asset or for the intangible asset itself, or if it will be applied internally, the benefits from the intangible asset.
e. the availability of sufficient technical, financial and other resources to complete its development, and to use or sell the intangible asset
f. the company's ability to reliably measure the expenses attributable to the intangible asset while it is being developed

PENSIONS
The present value of pension obligations depends upon the financial and demographic assumptions used in the calculation. The assumptions must be realistic, mutually consistent and up to date as they should be based on a cohesive set of estimates about future financial performance. The pension liability calculations are undertaken by actuaries. Any changes to these estimates including forecast salary growth and the discount rate can have a substantial effect on the recognised pension liabilities relating to own employees. Estimates of future real interest rates, real salary growth, future adjustments to the national insurance base amount and future inflation, are subject to significant uncertainty.

CONTINGENT LIABILITIES
Storebrand Bank 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

The Board of Storebrand Bank ASA has adopted guidelines for risk management and internal control which ensure that the bank has established effective and robust functions for risk management, internal control, compliance and internal audit.
The guidelines make sure that the bank's strategies are implemented correctly and that the risk-taking limits are complied with.

Storebrand Bank ASA has identified the following areas of risk: credit risk, liquidity risk, market risk, operational risk, business risk and compliance risk. The company's risk strategy forms the foundation for managing the risk areas through policies to achieve the bank's target risk profile. The risk strategy is determined by the Board and is updated at least annually.

The Risk Management unit prepares monthly risk reports in which the areas of risk are monitored in relation to their respective policies. The risk reports are considered by the balance sheet management committee and the Board of the bank.

Note 4 | Credit risk

The risk of loss arising from the client lacking the capacity or intent to fulfil its obligations. This includes the risk that the security is les effective than expected (residual risk) and concentration risk. Credit risk encompasses counterparty risk.

RISK MANAGEMENT

The risk strategy establishes overall limits for how much credit risk Storebrand Bank ASA is willing to accept. The willingness to accept risk is adjusted to the bank's risk appetite and target risk profile, solvency, profitability, liquidity and growth, as well as the bank's strategy in other respects, including the equity requirement for credit activities. At a more detailed level the bank's risk strategy provides limits for the key elements of the credit policies for the corporate and retail market business areas.

Credit policies establish general principles for granting credit. For the corporate market, the policy also relates to special areas such as development projects within commercial properties and concentration risk.

Storebrand Bank ASA's routines for credit management are set out in credit manuals for the corporate and retail markets. The credit manuals are primarily designed for account managers and others who are involved in credit processes. The credit manuals contain common guidelines for the company's credit activities, and shall safeguard uniform and consistent credit management practices. The credit manuals and adopted routines provide specific criteria for monitoring non-performance, loan covenants, loss assessments and the annual loan review. Furthermore, the models ensure uniform portfolio risk assessment classifications and reporting on risk development. Specialised functions have been established for deposits, loan establishment and administration of the customer portfolio.

Treasury has credit risk for its counterparties in the investment portfolio. Permitted counterparties and the composition of the portfolio are set out in the investment policy and counterparty risk policy of Storebrand Bank ASA.

Counterparty risk in connection with the trading of financial derivatives with customers as the counterparty, is included in credit risk. The customer derivatives trades are hedged using derivatives. These transactions involve counterparty risk. The derivatives policy specifies which financial derivatives the bank is permitted to trade.

RISK MANAGEMENT

As part of the bank's risk reporting procedures, ongoing reports are submitted to the bank's executive management about developments in the bank's credit risk in relation to the target risk.

The most important credit risk management is implemented and administered by the credit units in the retail and corporate markets which:

- Have ongoing responsibility for making sure that established routines in the credit areas are in accordance with the adopted risk profile and that they are adhered to on a day-to-day basis.
- Participate in the credit meetings in the corporate market and carry out a formal check on all credit cases. This work includes credit authorisation, analyses, correct routine use, complying with the strategy and the balance between risk and potential earnings.
- Ensure adequate risk classification systems in the credit areas and that they are being applied consistently.
- From an independent standpoint, identify, monitor, check and report on credit risk.- Check that loss assessments and loss reporting in the bank are in accordance with routines and ensure that non-performing loans are reported correctly and monitored.
- Attend to the control and approval of monthly allocation protocols in the corporate market and prepare the reports for the Board.
- Evaluate whether there is a need for updating the corporate market and retail market credit manuals and the corporate market routine manual, and if so, provide suggestions and recommend amendments to the finane director. Ensure that the updates are in keeping with the bank's risk profile, risk strategy and the business strategy for the two credit areas.
- Provide suggestions for the annual internal audit plan for the two credit areas.
- Support the internal auditor's review of the credit processes in the two business areas as necessary.

Customer exposure resulting from trading financial derivatives with customers is continually reported from the Capital Market Products Department to the corporate market and the price development is monitored in respect of the customer's situation, cleared lines and breach of clauses Middle Office implements its own spot checks of this reporting process. Middle Office also checks whether credit customers engaging in share trading are within the applicable limits. Back Office in the Capital Market Products Department maintains ongoing control over these customers. Trades with counterparties made by Treasury are controlled by Middle Office in accordance with separate routines and work descriptions.

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 reduction in the maximum credit exposure from the end of 2010 is mainly related to lower loan amounts.

	Maximum credit exposure	
NOK million	**2011**	**2010**
Liquidity portfolio	9,969.4	10,260.6
Total commitments customers *)	19,169.4	20,629.2
Interest rate swaps	598.5	417.5
Forward foreign exchange contracts	7.6	52.5
Total	**29,745.0**	**31,359.8**
*) Of which net loans to and amounts due from customers measured at fair value:	787.7	673.1

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

CREDIT RISK LIQUIDITY PORTFOLIO

Interest-bearing securities at fair value

Credit risk per counterparty

Short-term holdings of interest-bearing securities

Issuer category	**AAA**	**AA**	**A**	**BBB**	**NIG**	**Total 2011**	**Total 2010**
NOK million	**Fair value**	**Fair value**	**Fair value**	**Fair value**	**Fair value**	**Fair value**	**Fair value**
Sovereign and Government Guaranteed bonds						0.0	903.6
Credit bonds	65.5		307.8	190.8		564.1	440.0
Mortgage and asset backed bonds	8,263.9	491.6				8,755.5	8,917.1
Total	**8,329.4**	**491.6**	**307.8**	**190.8**	**0.0**	**9,319.6**	**10,260.6**

Rating classes are based on Standard & Poors.

Change in value:							
Total change in value on the balance sheet	-9.4	0.3	0.6	0.2		-8.4	6.3
Change in vaule recognised in the profit and loss during period	-10.7	-2.9	-1.3	0.2		-14.7	-21.8

Interest-bearing securities at amortised cost

Credit risk per counterparty

Short-term holdings of interest-bearing securities

Issuer category	**AAA**	**AA**	**A**	**BBB**	**NIG**	**Total,2011**	**Total,2010**
NOK million	**Fair value**	**Fair value**	**Fair value**	**Fair value**	**Fair value**	**Fair value**	**Fair value**
Sovereign and Government Guaranteed bonds	526.5					526.5	
Credit bonds	97.5	25.9				123.4	
Total	**624.0**	**25.9**	**0.0**	**0.0**	**0.0**	**649.8**	**0.0**

Rating classes are based on Standard & Poors.

Credit risk on loans to and deposits with credit institutions and central bank

	AAA	**AA**	**A**	**BBB**	**NIG**	**Total 2011**	**Total 2010**
NOK million	**Fair value**	**Fair value**	**Fair value**	**Fair value**	**Fair value**	**Fair value**	**Fair value**
Norway	508.4					508.4	164.7
Total deposits with central bank	**508.4**	**0.0**	**0.0**	**0.0**	**0.0**	**508.4**	**164.7**
Norway	4,267.2	137.2				4,404.4	3,842.0
Total loans to and deposits with credit institutions	**4,267.2**	**137.2**	**0.0**	**0.0**	**0.0**	**4,404.4**	**3,842.0**
Total loans to and deposits with credit institutions and central bank	**4,775.6**	**137.2**	**0.0**	**0.0**	**0.0**	**4,912.8**	**4,006.7**

CREDIT EXPOSURE FOR LENDING ACTIVITIES

CORPORATE MARKET

Gross lending in the corporate market represents about NOK 11.2 billion. There is also approximately NOK 600 million in undrawn credit lines and almost NOK 350 million in guarantees. In addition, loans of nearly NOK 3.1 billion are managed and syndicated to Storebrand Livsforsikring AS.
About 80% of the loans have been made on income generating property. Just short of 20% relate to property development projects. Under 5% of the corporate market portfolio is secured by pledged assets other than property. The security for the portfolio is principally commercial properties.
Construction loans of just over NOK 900 millions and commercial real estate mortgages loan for almost NOK 400 millions have been granted at the end of 2011, but the funds have not been disbursed and the offer has not yet been accepted by the customers.

About 29% of the portfolio is to groups of connected debtors with total loans of over NOK 200 million. The definition of a group of connected debtors is given in the regulations relating to large loans. 22% of the portfolio relate to groups of connected debtors with total loans under NOK 50 million. 49% of the loans have been made to groups of connected debtors with consolidated exposure of between NOK 50 million and NOK 200 million. The bank has 13 groups of connected debtors which have total loans exceeding NOK 200 million, and 58 groups of connected debtors with total borrowings of between NOK 50 million and NOK 200 million. Large loans have increased during 2011. The bank's exposure is secured by pledged assets in Oslo, close to 55%. A further 28% of the bank's exposure is secured by assets pledged in the area surrounding Oslo and the rest of Eastern Norway. The remaining loans are secured primarily in and around Bergen and Stavanger.
Assets pledged are valued at their sellable values in addition to separate assessments based on yield considerations.

A classification model for firms in the commercial real estate industry is used when determining debtors' capacity to service debt. The model is composed of a qualitative and a quantitative part. The qualitative part evaluates a range of factors including the management, structure, board, history, market, political risk and tenants.
The quantitative factors are evaluated differently for construction loans and commercial real estate mortgages. Construction loans are assessed based on reserves available for unforeseen costs, the sales buffer, advance sales and project management.

Commercial real estate mortgages are assessed quantitatively through analysis of cash flows and evaluating certain key figures. The cash flow is calculated for the duration of the project. For corporate market loans, risk is classified on a scale from 1 to 5, where 1 is best. The first indicates the debtor's debt servicing capacity (ability to make repayments), the second indicates the quality of the security (degree of security/loan to value ratio). The classification methodology for corporate market customers and certain retail market customers (including private investors etc.) is used as a basis to identify risk in the bank's loans to and receivables from customers. The loans are to be classified both on establishment, and when there are changes in the loans. In addition, corporate market customers are to be reclassified annually or as necessary. The classifications thereby provide an overview of the risk exposure in the portfolio at all times.
The largest risk for commercial real estate mortgages is tenant risk. For construction loans the two largest risks are construction costs and advance sales. This is closely monitored by the bank. Of loans that are not non-performing or in arrears, about 80% of the loans have a loan to value ratio of under 80%. Approximately 95% of the loans have a loan to value ratio within 90%. The remaining performing loans have a loan to value ratio of under 100% for the most part.
For corporate market loans in arrears, the loan to value ratio is under 80% for 98% of the volume of the loans. There is a low volume of non-performing loans that are not impaired. These loans are well secured, and the loan to value ratio is under 10% for the loans with the highest loan to value ratio.

The security for non-performing loans with evidene of impairment is not considered to be good enough. The loan loss provisions that have been made, have taken into account that the pledged assets do not cover the value of the loans and other costs related to the non-performance. The losses that have been recorded are considered to be sufficient. The bank does not believe that new losses will be forthcoming from these customers at this time.

In the event of non-performance the bank will sell the securities or take over the assets if that is most appropriate. This is most relevant to development projects. In the current portfolio in the parent bank there are two properties that have been taken over. These loans totalled NOK 25 million and are classified as non-performing loans with evidence of impaiment by the parent bank. The provisions that have been made are considered to be sufficient.

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

In the retail market, most of the loans are secured by way of home mortgages. Approximately NOK 5.4 billion has been lent in mortgages, with additionally almost NOK 489 million in undrawn flexible mortgages. Total loans and credit facilities in housing are therefore about NOK 5.9 billion.
The average weighted loan to value ratio in the parent bank is approximately 63% for mortgages, and about 83% of the loans are within a loan to value ratio of 80% and almost 91% are within a 90% loan to value ratio. Approximately 41% of mortgages have a loan to value ratio of less than 60% in the parent bank. The portfolio is considered to have a low credit risk.

There is largely good security on non-performing loans without evidence of impanirment for retail market customers. The average loan to value ratio for these loans is 63%. Housing loans that are part of the volume of non-performing loans total NOK 116.5 million. About NOK 90.7 million in loans are within a loan to value ratio of 80% , and about NOK 101 million are within a loan to value ratio of 90%. The security is also good on home mortgages which are between 1 and 90 days past due. Assets pledged as collateral are sold in the retail market. They are not taken over by the bank.

In the credit card portfolio about NOK 151 million has been drawn, and approximately NOK 622 million is available as unused credit facilities. For credit accounts about NOK 116 million has been drawn, and approximately NOK 330 million is available as unused credit facilities.

Commitments per customer group

	2011			
NOK million	**Loans to and due from customers**	**Guarantees [1)]**	**Undrawn credit limits**	**Total commitments**
Development of building projects	1,236.3	40.3	18.1	1,294.7
Sale and operation of real estate	7,967.0	299.5	504.8	8,771.3
Service providers	1,381.4	5.3	2.0	1,388.7
Wage-earners	6,184.7	0.1	1,484.6	7,669.4
Other	194.4	2.4	17.5	214.4
Total	16,963.8	347.7	2,027.1	19,338.5
Loan loss provisions on individual loans	-117.2			-117.2
Loan loss provisions on groups of loans	-51.9			-51.9
Total loans to and due from customers	**16,794.7**	**347.7**	**2,027.1**	**19,169.4**

[1)] Guarantees include NOK 55 million in undrawn credit limits.

NOK million	2010 Loans to and due from customers	Guarantees [1]	Undrawn credit limits	Total commitments
Development of building projects	994.8	59.2	4.3	1,058.3
Sale and operation of real estate	7,099.3	258.5	584.0	7,941.8
Service providers	759.5	7.1	11.1	777.6
Wage-earners	9,380.1	1.2	1,469.1	10,850.4
Other	248.5	3.9	18.3	270.7
Total	18,482.3	329.8	2,086.7	20,898.8
Loan loss provisions on individual loans	-187.6			-187.6
Loan loss provisions on groups of loans	-82.0			-82.0
Total loans to and due from customers	**18,212.6**	**329.8**	**2,086.7**	**20,629.2**

[1] Guarantees include NOK 82.7 million in undrawn credit limits.

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 of total commitments per customer group

NOK million	2011 Average volume loans to and due from customers	Average volume guarantees	Average volume undrawn credit limits	Average volume total commitments
Development of building projects	1,115.5	49.8	11.2	1,176.5
Sale and operation of real estate	7,533.2	279.0	544.4	8,356.6
Service providers	1,070.4	6.2	6.6	1,083.2
Wage-earners	7,782.4	0.7	1,476.8	9,259.9
Other	221.5	3.1	17.9	242.5
Total	**17,723.0**	**338.7**	**2,056.9**	**20,118.7**

NOK million	2010 Average volume loans to and due from customers	Average volume guarantees	Average volume undrawn credit limits	Average volume total commitments
Development of building projects	994.8	59.2	4.3	1,058.3
Sale and operation of real estate	7,099.3	258.5	584.0	7,941.8
Service providers	759.5	7.1	11.1	777.6
Wage-earners	9,380.1	1.2	1,469.1	10,850.4
Other	248.5	3.9	18.3	270.7
Total	**18,482.3**	**329.8**	**2,086.7**	**20,898.8**

Given the relatively stable development of the balance sheet, the average of 31 December 2011 and 31 December 2010 is a best estimate for the average of the portfolio.

Commitments per geographical area

				2011					
NOK million	Loans to and due from customersr	Guarantees [1]	Undrawn credit limitsr	Total commitments	Non-performing loans without evidence of impairment	Non-performing and loss-exposed loans with evidence of impairment	Gross defaulted and loss-exposed loans	Provisions for individual loan losses	Net defaulted and loss exposed loans
Eastern Norway	15,048.2	332.2	1,646.0	17,026.3	93.6	173.3	266.8	96.7	170.1
Western Norway	1,048.7	15.2	257.7	1,321.6	16.5	1.0	17.5	1.1	16.4
Southern Norway	90.4		26.3	116.8	6.2		6.2		6.2
Mid-Norway	451.5		44.8	496.3	0.6	0.3	0.9	0.3	0.6
Northern Norway	170.1	0.3	38.6	208.9	1.6		1.6		1.6
Rest of world	154.9		13.7	168.6	0.1	19.6	19.7	19.1	0.6
Total	**16,963.8**	**347.7**	**2,027.1**	**19,338.5**	**118.6**	**194.2**	**312.7**	**117.2**	**195.5**

				2010					
NOK million	Loans to and due from customersr	Guarantees [1]	Undrawn credit limitsr	Total commitments	Non-performing loans without evidence of impairment	Non-performing and loss-exposed loans with evidence of impairment	Gross defaulted and loss-exposed loans	Provisions for individual loan losses	Net defaulted and loss exposed loans
Eastern Norway	16,005.7	329.4	1,734.2	18,069.3	172.5	372.1	544.6	155.3	389.3
Western Norway	1,315.4	0.2	220.0	1,535.5	42.7	10.4	53.0	5.9	47.2
Southern Norway	140.6		35.3	175.9	0.6		0.6		0.6
Mid-Norway	615.3		40.3	655.6	5.1	0.3	5.3	0.3	5.1
Northern Norway	209.2	0.3	40.7	250.1	5.3		5.3		5.3
Rest of world	196.2		16.3	212.5	0.4	25.6	26.0	26.1	-0.2
Total	**18,482.3**	**329.8**	**2,086.7**	**20,898.8**	**226.6**	**408.3**	**635.0**	**187.6**	**447.4**

Total engagement amount by remaining term to maturity

		2011		
NOK million	Loans to and due from customersr	Guarantees [1]	Undrawn credit limitsr	Total commitments
Up to 1 month	36.6	0.1	4.5	41.3
1 - 3 months	370.4	0.5	26.0	396.9
3 months - 1 year	1,628.8	3.1	183.9	1,815.8
1 - 5 years	3,577.6	337.8	567.8	4,483.1
More than 5 years	11,350.4	6.1	1,244.9	12,601.4
Total	**16,963.8**	**347.7**	**2,027.1**	**19,338.5**

		2010		
NOK million	Loans to and due from customersr	Guarantees [1]	Undrawn credit limitsr	Total commitments
Up to 1 month	35.1	47.7	7.2	90.0
1 - 3 months	237.8	0.2	15.4	253.5
3 months - 1 year	1,435.6	35.9	312.5	1,784.0
1 - 5 years	4,990.5	246.1	1,306.6	6,543.2
More than 5 years	11,783.2	0.0	445.1	12,228.2
Total	**18,482.3**	**329.8**	**2,086.7**	**20,898.8**

Age distribution of overdue engagements without impairments

2011				
NOK million	Loans to and due from customers	Guarantees [1]	Undrawn credit limits	Total commitments
Overdue 1 - 30 days	1,260.6	10.0	0.7	1,271.3
Overdue 31 - 60 days	83.8	0.1	3.9	87.7
Ovedue 61- 90 days	9.4	0.2	0.2	9.8
Overdue more than 90 days	117.8		0.8	118.6
Total	**1,471.6**	**10.3**	**5.5**	**1,487.3**
Engagements overdue more than 90 days by geographical area:				
Eastern Norway	93.1		0.5	93.6
Western Norway	16.3		0.2	16.5
Southern Norway	6.2			6.2
Mid-Norway	0.6			0.6
Northern Norway	1.6			1.6
Foreign	0.1			0.1
Total	**117.8**	**0.0**	**0.8**	**118.6**

2010				
NOK million	Loans to and due from customersr	Guarantees [1]	Undrawn credit limits	Total commitments
Overdue 1 - 30 days	487.1	0.0	3.9	491.1
Overdue 31 - 60 days	106.4	1.3	0.5	108.2
Ovedue 61- 90 days	19.5	0.0	0.1	19.6
Overdue more than 90 days	223.1	0.0	3.5	226.6
Total	**836.2**	**1.3**	**8.1**	**845.6**
Engagements overdue more than 90 days by geographical area:				
Eastern Norway	169.7		2.8	172.5
Western Norway	42.1		0.5	42.7
Southern Norway	0.6			0.6
Mid-Norway	5.0			5.1
Northern Norway	5.3			5.3
Foreign	0.4			0.4
Total	**223.1**	**0.0**	**3.5**	**226.6**

Commitments are regarded as non-performing and loss-exposed:

- when a credit facility has been overdrawn for more than 90 days
- when an ordinary mortgage has arrears older than 90 days
- when a credit card has arrears older than 90 days and the credit limit has been overdrawn. If a repayment plan has been agreed with the customer and is being adhered to, the overdraft is not regarded as a non-performing loan.

When one of the three situations described above occurs, the commitment and the rest of the customer's commitments are regarded as non-performing. The number of days is counted from when the arrears exceed NOK 2,000.

The account is given a clean bill of health when there are no longer any arrears. The amount in arrears at the time of reporting can be less than NOK 2,000.

Credit risk per customer group

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 profit and loss during period
2011							
Development of building projects	13.6		13.6	16.8	-3.1		-7.0
Sale and operation of real estate	81.7	0.4	82.0	44.3	37.7		-4.2
Service providers			0.0		0.0		-4.4
Wage-earners	79.3	118.1	197.3	36.6	160.7		-47.9
Other	19.6	0.1	19.8	19.5	0.3		-6.9
Total	**194.2**	**118.6**	**312.7**	**117.2**	**195.5**	**0.0**	**-70.4**

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 profit and loss during period
2010							
Development of building projects	18.3		18.3	23.8	-5.4		4.2
Sale and operation of real estate	225.6		225.6	48.5	177.0		-39.5
Service providers	4.1	6.5	10.6	4.4	6.2		-4.2
Wage-earners	134.5	219.7	354.2	84.6	269.7		-5.4
Other	25.8	0.4	26.2	26.4	-0.2		2.7
Total	**408.3**	**226.6**	**635.0**	**187.6**	**447.4**	**0.0**	**-42.3**

Repossessed assets

In the event of non-performing loans Storebrand Bank ASA will sell the collateral or repossessed assets if this is most appropriate. The bank has two repossessed assets at the end of 2011. The commitments applies to development of building projects and amount to NOK 25 million. The commitments are classified as non-performing loans with evidence of impairment. The individual loan loss provisions which have been made, are considered as sufficient.

Fianancial assets at fair value through the profit and loss (FVO)

	Lending to customers		Liquidity portfolio	
NOK million	**2011**	**2010**	**2011**	**2010**
Book value	787.7	673.1	9 319.6	10 260.6
Maximum exposure to credit risk	787.7	673.1	9 319.6	10 260.6
Book value of related credit derivatives that reduce credit risk				
This year's change in fair value of financial assets due to change in credi risk			-14.7	-21.8
Accumulated change in fair value of financial assets due to change in credit risk			-8.4	6.3
This year's change in value of related credit derivatives				
Accumulated change in value of related credit derivatives				

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

Financial assets are designated at fair value through the profit and loss account (FVO) the first time they are recognised where another measurement would result in an inconsistency in the profit and loss account.

Financial liabilities at fair value through profit and loss (FVO)

NOK million	2011	2010
Book value	3,496.9	5,855.9
Maximum exposure to credit risk		
Book value of related credit derivatives that reduce credit risk		
The year's change in fair value of liabilities due to changes in credit risk	-1.6	7.3
Difference between book value of liabilities and contractual amount due at maturity	3.8	4.1
Accumulated change in fair value of liabilities due to changes in credit risk	-1.6	7.3
Difference between book value of liabilities and contractual amount due at maturity	3.8	4.1

CREDIT RISK DERIVATIVES

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

Kredittrisiko fordelt på motpart

	AAA	AA	A	BBB	NIC	Total 2011	Total 2010
NOK million	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value
Norway		36.3	83.9		468.8	589.0	372.1
Sweden			14.7			14.7	95.0
Denmark			2.4			2.4	3.0
Total	**0.0**	**36.3**	**101.0**	**0.0**	**468.8**	**606.1**	**470.0**

Change in value:							
Total change in value on the balance sheet	0.0	36.3	101.0	0.0	468.8	606.1	470.0
Change in value recognised in the profit and loss during period	-82.3	-48.9	101.0	-302.5	468.8	136.1	79.9

Equity options, interest rate swaps, basis swaps and forward foreign exchange contracts

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

Note 5 | Liquidity risk

The risk that the Bank Group , the parent bank and the subsidiaries are unable to fulfil their obligations without incurring substantial additional expense in the form of low price for assets that must be realised, or in the form of especially expensive financing.

Risk management

The risk strategy establishes overall limits for how much liquidity risk Storebrand Bank ASA is willing to accept. The liquidity risk policy builds on the strategy and describes the principles for liquidity management and specifies stress testing, minimum liquidity reserves and financial indicators for measuring liquidity risk. In addition to this, the bank's Treasury Department prepares an annual funding strategy and funding plan that set out the overall limits for the bank's funding activities.

Stress tests are used to illustrate the expected effects of various scenarios on the balance sheet and cash flows. The stress tests are used to evaluate the actual risk capacity against the desired willingness to accept risk. The bank prepares a contingency plan annually to safeguard effective management of the liquidity situation during stressful periods.

The treasury function in the bank's Capital Market Products Department is responsible for the bank's liquidity management, and Middle Office in the Risk Management unit monitors and reports on the utilisation of limits pursuant to the liquidity strategy and policy.

Risk management

The means of controlling liquidity risk include monthly reports of the liquidity indicators and monitoring developments in the bank's maturity profile. Both of these activities are included in the administration's ongoing reporting to the Board through the risk reports and the CEO's business briefings. The risk strategy and liquidity policy specify which liquidity indicators are followed. Middle Office performs checks on trades undertaken by Treasury to ensure conformance with the applicable policies.

Non-discounted cash flows - financial liabilties

NOK million	0 - 6 months	6 months - 12 months	1 - 3 years	3 - 5 years	More than 5 years	Total	Book value
Liabilities to credit institutions	1,483.6	416.6	4,319.0			6,219.3	6,318.0
Deposits from and due to customers	18,492.4					18,492.4	18,492.4
Commercial papers and bonds issued	1,551.7	384.7	2,091.0	668.7		4,696.0	4,448.9
Other liabilities	888.7					888.7	888.7
Subordinated loan capital	259.4	162.8	465.7	1.6	74.4	964.0	692.3
Undrawn credit limits	2,072.0					2,072.0	
Lending commitments	1,408.5					1,408.5	
Total financial liabilities 2011	**26,156.4**	**964.1**	**6,875.8**	**670.3**	**74.4**	**34,740.9**	**30,840.3**
Derivatives related to funding 31.12.11	**-25.7**	**-13.2**	**-63.1**	**-41.9**	**0.0**	**-143.9**	**-121.6**
Total financial liabilities 2010	23,588.1	2,915.9	7,157.2	2,253.9	319.3	36,234.4	32,274.2

The amounts includes accrued interests.

The overview of non-discounted cash flows includes interest. Implicit forward interest rates based on the yield curve on 31 December 2011 are used to calculate interest costs for lending with FRN conditions. The maturity profile was set up using the PortWin risk management system.
The call date is used as the maturity date on subordinated loan capital.

Specification of subordinated loan capital

NOK million

ISIN nummer	Issuer	Net nominal value	Currency	Interes	Call-date	Book value
Dated subordinated loan capital						
NO0010036427	Storebrand Bank ASA	250.0	NOK	Floating	08.05.2012	251.4
NO0010040278	Storebrand Bank ASA	150.0	NOK	Floating	19.12.2012	150.1
Other subordinated loan capital						
NO00177116	Storebrand Bank ASA	9.3	NOK	Fixed	Perpetual	9.3
Tier 1 hybrid capital						
NO0010024206	Storebrand Bank ASA	107.0	NOK	Fixed	29.10.2014	112.7
NO0010024207	Storebrand Bank ASA	168.0	NOK	Floating	29.10.2014	168.8
Total subordinated loan capital 2011						**692.3**
Total subordinated loan capital 2010						790.1

Specification of liabilites to credit institutions

NOK million	2011	2010
Total liabilites to credit institutions without fixed maturity at amortised cost	**307.2**	**272.8**
F-loan:		
Maturity 2011		500.0
Maturity 2012	1,413.1	1,012.1
Loan with floating interest rate:		
Maturity 2011		78.1
Maturity 2012	350.0	350.0
Maturity 2013	750.0	250.0
Accrued expenses	0.8	1.2
Total liabilities to credit institutions with fixed maturity at amortised cost	**2,513.9**	**2,191.5**
Borrowings under the Norwegian Government's Swap scheme:		
Maturity 2011		2,365.1
Maturity 2013	2,508.4	2,500.4
Maturity 2014	988.4	990.4
Total liabilities to credit institutions with fixed maturity at fair value (FVO)	**3,496.9**	**5,855.9**
Total liabilities to credit institutions	**6,318.0**	**8,320.2**

As per 31 December 2011, Storebrand Bank ASA had only one current credit facility. A NOK 750 million Revolving Credit Facility was signed in October 2010. The credit facility agreement for NOK 750 million contains certain special covenants. In 2011, Storebrand Bank ASA fulfilled all the terms and conditions.

Specification of commercial papers and bonds issued

NOK million

ISIN code	Issuer	Net nominal value	Currency	Interest	Maturity	Book value
Commercial papers						
NO0010630 70	Storebrand Bank ASA	500.0	NOK	Fast	20.06.2012	501.4
Total commercial papers						**501.4**
Bond loans						
NO0010548 48	Storebrand Bank ASA	500.0	SEK	Flytende	26.01.2012	438.2
NO0010492 63	Storebrand Bank ASA	520.5	NOK	Flytende	20.02.2012	522.9
NO0010455 53	Storebrand Bank ASA	327.0	NOK	Fast	03.09.2012	338.0
NO0010590 77	Storebrand Bank ASA	500.0	NOK	Flytende	10.05.2013	502.8
NO0010473 40	Storebrand Bank ASA	408.0	NOK	Flytende	21.11.2013	415.0
NO0010507 77	Storebrand Bank ASA	648.0	NOK	Flytende	30.04.2014	659.1
NO0010599 82	Storebrand Bank ASA	400.0	NOK	Flytende	11.08.2014	401.9
NO0010439 82	Storebrand Bank ASA	310.0	NOK	Fast	04.06.2015	344.8
NO0010513 23	Storebrand Bank ASA	300.0	NOK	Fast	25.05.2016	324.6
Total bond loans						**3,947.4**
Total commercial paper and bonds issued 2011						**4,448.9**
Total commercial paper and bonds issued 2010						4,022.8

The loan agreements contain standard covenants. Storebrand Bank ASA was in compliance with all relevants terms in 2011.

Note 6 | Market risk

The risk of losses on open positions in financial instruments due to changes in market variables and/or market conditions within a specified time horizon. Covers counterparty risk in financial instruments trading, as well as stock market risk, interest rate risk and exchange rate risk.

Risk management

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

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

The exposure limits are reviewed and renewed by the Board at least annually. The sizes of these limits are set on the basis of stress tests and analyses of market movements, as well as risk capacity and willingness.

Risk management

Middle Office in the Risk Management unit is responsible for the ongoing, independent monitoring of market risk. The means of controlling market risk include monthly reports of the market risk indicators. The market risk indicators that are followed are specified in the risk strategy, interest rate risk policy and currency risk policy. Monthly reports for the individual portfolios are produced for the bank's balance sheet management committee and the bank's 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 2011:

Effect on income

NOK million	Amount
Interest rate -1,5%	-17.1
Interest rate +1,5%	17.1

Effect on net profit/equity [1)]

NOK million	Amount
Interest rate -1,5%	-17.1
Interest rate +1,5%	17.1

[1)] Before taxes.

The note presents the accounting effect over a 12 month period of an immediate parallel change in interest rates of +1.5% and -1.5% respectively. It has taken into account the one-time effect that such an immediate change in interest rates would have on the items recognised at fair value and the value of hedging, and the effect that the change in interest rates would have on the net profit for the remaining duration of the interest rate before the change in interest rates has an effect on income and expenses. The sensitivity analysis has been performed using the risk management system PortWin. Items that would be affected by the one-time effect and are recorded at fair value are the investment portfolio, fixed interest rate loans, borrowing via the swap scheme with the government, deposits with returns linked to the stock market and derivatives. Items that would be affected by the one-time effects and which are recorded using hedging accounting are fixed interest rate loans.

See also note 28 regarding foreign exchange risk.

Note 7 | Operasjonell risiko

Operational risk: The risk of financial loss due to ineffective, inadequate or failing internal processes or systems, human error, external events or faliure to comply with internal guidelines. Breach of laws and regulations can ubstruct the Group from achieving its objectives and this part of compliance risk is included in operational risk.

RISK MANAGEMENT

Operational risk management and compliance with laws, regulations and internal rules are an integral part of the management responsibilities of all managers in the Storebrand Group. Risk assessments and internal control reporting are linked to a unit's ability to achieve its goals. Risk assessments are continually recorded and documented in Easy Risk Manager (ERM, a risk management system supplied by Det Norske Veritas).
The Business Management Department in Storebrand has responsibility for coordinating the risk assessment process and owns the ERM system. The governing structure for operational risk management follows the group organisation (the corporate governance model).
Operational risk in Storebrand Bank is governed through an operational risk policy. The Risk Management unit is responsible for monitoring operational risk in the bank. The compliance manager at Storebrand Bank shall be able to extract risks that are defined as being high with regard to breaching external or internal regulations from ERM.

RISK MANAGEMENT

If the risk assessment requires the implementation of planned improvement measures, the measures must be documented and reported via ERM. Routines for any spot checks or other forms of regular quality control and the results from these must also be documented.
The work on operational risk is documented in an internal control status report that is considered by the bank's Board.
Middle Office in the Risk Management unit carries out numerous checks and reconciliations in conjunction with monthly, quarterly and annual financial statements in order to check and reduce operational risk. In addition to this, the bank's compliance officer, financial crime unit and internal auditor carry out spot checks in a number of the bank's most important work processes. The results of these are reported to the bank's management team and the Board.

Compliance risk: The risk that the bank incurs public sanctions or financial losses due to faliures to comply with external and internal regulations.

RISK MANAGEMENT

The compliance risk in Storebrand Bank is managed through routines for the bank's compliance manager. Furthermore, the compliance risk is governed through the compliance manager's processes which include:

- Maintaining an overview of the applicable laws and regulations at all times, and how the division of responsibilities for ensuring compliance is assigned within the organisation.
- Monitoring that the company complies with its commitments under the Securities Trading Act and accompanying regulations and other requirements.
- Regularly assessing the company's routines and guidelines, in regard to the company's risk profile.
- Functioning as an internal adviser to employees on questions relating to compliance.

The compliance manager participates in the Group's compliance working group which meets on a regular basis to exchange information, discuss common current problems and prepare common routines.

RISK MANAGEMENT

The compliance manager is responsible for keeping and updating the compliance journal in accordance with special routines and carrying out ongoing spot checks pursuant to compliance with own account trading regulations, Mifid and similar. In order to be able to identify problem areas by gaining a complete overview of problems that arise internally, the bank has implemented routines for continuously reporting incidents to the compliance manager, who is responsible for inputting the reported incidents into a separate event journal. Reported incidents are reviewed and considered by the compliance forum in the bank. The event journal provides operational risk with a good basis for evaluating/implementing measures to reduce the unit's operational risk.

NOTE 8 | Valuation of financial instruments at fair value

Specification of financial assets at fair value

NOK million	Quoted prices	Observable assumptions	Non-observable assumptions	Book value 31.12.2011	Book value 31.12.2010
Equities and unit		1.8		1.8	1.6
Lending to customers		787.7		787.7	673.1
Sovereign and Government Guaranteed bonds				0.0	903.6
Credit bonds		564.1		564.1	440.0
Mortage and asset backed bonds	50.0	8,705.5		8,755.5	8,917.1
Total bonds	50.0	9,269.6	0.0	9,319.6	10,260.6
Interest rate derivatives		108.8		108.8	102.3
Currency derivatives		-2.9		-2.9	-3.9
Total derivatives	0.0	105.9	0.0	105.9	98.5
Derivatives with a positive fair value		606.1		606.1	470.0
Derivatives with a negative fair value		-500.2		-500.2	-371.5

Changes between quoted prices and observable assumptions

NOK million	From quoted prices to observable assumptions	From observable assumptions to quoted prices
Equities and units		
Bonds and other fixed-income securities		
Derivatives		
Liabilities		

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

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

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

The company categorises financial instruments that are valued at fair value into three different levels which are described in more detail below. The levels express the differing degrees of liquidity and different measurement methods used.

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

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

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

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

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

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

NOTE 9 | Segment reporting

The management's segment reporting for Storebrand Bank is only done at a group level.

See note 9 under the Storebrand Bank Group.

NOTE 10 | Net income from financial instruments

NOK million

Net interest income	2011	2010
Interest and other income on loans to and deposits with credit institutions	151.8	79.2
Interest and other income on loans to and due from customers	831.2	819.6
Interest on commercial paper, bonds and other interest-bearing securities	340.5	342.2
Other interest income and related income	6.1	8.1
Total interest income *)	**1,329.6**	**1,249.0**
Interest and other expenses on debt to credit institutions	-245.2	-288.2
Interest and other expenses on deposits from and due to customers	-480.1	-456.2
Interest and other expenses on securities issued	-170.0	-139.4
Interest and expenses on subordinated loan capital	-39.5	-31.8
Other interest expenses and related expenses	-24.7	-30.5
Total interest expenses **)	**-959.6**	**-946.2**
Net interest income	**370.0**	**302.8**
*) Of which total interest income on financial assets that are not at fair value through the profit and loss account.	955.1	870.1
**) Of which total interest expenses on financial liabilities that are not at fair value through the profit and loss account.	-788.3	-725.8

Interest expense and changes in value of issued funding at FVO:	2011	2010
Interest expense issued funding at FVO	-171.3	-220.4
Changes in value of issued funding at FVO	-7.9	-7.3
Net expense issued funding at FVO	**-179.2**	**-227.7**

Net income and gains from financial assets and liabilities at fair value:	2011	2010
Equity instruments		
Dividends received from equity investments	0.1	0.3
Net gains/losses on realisation of equity investments		-0.1
Net change in fair value of equity investments	0.2	0.1
Total equity investments	0.3	0.3
Commercial papers and bonds		
Realised gain/loss on commercial papers and bonds	1.6	-0.2
Unrealised gain/loss on commercial papers and bonds	-14.7	-21.8
Total gain/loss on commercial papers and bonds	-13.1	-22.1
Financial derivatives		
Realised gain/loss on financial derivatives, held for trading	-57.6	-1.7
Unrealised gain/loss on financial derivatives, held for trading	58.7	4.7
Total financial derivatives	1.2	3.0
Net income and gains from financial assets and liabilities at fair value	**-11.6**	**-18.8**
Net gain/loss on financial assets at fair value through the profit and loss account:		
Financial assets designated at fair value upon initial recognition	17.6	-28.8
Financial assets classified as held for trading	-21.4	17.1
Changes in fair value of assets due to changes in credit risk	-8.4	6.3
Net gain/loss on financial liabilities at fair value through the profit and loss account:		
Financial liabilities designated at fair value upon initial recognition	-7.9	-7.3
Financial liabilities classified as held for trading	0.0	0.0

NOTE 11 | Net commission income

NOK million	2011	2010
Fees related to banking operations	53.8	51.3
Commissions from sale of group products	1.5	0.8
Commissions from saving products	26.3	25.5
Commissions from stockbroking	4.9	5.1
Fees from loans	18.5	19.4
Other fees and commissions receivable	0.4	2.3
Total fees and commissions receivable *)	**105.3**	**104.5**
Fees and commssisions payable relating to banking operations	-13.2	-13.5
Commissions payable on saving products	-4.9	-3.5
Commissions payable on stockbroking	-0.4	-0.7
Other fees and commissions payable		-0.1
Total fees and commissions payable **)	**-18.5**	**-17.8**
Net commission income	**86.9**	**86.7**
**) Of which total fees and commission income on book value of financial assets and liabilities that are not at fair value through the profit and loss account*	*72.3*	*55.1*
***) Of which total fees and commission expense on book value of financial assets and liabilities that are not at fair value through the profit and loss account*	*-13.2*	*-13.5*

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

NOTE 12 | Other income

NOK million	2011	2010
Loss on sale of subsidiaries	8.1	-0.2
Write-downs of shares in subsidiaries	-140.4	-11.4
Receipts of group contribution from subsidiaries	60.3	87.9
Income from capital market products	0.1	1.9
Other income	0.6	0.5
Total other income	**-71.4**	**78.8**

NOTE 13 | Remuneration paid to auditor

Remuneration excluding value added tax:

NOK 1000	2011	2010
Statutory audit	670	428
Other reporting duties		181
Taxation advice		13
Other non-audit services	123	63
Total	**793**	**685**

All remuneration for statutory auditing concerns Deloitte AS.

NOTE 14 | Operating expenses

NOK million	2011	2010
Ordinary wages and salaries	73.7	92.1
Employer's social security contributions	12.3	15.8
Other staff expenses	13.0	15.6
Pension cost (see note 15)	21.8	17.9
Total staff expenses	**120.8**	**141.4**
IT costs	78.1	79.6
Printing, postage etc.	3.5	4.0
Travel, entertainment, courses, meetings	2.1	2.1
Other sales and marketing costs	0.9	0.9
Total general administration expenses	**84.6**	**86.7**
Total staff expenses and general administration expenses	**205.4**	**228.1**
Depreciation fixed assets and intangible assets	26.3	25.9
Contract personnel	9.6	7.4
Operating expenses on rented premises	12.2	13.6
Inter-company charges for services [1)]	70.4	46.6
Fee regarding sale of loans to Storebrand Boligkreditt AS [2)]		-11.8
Other operating expenses	22.3	23.1
Total other operating expenses	**140.7**	**104.9**
Total operating expenses	**346.1**	**332.9**

[1)] Services purchased from the group contain costs relating to bank production, IT services, joint administrative functions, financial and legal services, marketing activities, HR and skills development, purchasing, information services and savings advice.
[2)] The agreement concerning compensations was terminated in February 2010.

NOTE 15 | Pensions

The employees in Storebrand in Norway have both defined contribution and defined benefit pension schemes that are established in Storebrand Livsforsikring AS, but the group is not a member of the contractual pension scheme (AFP). From 1 January 2011 the defined benefit scheme was closed to new members. At the same date a defined contribution pension scheme was established. The defined contribution based scheme applies to all new employees from 1 January 2011 and to those who chose to transfer from a defined benefit to a defined contribution pension arrangement. For the defined contribution based scheme, the cost is equal to the employee's pension savings contribution during the period, which totals 5 per cent annually of the contribution basis between 1 and 6 G (G = the National Insurance scheme's basic amount which was NOK 79,216 as of 31 December 2011), and 8 per cent of the contribution basis between 6 and 12 G. The contributions are deposited in the employees' pension accounts each month. The future pension depends upon the amount of the contributions and the return on pension savings.

The employees who are members of the defined benefit pension scheme are secured a pension of about 70 per cent of pensionable salary at the time of retirement. Full pension entitlement is reached after 30 years of membership in the pension scheme. The cost for the period shows the employees' accrued future pension entitlements during the financial year. From 1 July 2011 the retirement age is 67 years old. Nonetheless employees are given the right to retire at 65 years old and receive a pension from Storebrand until they reach 67 years old.

The pension for employees aged between 65 and 67 years old and pensions linked to salaries over 12 G are paid out directly from the companies and apply to both members of the defined contribution scheme and the defined benefit scheme. A guarantee has been granted for earned pensions on salaries over 12 G for employees retiring before the age of 65. The pension conditions are determined by the pension regulations. Storebrand is obliged to have an occupational pension scheme pursuant to the Act relating to mandatory occupational pensions. The company's pension scheme satisfies the requirements of the Act.

Reconciliation of pension assets and liabilities in the balance sheet:

NOK million	2011	2010
Present value of insured pension liability	147.5	142.1
Pension assets at fair value	-92.4	-90.5
Net pension liability/surplus for the insured schemes	55.0	51.6
Present value of uninsured pension liability	48.7	50.4
Net pension liabilities in the balance sheet	**103.7**	**102.0**

Includes employer's NI contributions on net underfunded liabilities.

Experience adjustments applied to equity

NOK million	2011	2010
Year's change in experience adjustments included in equity after tax	2.8	-13.6
Accumulated experience adjustments included in equity	18.3	15.6

Changes in the net defined benefits pension liabilities in the period

NOK million	2011	2010
Net pension liability at 01.01. incl. provision for employer's NI contribution	192.5	161.9
Net pension cost recognised in the period incl. provision for employer's NI contribution	19.2	17.5
Interest on pension liabilities	7.5	6.9
Experience adjustments	-16.8	12.4
Gain/loss of curtailment	-1.6	
Pension paid	-2.8	-4.7
Reversed employer's NI contribution	-1.8	-1.6
Net pension liability at 31.12.	**196.2**	**192.5**

Change in the fair value of pension assets

NOK million	2011	2010
Pension assets at fair value at 01.01.	90.5	82.4
Expected return	4.3	4.6
Experience adjustments	-13.0	-6.5
Gain/loss of curtailment	-0.6	
Premium paid	12.8	11.5
Pensions paid	-1.6	-1.5
Net pension assets at 31.12.	**92.4**	**90.5**

Expected premium payments (pension assets) in 2012: NOK 11.6 million.

Pension assets are based on the financial assets held by Storebrand Livsforsikring composed as of 31.12.

	2011	2010
Properties and real estate	17%	16%
Bonds at amortised cost	38%	26%
Secured and other lending	2%	2%
Equities and units	22%	22%
Bonds	14%	24%
Commercial papers	6%	9%
Other short-term financial assets	1%	1%
Total	**100%**	**100%**

The table shows the percentage asset allocation of pension assets at year-end managed by Storebrand Livsforsikring.
The book (realised) return on the assets was 4.5 % in 2011, 4.7 % in 2010 and 5.0 % in 2009.

Net pension cost booked to the profit and loss account specified as follows:

NOK million	2011	2010
Payment to defined contribution pension scheme in the period	0.4	
Current service cost including employer's NI contributions	19.2	17.5
Interest on pension liabilities	7.5	6.9
Expected return on pension assets	-4.3	-4.6
Gain/loss of curtailment	-1.0	
Correction for pension cost included earlier years		-1.9
Net pension cost booked to profit and loss account in the period	**21.8**	**17.9**

Net pension cost includes national insurance contributions and is included in operating expenses. See note 14.

Main assumptions used when calculating net pension liability at 31.12.	31.12.2011	31.12.2010
Discount rate	3.1%	4.0%
Expected return on pension fund assets in the period	4.6%	4.9%
Expected earnings growth	3.6%	3.9%
Expected annual increase in social security pensions	3.8%	3.8%
Expected annual increase in pensions payment	1.5%	2.0%
Disability table	KU	KU
Mortality table	K2005	K2005

Financial assumptions:
The financial assumptions have been determined on the basis of the regulations in IAS 19. Long term assumptions such as future inflation, real interest rates and real wage growth are particularly subject to a high degree of uncertainty. As Norway does not have a deep and active market for high quality corporate bonds, IAS 19 requires that the interest rate on government bonds be used as the discount rate. Moreover, IAS 19 does not specify the need for a deep and active market for government bonds in order to use this interest rate as the discount rate. Specific company conditions including expected direct wage growth are taken into account when determining the financial assumptions.

Actuarial assumptions:
In Norway, standardised assumptions on rates of mortality and disability as well as other demographic factors are prepared by Finance Norway. The mortality table K2005 is being used until new common mortality rates for the industry are adopted and can provide a basis for more accurate calculations. The average employee turnover rate is 2-3 per cent of the entire workforce as a whole and includes an assumption of reduced rates of turnover with increasing age.

Net pension liability at 31.12.	2011	2010	2009	2008	2007
Discounted current value of defined benefit pension liabilities	196.2	192.5	192.5	154.2	147.6
Fair value of pension assets	92.4	90.5	90.5	74.0	78.1
Deficit (surplus)	103.7	102.0	102.0	80.1	69.5
Fact based adjustments liabilities	32.1	-6.4	-4.6	-23.7	
Fact based adjustments pension assets	-13.0	6.5	-3.8	-16.4	

Sensitivity analysis pension calculations	2011	
Change in discount rate	1%	-1%
Percentage change in pension:		
Pension liabilities	28.6%	-20.9%
The period's net pension costs	25.6%	-19.2%

The pension liabilities are not sensitive to changes in the discount rate. A reduction in the discount rate seen in isolation would result in an increase in the pension liabilities.

Note 16 | Loan losses

NOK million	2011	2010
Change in loan loss provisions on individual loans for the period	70.4	42.3
Change in loan loss provisions on groups of loans for the period	30.1	24.1
Other corrections to loan loss provisions	-2.7	-2.4
Change in individual loan loss provisions on guarantees for the period		
Realised losses in period on commitments specifically provided for previously	-106.2	-102.9
Realised losses on commitments not specifically provided for previously	-6.7	-1.1
Recoveries on previously realised losses	17.7	4.7
Loan losses for the period	**2.5**	**-35.3**

Interest recognised to the profit and loss account on loans subject to loan loss provisions	4.6	17.2

NOTE 17 | Tax

Tax basis for the year

NOK million	2011	2010
Profit before taxes	31.2	80.0
+ Group contribution received, difference between the carrying amount and the tax base	0.8	54.3
+/- Share of results from associated companies	-0.9	1.3
+/- Realised gains/losses on shares within EEA	-7.8	0.0
+/- Taxable realised gains on shares within EEA	0.1	0.3
Other permanent differences	152.7	12.8
Changes in temporary differences	-2.0	54.1
Tax basis for the year	**173.9**	**202.8**
Reduction for tax deductible loss		20.0
- Application of tax loss carryforward	-138.0	-222.8
Tax basis for the year for current taxes 1)	**35.8**	**0.0**
Tax rate	28%	28%
[1] Allocated group contribution with tax effect	35.8	0.0

Tax charge for the year

NOK million	2011	2010
Tax payable for the period	10.0	
Change in deferred tax assets	61.1	45.7
Total tax charge for the year	**71.1**	**45.7**

Reconciliation of expected and actual tax charge

NOK million	2011	2010
Ordinary pre-tax profit	31.2	80.0
Expected tax on income at nominal rate	8.7	22.4
Tax effect of:		
Realised shares	-2.5	0.1
Associated companies		-0.4
Permanent differences	42.7	-0.4
Group contribution received	0.2	
Change of tax assessment earlier years	21.9	24.0
Tax charge	**71.1**	**45.7**
Tax payable	10.0	
- tax effect of group contribution paid	10.0	
Tax payable in the balance sheet	**0.0**	**0.0**

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

NOK million	2011	2010
Tax increasing timing differences		
Operating assets	6.5	4.2
Financial instruments	55.4	26.5
Total tax increasing timing differences	**61.9**	**30.7**
Tax reducing timing differences		
Pensions	-103.7	-102.0
Provisions	-3.3	-8.2
Financial instruments	-31.5	-2.6
Total tax reducing timing differences	**-138.6**	**-112.8**
Losses/allowances carried forward		-216.6
Net base for deferred tax/tax assets	-76.7	-298.7
Net deferred tax/tax asset in the balance sheet	**21.5**	**83.6**

Analysis of tax payable and deferred tax applied to equity	2011	2010
Pension experience adjustments	-1.1	5.3
Total	-1.1	5.3

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

Note 18 | Classification of financial instruments

NOK million	Loans and receivables	Fair value, trading	Fair value, FVO	Liabilities at amortised cost	Total
Financial assets					
Cash and deposits with central banks	508.4				508.4
Loans to and deposits with credit institutions	4,404.4				4,404.4
Equity instruments			1.8		1.8
Bonds and other fixed-income securities	651.2		9,319.6		9,970.8
Derivatives		606.1			606.1
Lending to customers	16,007.0		787.7		16,794.7
Other assets	1,263.4				1,263.4
Total financial assets 2011	**22,834.4**	**606.1**	**10,109.1**	**0.0**	**33,549.5**
Total financial assets 2010	23,469.2	470.0	10,935.3	0.0	34,874.5
Financial liabilities					
Deposits from and due to credit institutions			3,496.9	2,821.1	6,318.0
Deposits from and due to customers				18,492.4	18,492.4
Commercial papers and bonds issued				4,448.9	4,448.9
Derivatives		500.2			500.2
Other liabilities				888.7	888.7
Subordinated loan capital				692.3	692.3
Total financial liabilities 2011	**0.0**	**500.2**	**3,496.9**	**27,343.4**	**31,340.5**
Total financial liabilities 2010		371.5	6,034.4	26,239.7	32,645.6

NOTE 19 | Fair value of financial assets and liabilities at amortised cost

	2011		2010	
NOK million	**Book value**	**Fair value**	**Book value**	**Fair value**
Assets				
Loans and receivables:				
Bonds, amortised cost	651.2	649.8		
Loans to and deposits with credit institutions, amortised cost	4,404.4	4,404.4	3,842.0	3,842.0
Lending to customers, amortised cost	16,176.1	15,961.9	17,809.2	17,577.1
Liabilities				
Deposits from and due to credit institutions, amortised cost	2,821.1	2,816.2	2,464.3	2,964.0
Deposits from and due to customers, amortised cost	18,492.4	18,492.4	18,638.9	18,638.9
Commercial papers and bonds issued, amortised cost	4,448.9	4,476.0	4,022.8	4,096.2
Subordinated loan capital, amortised cost	692.3	685.4	790.1	772.4

The fair value of lending to customers subject to variable interest rates is stated as book value. However, the fair value of lending to corporate customers with margin loans is slightly lower than book value since some loans have lower margins than they would have had had they been taken out at year-end 2011. The shortfall is calculated using a discounted difference between the agreed margin and the current market price over the remaining term to maturity. Fair value is also adjusted for individual loan loss provisions. The fair values of lending, liabilities to financial institutions and securities issued are based on valuation techniques. The valuation techniques use interest rate curves and credit spreads from external providers, this with exception of loans assessed to spreads for new loans correspondingly . The calculations are made using the PortWin risk management system.

NOTE 20 | Cash and deposits with central banks

	2011	2010
NOK million	**Book value**	**Book value**
Cash	2.5	2.1
Deposits with central banks at amortised cost, loans and receivables	506.0	162.6
Total cash and deposits with central banks	**508.4**	**164.7**

NOTE 21 | Loans to and deposits with credit institutions

	2011	2010
NOK million	**Book value**	**Book value**
Total loans to and deposits with credit institutions without fixed maturity at amortised cost	4,404.4	3,842.0
Total loans to and deposits with credit institutions at amortised cost	**4,404.4**	**3,842.0**

NOTE 22 | Shares and other equity instruments

		2011	2010
NOK million	**Ownership interest**	**Book value**	**Book value**
Storebrand Institusjonelle Investor ASA	5.15%	1.1	0.9
Visa Inc. A-shares		0.5	0.4
Other		0.2	0.3
Total		**1.8**	**1.6**
Of which			
Listed shares			
Unlisted shares		1.8	1.6

Shares and other equity instruments are classified as financial assets at fair value through the profit and loss account.

Note 23 | Investments in associated companies and joint ventures

Associated companies

Main accounting figures for associated companies - figures shown are the Storebrand Bank ASA share.

NOK million	**2011**	**2010**
Revenue:		
Seilduksgaten 25/31 AS		1.3
Storebrand Baltic UAB	12.1	
Profit and Loss:		
Seilduksgaten 25/31 AS		-1.3
Storebrand Baltic UAB	0.9	
Assets:		
Seilduksgaten 25/31 AS		15.1
Storebrand Baltic UAB	3.5	
Liabilities:		
Seilduksgaten 25/31 AS		18.7
Storebrand Baltic UAB	0.8	

Investments in associated companies are accounted for on the equity method. Seilduksgaten 25/31 AS have been sold in 2011.
Storebrand Baltic UAB have been reclassified from a join venture to an associated company from 1 January 2011.

Ownership interests in associated companies

NOK million	**Ownership interest**	**Acquisition cost**	**Book value at 01.01.**	**Additions/ disposals**	**Share in profit**	**Book value at 01.01**
Seilduksgaten 25/31 AS	50%	30.0	24.6	-24.6		0.0
Storebrand Baltic UAB	50%	0.5	0.5		0.9	1.4
Total		30.5	25.1	-24.6	0.9	1.4

Joint ventures

Overview of companies included in the accounts – figures shown are the Storebrand Bank ASA share:

NOK million	**2011**	**2010**
Revenue:		
Storebrand Baltic UAB		8.8
Profit and loss:		
Storebrand Baltic UAB		0.8
Assets:		
Storebrand Baltic UAB		3.1
Liabilities:		
Storebrand Baltic UAB		1.2

The joint venture is a business the bank group operates together with Storebrand Livsforsikring As.
Joint ventures are recognised through proportional consolidation.
Storebrand Baltic UAB have been reclassified from a join venture to an associated company from 1 January 2011.

Note 24 | Investments in subsidiaries

NOK million	Registered office	Ownership interest	Share of votes	Share capital	Acquisition cost	Book value 31.12.11	Book value 31.12.10
Storebrand Boligkreditt AS	Lysaker	100.0%	100.0%	350.0	661.2	661.2	661.2
Ring Eiendomsmegling AS [1]	Lysaker	100.0%	100.0%	55.2	143.5	3.1	103.8
Hadrian Eiendom AS	Oslo	100.0%	100.0%	0.1	43.7	43.7	39.2
Hadrian Utvikling AS	Oslo	96.1%	96.1%	0.5	13.9	2.5	2.5
Filipstad Tomteselskap AS	Lysaker	100.0%	100.0%	0.5	2.0	2.0	2.0
Bjørndalen Panorama AS	Lysaker	100.0%	100.0%	2.7	72.5	6.0	16.5
Ullensaker Boligbygg AS [2]	Ullensaker	89.0%	89.0%	2.5			
Ullensaker Boligbygg KS [2]	Ullensaker	89.0%	89.0%	45.0			
Sørlandsbygg Holding AS [3]	Kristiansand	0.0%	0.0%				0.2
Storebrand Eiendomskreditt AS [4]	Lysaker	100.0%	100.0%	0.1	300.4	300.4	750.3
Filipstad Invest AS	Lysaker	100.0%	100.0%	0.1	0.1	0.1	
Total investments in subsidiaries					**1,237.4**	**1,019.1**	**1,575.7**

[1] The ownership in Ring Eiendomsmegling AS is being discontinued.
[2] The subsidiaries Ullensaker Boligbygg AS and Ullensaker Boligbygg KS petitioned for winding up in November 2010 and were subject to liquidation proceedings as per 31 December 2011.
[3] Sørlandsbygg Holding AS has been liquidiated in 2011.
[4] Storebrand Eiendomskreditt AS will be wound up in 2012. In 2011, there has been a repayment of share capital of NOK 449.9 million.

Note 25 | Bonds and other fixed-income securities at fair value through the profit and loss account

	2011		2010
NOK million	**Acquisition cost**	**Fair value**	**Fair value**
Sovereign and Government Guaranteed bonds			903.6
Credit bonds	558.6	564.1	440.0
Mortgage and asset backed bonds	8,740.1	8,755.5	8 917.1
Total bonds and other fixed-income securities at fair value through the profit and loss account	**9,298.7**	**9,319.6**	**10,260.6**
Modified duration		0.15	0.15
Average effective yield per 31.12.		2.91%	2.91%

The portfolio is mainly denominated in NOK, as per 31 December 2011 the bank had only one covered bond in EUR.
The effective yield for each asset is calculated using the observed market price. Calculated effective yields are weighted to give an average effective yield on the basis of each asset's share of the total interest rate sensitivity.

Note 26 | Bonds at amortised cost

	2011				2010	
NOK MILL.	**Nominal value**	**Acquisition cost**	**Book value**	**Fair value**	**Book value**	**Fair value**
Sovereign and Government Guaranteed bonds	525.0	525.1	528.0	526.5		
Mortgage and asset backed bonds	126.0	123.2	123.3	123.4		
Total bonds at amortised cost	**651.0**	**648.3**	**651.2**	**649.8**	**0.0**	**0.0**
Modified duration				0.16		
Average effective yield per 31.12.				3.24%		

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

NOTE 27 | Transferred financial assets (swap scheme)

NOK million	2011 Book value	2010 Book value
Covered bonds:		
Covered bonds	6,664.6	7,224.5
Swap scheme	3,496.9	5,855.9

Transferred financial assets consist of swap agreements with the state through the Ministry of Finance concerning the posting of financial collateral (see note 43). The swap agreements were entered into through auctions that are administrated by Norges Bank. In the swap agreement, the state sells treasury bills to the bank through a timerestricted swap for covered bonds. The bank can either keep the treasury bills and receive payment from the state when the swap agreement falls due for repayment, or it may sell the treasury bills in the market. When the bills become due within the term of the swap agreement, the bank must purchase new bills from the state at the price that is determined by the market price for treasury bills. This rollover will be ongoing throughout the entire term of the agreement. Upon expiry of the swap agreement, the bank is obliged to purchase the covered bonds back from the state at the same price that the state purchased them for. Storebrand Bank ASA will receive the interest on the transferred covered bonds. All risk concerning the covered bonds continues to lie with Storebrand Bank ASA.

NOTE 28 | Financial derivatives

NOMINAL VOLUM

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

	2011				
	Gross nom.	Average nom.	Net. nom.	Fair value 2)	
NOK million	value 2)	value 3)	value 2)	Asset	Liability
Equity derivatives		114.6			
Interest rate derivatives 1)	22,457.4	23,552.2	9,131.2	598.5	489.7
Currency derivatives	4 180.1	4 786.6	-53.3	7.6	10.5
Total derivatives	**26,637.5**	**28,453.4**	**9,077.9**	**606.1**	**500.2**

	2010				
	Gross nom.	Average nom.	Net. nom.	Fair value 2)	
NOK million	value 2)	value 3)	value 2)	Asset	Liability
Equity derivatives	173.1	436.7	22.3		
Interest rate derivatives 1)	23,995.1	26,010.0	5,953.3	417.5	315.2
Currency derivatives	4,423.9	4,392.9	-42.3	52.5	56.3
Total derivatives	**28,592.1**	**30,839.6**	**5,933.3**	**470.0**	**371.5**

1) Interest rate swaps includes accrued interest.
2) Value at 31.12.
3) Average for the year.

NOTE 29 | Foreign exchange risk

Financial assets and liabilities in foreign currency	Statement of financial position items		Currency forwards	Net position	
NOK million	Assets	Liabilities	Net sale	in currency	i NOK
CHF	59.2	0.0	-59.5	0.0	-0.3
DKK	0.3	0.0	0.0	0.1	0.3
EUR	81.1	34.3	-53.3	-0.8	-6.5
GBP	4.7	4.6	0.0		0.1
JPY	1.0	0.0	-1.0	0.5	
SEK	67.3	439.3	372.0	-0.1	
USD	51.0	33.8	-9.4	1.4	7.8
Other	0.2	0.8	0.0		-0.6
Total net position foreign currency 2011					**0.8**
Total net position foreign currency 2010					1.8

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

NOTE 30 | Loan portfolio and guarantees

	2011	2010
NOK million	Book value	Book value
Lending to customers at amortised cost	16,176.1	17,809.2
Lending to customers at fair value	787.7	673.1
Total gross lending to customers	**16,963.8**	**18,482.3**
Loan loss provisions on individual loans (see note 31)	-117.2	-187.6
Loan loss provisions on groups of loans (see note 31)	-51.9	-82.0
Net lending to customers	**16,794.7**	**18,212.6**

See note 4 for analysis of lending to customers and guarantees per customer group.

NOTE 31 | Loan loss provisions

	2011	2010
NOK million	Book value	Book value
Loan loss provisions on individual loans 01.01	187.6	229.9
Losses realised in the period on individual loans previously written down	-106.2	-102.9
Loan loss provisions on individual loans for the period	38.5	82.2
Reversals of loan loss provisions on individual loans for the period	-11.4	-68.1
Other corrections to loan loss provisions [*)]	8.8	46.5
Loan loss provisions on individual loans at 31.12	**117.2**	**187.6**
Loan loss provisions on groups of loans and guarantees 01.01	82.0	106.1
Grouped loan loss provisions for the period	-30.1	-24.1
Loan loss provisions on groups of loans and guarantees etc. 31.12	**51.9**	**82.0**
Total loan loss provisions	**169.1**	**269.6**

[1)] Other corrections to loan loss provisions relates to effects of amortisation.

The bank has no provisions for guarantees as at 31.12.11 and as at 31.12.10.

The accounting policies for recording loans have changed during the course of 2011 and the treatment of doubtful credit card debts has been moved from loan loss provisions on groups of loans loan to loan loss provisions on individual loans.

NOTE 32 | Intangible assets

NOK million	IT systems 2011	Total book value 2011	IT systems 2010	Total book value 2010
Acquisition cost at 01.01	153.6	153.6	137.3	137.3
Additions in the period:				
Purchased separately	44.8	44.8	16.3	16.3
Disposals in the period	-0.2	-0.2		
Acquisition cost at 31.12.	**198.2**	**198.2**	**153.6**	**153.6**
Accumulated depreciation and write-downs at 01.01	111.4	111.4	89.2	89.2
Depreciation in the period	17.9	17.9	17.3	17.3
Write-downs in the period	4.6	4.6	4.9	4.9
Accumulated depreciation and write-downs at 31.12	**133.9**	**133.9**	**111.4**	**111.4**
Book value at 31.12	**64.3**	**64.3**	**42.2**	**42.2**

For each class of intangible assets:				
Depreciation method	linear method		linear method	
Economic life	3 – 8 years		3 – 8 years	
Rate of depreciation	12.5% -33.33%		12.5% -33.33%	

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

During 2011 Storebrand Bank has made a write-down of intangible assets by NOK 4.6 million. The write-down are mainly related to systems for credit risk which no longer are in use.

NOTE 33 | Fixed assets

NOK million	Fixture and fittings	IT	Real estate [1]	Total book value 2011	Total book value 2011
Book value at 01.01	10.2	2.2	3.1	15.5	15.7
Additions				0.0	4.1
Disposals	-1.2	0.0	0.0	-1.2	-0.7
Depreciation	-1.6	-1.6	-0.4	-3.6	-3.6
Book value at 31.12.	**7.4**	**0.6**	**2.7**	**10.7**	**15.5**
Opening acquisition cost	12.0	6.8	5.7	24.5	21.4
Closing acquisition cost	10.2	6.8	5.7	22.7	24.5
Opening accumulated depreciation and write-downs	1.8	4.6	2.6	9.0	-5.7
Closing accumulated depreciation and write-downs	2.8	6.2	3.0	12.0	-9.0

For each class of fixed assets:			
Method for measuring cost price	Acquisition cost	Acquisition cost	Acquisition cost
Depreciation method	linear	linear	linear
Depreciation period and economic life	3 - 10 years	4 years	15 years

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

[1] Holiday cabins valued using the cost method..

NOTE 34 | Operational leasing

Minimum future payments on operational leases for fixed assets are as follows:

NOK million	Minimum lease less than 1 year	Minimum lease between 1 - 5 years	Minimum lease more than 5 years
Minimum lease payments less than 1 year	0.0		
Minimum lease payments between 1 - 5 years	0.9	0.3	
Minimum lease payments nore than 5 years	7.9	31.4	22.3
Total	**8.8**	**31.7**	**22.3**

Of which future lease income:

Amount through the profit and loss account

NOK million	2011	2010
Lease payments through the profit and loss account	8.8	15.6
Future lease income through the profit and loss account		2.6

Operational leases are primarily lease for Storebrand's head office in Lysaker, and the rental of coffee machines and photocopiers.

Costs are included in the item "General adminstration expenses" and the item "Other operating costs".

Specification of substantial lease agreements

NOK million	Yearly lease (cost)	Of which future lease income	Duration of the agreement	Option for renewal? (Yes/No)
Rent agreement Lysaker Park	7.9		2019	Ja
Lease agreement photocopiers	0.9		2013	Nei
Total	**8.8**	**0.0**		

NOTE 35 | Other current assets

NOK million	2011 Book value	2010 Book value
Interest accrued	77.5	90.2
Other accrued income	6.5	12.5
Due from customers	6.3	0.3
Shares in subsidiaries [1)]	1,019.1	1,575.7
Due form group companies	65.4	150.1
Due from stockbrokers	22.8	16.0
Due from customers stockbrokerage	65.5	74.6
Other assets	0.2	3.7
Total other assets	**1,263.4**	**1,922.9**

[1)] See note 24.

Note 36 | Deposits from customers

NOK million	2011 Book value	2010 Book value
Deposits from customers	17,373.6,,	17,608.6,,
Term loans and deposits from customers	1,118.8,,	1,208.9,,
Total deposits from customers	**18,492.4**	**18,817.5**

NOK million	2011 Book value	2010 Book value
Sector and industry classification		
Development of building projects	184.6	203.4
Sale and operation of real estate	2,589.7	2,419.1
Professional and financial services	2,828.3	3,018.3
Wage-earners	10,729.3	10,885.9
Other	2,160.5	2,290.8
Total	**18,492.4**	**18,817.5**
Geographic distribution		
Eastern Norway	14,845.2	14,454.5
Western Norway	1,960.5	2,333.5
Southern Norway	234.5	231.4
Mid-Norway	447.4	516.7
Northern Norway	584.6	809.0
Rest of world	420.2	472.3
Total	**18,492.4**	**18,817.5**

Note 37 | Hedge accounting

Storebrand uses fair value hedging for interest risk, when the hedging items are financial assets and financial liabilities measured at amortised cost.
Derivatives are recognised at fair value through the profit or loss (FVO). Changes in the value of the hedged item that relate to the hedged risk are applied to the book value on the item and are recognised in the profit and loss account.
Hedging effectiveness is monitored at the individual item level. Each portfolio comprises swaps and hedged items with maturity within the same half year period. Hedging effectiveness when the hedge is created measures the relationship between changes in the hedged value of the interest rate hedging instrument and the item hedged in the event of a 2-percentage point interest rate shock.
Subsequently, hedging effectiveness is measured on the basis of the simple Dollar Offset method for both prospective and retrospective calculations. Hedging is expected to be highly efficient in the period.

	2011			**2010**		
	Contract/	**Fair value 1)**		**Contract/**	**Fair value 1)**	
NOK million	**nominal value**	**Assets**	**Liabilities**	**nominal value**	**Assets**	**Liabilities**
Interest rate swaps	1,047.0	69.4		1,047.0	60.3	0.0
Total interest rate derivatives	1,047.0	69.4		1,047.0	60.3	0.0
Total derivatives	1,047.0	69.4		1,047.0	60.3	0.0

	Contract/	**Fair value 1)**		**Contract/**	**Fair value 1)**	
	nominal value	**Assets**	**Liabilities**	**nominal value**	**Assets**	**Liabilities**
Total underlying items	1,044.0		1,120.1	1,044.0		1,109.4
Hedging effectiveness - prospective			102%			99%
Hedging effectiveness - retrospective			-98%			90%

Gain/loss on fair value hedging: 2)

NOK million	2011 Gain / loss	2010 Gain / loss
On hedging instruments	9.7	6.8
On items hedged	-13.5	-7.3

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

Note 38 | Bonds and commercial papers issued

NOK million	2011 Book value	2010 Book value
Commercial papers	501.4	400.9
Bond loans	3 947.4	3 621.9
Total bonds and commercial papers issued	**4,448.9**	**4,022.8**

See note 5 for analysis of bonds and commercial papers issued.

Note 39 | Subordinated loan capital

NOK million	2011 Book value	2010 Book value
Dated subordinated loan capital	401.5	501.3
Other subordinated loan capital	9.3	9.3
Tier 1 hybrid capital	281.5	279.4
Total subordinated loan capital	**692.3**	**790.1**

NOK million	2011	2010
Subordinated loan capital included in capital adequacy calculation	692.3	790.1
Interest expense		
Interest expense booked in respect of subordinated loan capital	33.6	31.8

All subordinated loans are denominated in NOK.

Note 40 | Provisions

	Provisions for restructuring	
NOK million	2011	2010
Provisions 1 January	3.7	7.0
Provisions during the period		0.8
Provisions used during the period	-2.9	-4.0
Total provisions 31 December	**0.8**	**3.7**
Classified as:		
Provision for accrued expenses and liabilities	0.8	3.7

Provisions were made for restructuring in Storebrand Bank ASA carried out in 2008 and 2009. Expected settlement time for the provision is in the period 2012-2013.

NOTE 41 | Other liabilities

NOK million	2011 Book value	2010 Book value
Payable to Storebrand group companies	329.7	35.8
Money transfers	43.2	2.8
Group contribution payable to group companies	85.8	115.5
Accounts payable	4.6	7.5
Payable to stockbrokers	42.1	34.3
Payable to customers stockbrokerage	45.0	54.7
Accrued interest expenses financial debt	14.3	16.5
Accrued expenses and prepaid income	22.2	42.8
Due to brokers related to settlement of financial instruments	296.1	
Other debt	5.6	13.8
Total other liabilities	**888.7**	**323.6**

NOTE 42 | Off balance sheet liabilities and contingent liabilities

NOK million	2011	2010
Guarantees	293.6	301.6
Undrawn credit limits	4 263.1	8 227.5
Lending commitments	1 408.5	816.6
Total contingent liabilities	**5 965.2**	**9 345.6**

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

In 2009 an action was brought against Storebrand Bank by two customers seeking damages for economic loss in connection with investments in one of Storebrand Bank's stock index bonds. The bank won in both the district court and the court of appeal, and the case has been appealed by the plaintiff to the Supreme Court, due to it dealing with a matter of principal interest. The Supreme court heard the case in January 2012 but has not rendered a decision at the time the financial statements were being prepared. The bank believes it to be highly probable that the claim for compensation will be denied and has therefore not made any provisions in the financial statements.

NOTE 43 | Collateral

Received and pledged collateral

Storebrand Bank ASA has not received or pledged any collateral except securities pledged as collateral for F-loans in Norges Bank and securities pledged as collateral in connection with the scheme for swapping covered bonds for government papers (see table below).
This note does not cover collateral on lending to customers.

Collateral and security pledged

NOK million	2011	2010
Booked value of bonds pledged as collateral for the bank's lending from Norges Bank	3,164.4	3,935.1
Booked value of bonds pledged as collateral for swap scheme	3,496.9	5,855.9
Booked value of securities pledged as collateral in other financial institutions	286.5	
Total	**6,947.8**	**9,791.0**

Securities pledged as collateral are linked to lending access in Norges Bank for which, pursuant to regulations, the loans must be fully guaranteed with collateral in interest-bearing securities and/or the bank's deposits in Norges bank. Storebrand Bank ASA has a F-loan for NOK 1.4 billion in Norges Bank as per 31.12.2011.

In connection with the package of measures by the authorities concerning the banks, Storebrand Bank ASA has entered into an agreement involving the following amounts to conditions and terms for a swap scheme of covered bonds for treasury bills:

NOK million

Amount	Issued	Maturity	Interest rate
496.5	06.05.2009	19.03.2014	NIBOR minus 20bp
493.8	04.06.2009	19.03.2014	NIBOR minus 20bp
493.5	17.06.2009	20.03.2013	NIBOR minus 20bp
491.5	09.09.2009	18.12.2013	NIBOR pluss 24bp
1,487.9	21.10.2009	18.09.2013	NIBOR pluss 70bp

NOTE 44 | Capital Adequacy

Capital adequacy calculations are subject to special consolidation rules in accordance with the Regulation on consolidated application of the capital adequacy rules etc. (the "Consolidation Regulation"). The Storebrand Bank group is defined pursuant to Section 5 of the Consolidation Regulation as a financial group comprising solely or mainly undertakings other than insurance companies. The valuation rules used in the company's accounts form the basis for consolidation. Consolidation is, in the main, carried out in accordance with the same principles as used in the accounts, with all internal transactions eliminated, including shares, loans and deposits as well as other receivables and liabilities. Profit for the year is included in the primary capital.

Net primary capital

NOK million	2011	2010
Share capital	960.6	960.6
Other equity	1,241.8	1,329.0
Total equity	**2,202.4**	**2,289.6**
Deductions:		
Intangible assets	-64.3	-42.2
Deferred tax assets	-21.5	-83.6
Addition:		
Tier 1 hybrid capital	279.0	279.4
Core capital	**2,395.6**	**2,443.1**
Supplementary capital	409.2	509.1
Deductions		
Net primary capital	**2,804.9**	**2,952.2**

Minimum capital requirement

NOK million	2011	2010
Credit risk	1,340.7	1,320.2
Of which:		
Local and Regional authorities	2.5	
Publicly owned companies	8.0	
Institutions	193.5	234.9
Corporates	666.1	475.6
Loans secured on real estate	316.6	393.8
Retail market	44.2	54.0
Loans past-due	19.6	55.4
Covered bonds	71.1	71.3
Other	19.1	35.2
Total minimum requirement for credit risk	**1,340.7**	**1,320.2**
Total minimum requirement for market risk	**0.0**	**0.0**
Operational risk	60.8	65.5
Deductions		
Loan loss provisions on groups of loans	-4.2	-6.6
Minimum requirement for capital base	**1,397.4**	**1,379.2**

Capital adequacy

	2011	2010
Capital ratio	16.1%	17.1%
Core capital ratio	13.7%	14.2%

The company uses the standard method for credit risk and market risk, and the basic method for operational risk.
The minimum requirement for the capital ratio is 8 per cent.

Note 45 | Remuneration of senior employees and elected officers of the company

Remunerations of senior employees and elected officers at 31.12.11

NOK 1000	Remuneration [11]	Bonus earned in 2011 [1]	Bonus paid in 2012 [1]	Bonus transferred to share bank in 2012 [1]	Salary guarantee (months)	Pensions accrued for the year [10]
Senior employees						
Truls Nergaard (CEO)	2,863	454	227	227	18	1,048
Bernt Uppstad	1,158					234
Anne Grete T. Wardeberg	1,558					467
Trond Fladvad	1,697	260	130	130		522
Robert Fjelli	1,924	267	133	133		522
Torstein Hagen	760	93	47	47		249
Board of Directors [6]						
Idar Kreutzer [7]	9,983	860	430	430	24	1,284
Geir Holmgren [8]	2,585	192	96	96		401
Heidi Storruste	153					
Steinar Wessel-Aas	153					
Kristine Schei	153					
Anne-Kristine Baltzersen [8]	1,710					432
Maria Borch Helsengreen	153					
Control Committee [9]						
Finn Myhre	275					
Tone Margrethe Reierselmoen	225					
Elisabeth Wille	315					
Harald Moen	225					
Ida Hjort Kraby	110					
Ole Klette	225					

NOK 1000	Discounted present value of pension [10]	No. of shares [2]	Loans [3]	Interest rate at 31.12.11	Repayment period [4]	Outstanding amount [5]
Ledende ansatte						
Truls Nergaard (CEO)	2,823	13,335				
Bernt Uppstad	1,438		1,478	2.75%	2027	
Anne Grete T. Wardeberg	4,447	3,467				
Trond Fladvad	2,489		6,912	2.75%/3.65%	2021/2032/2041	
Robert Fjelli	2,232	1,100	3,371	2.75%/3.85%	2019/2041	
Torstein Hagen	100		2,963	2.75%	2041	
Board of Directors [6]						
Idar Kreutzer [7]	24,908	121,294	13,441	2.75%/3.84%/4.39%	2018/2025/2037	
Geir Holmgren [8]	5,726	3,137	3,155	2.75%	2021	
Heidi Storruste		1,228	2,617	2.75%	2019/2037	
Steinar Wessel-Aas		0	1,400	4.25%	2021	
Kristine Schei		0	0			
Anne-Kristine Baltzersen [8]	5,375	4,439	1,463	2.75%	2021	
Maria Borch Helsengreen		50	0			
Control Committee [9]						
Finn Myhre			8,249	3.84%/3.94%	2014/2025/2030/2036	
Tone Margrethe Reierselmoen		1,734	504	4.25%	2021	
Elisabeth Wille		163				
Harald Moen		595				
Ida Hjort Kraby						
Ole Klette						

[1] As a consequence of the new compensation regulations, Storebrand has carried out the necessary adjustments in the Group's bonus model with effect from 2011. In connection with this, the bonus bank was closed during the first half of 2011. The 2011 payment is therefore substantially higher than the normal level for a bonus payment, and is to be viewed as a one-time event.
The funds in the bonus bank comprised withheld bonuses earned in previous years. 50% of the amount paid after tax was used to acquire Storebrand shares with an 18 month lock-in period. Based on the prevailing market conditions, no increase in salaries and the bonus limits for the Group's executive management team were made in Storebrand in 2012, and a moderate local salary adjustment was made in the rest of the organisation of nearly 1% in Norway and 2% in Sweden.
[2] The summary shows the number of shares owned in Storebrand ASA by the individual, as well as his or her close family and companies where the individual exercises significant (cf. Accounting Act 7-26) influence.
[3] Loans to senior employees and members of the Board of Directors are granted in part on the normal terms and conditions for loans to employees, i.e. loan to an individual of up to NOK 3.5 million at
an interest rate equal to the norm interest rate (for tax purposes) defined by the Norwegian Minstry of Finance.
[4] The years shown are the years in which the loans are contractually due to be repaid.
[5] Loan payment due but not yet paid.
[6] Remuneration paid represents remuneration paid in connection with the individual's appointment to the Board of Directors of Storebrand Bank ASA.
[7] Idar Kreutzer, the Chairman of the Board, does not receive any remuneration from Storebrand Bank ASA for this appointment, and the company has no liability towards the Chairman of the Board in the event of termination of or change to this appointment. Idar Kreutzer is the Chief Executive Officer of Storebrand ASA.He is entitled to salary for 24 months after the expiry of the normal notice period. Such payments will be reduced by all work-related income during this period, including consultancy assignments. Idar Kreutzer has a bonus in accordance with the new bonus scheme described above in section 1.
[8] Neither Geir Holmgren nor Anne-Kristine Baltzersen receives any remuneration from Storebrand Bank ASA for their appointments as members of the Board. The remuneration shown in the note relates to salary and benefits paid by Storebrand Livsforsikring AS and Storebrand Kapitalforvaltning AS in respect of their employment by the company.
[9] Storebrand Bank ASA has had from 1 July 2010 a joint control committee with Storebrand ASA. Remuneration to the members of the control committee is paid by Storebrand ASA.
[10] All employees are members of Storebrand's pension scheme. From 1 January 2011 the defined benefit scheme was closed to new members. At the same date a defined contribution pension scheme was established which applies to new employees from 1 January 2011 and to those who chose to transfer from a defined benefit to a defined contribution pension arrangement. For further information about the pension schemes refer to note 15.

NOK 1000	**Salary/fee**	**Bonus**	**Additional remuneration**	**Other taxable benefits [1]**	**Total remuneration**
Ledende ansatte					
Truls Nergaard (CEO)	2,320	415		128	2,863
Bernt Uppstad	936	115		107	1,158
Anne Grete T. Wardeberg	1,287	137		134	1,558
Trond Fladvad	1,366	197		135	1,697
Robert Fjelli	1,410	379		134	1,924
Torstein Hagen	694	0		66	760

[1] Comprises company car, telephone, insurance, concressionary interest rate and other contractual benefits.

Remunerations of senior employees and elected officiers at 31.12.10

NOK 1000	Remuneration [11]	Bonus bank [1]	⅓ Bonus bank payment in 2011 [1]	Salary guarantee (months)	Pension acrued for the year
Senior employees					
Truls Nergaard (adm.dir.) [10]	3,183	299	300	18	1,515
Monica Kristoffersen Hellekleiv	1,261	114	138		3,005
Anne Grete T. Wardeberg	1,560	77	127		3,544
Trond Fladvad	1,627	191	197		1,780
Robert Fjelli	1,839	138	379		1,703
Lars Syse Christiansen	1,607	204	235		524
Klaus-Anders Nysteen (tidl. adm.dir.) [10]	1,691				
Board of Directors [6]					
Idar Kreutzer [7]	5,745	5,129	1,710	24	18,008
Roar Thoresen [8]	3,581	947	882	18	8,537
Heidi Storruste	148				
Steinar Wessel-Aas	148				
Kristine Schei	148				
Anne-Kristine Baltzersen [8]	1,224	261	137		3,553
Maria Borch Helsengreen	150				
Control Committee of Storebrand Bank ASA [9]					
Finn Myhre					
Maria Borch Helsengreen					
Tone Margrethe Reierselmoen					
Jan Ljone	75				
Control Committee of Storebrand ASA [9]					
Finn Myhre	245				
Tone Margrethe Reierselmoen	90				
Elisabeth Wille	270				
Harald Moen	200				
Ida Hjort Kraby	200				
Ole Klette	200				
Erling Naper	90				

Remuneration of senior employees and elected officiers at 31.12.10

	No. of shares 2)	Loans 3)	Interest rate at 31.12.10	Repayment period 4)	Outstanding amount 5)
Senior employees					
Truls Nergaard (CEO) 10)	10,967				
Monica Kristoffersen Hellekleiv	1,977	2,420	3,34%	2028	
Anne Grete T. Wardeberg	3,467				
Trond Fladvad	4,496	5,163	3,00%/3,35%	2012/2017/2032	
Robert Fjelli	1,100	3,569	3,00%/3,35%	2019/2039	
Lars Syse Christiansen	877	1,616	3,00%	2038	
Klaus-Anders Nysteen (formerly CEO) 10)	49,807	3,175	3,50%	2020	
Board of Directors 6)					
Idar Kreutzer 7)	96,232	13,061	3,00%/3,34%/3,74%	2018/2025/2037	
Roar Thoresen 8)	32,888	1,564	3,00%	2032	
Heidi Storruste	1,228	2,700	3,00%/3,35%	2019/2037	
Steinar Wessel-Aas	0	7,520	3,75%/4,05%	2021/2031	
Kristine Schei					
Anne-Kristine Baltzersen 8)	3,571	1,618	3,00%	2021	
Maria Borch Helsengreen	50				
Control committee of Storebrand Bank ASA 9)					
Finn Myhre		8,426	3,34%	2014/2025/2030	
Maria Borch Helsengreen	50				
Tone Margrethe Reierselmoen	1,734	547	3,75%	2021	
Jan Ljone					
Control committee of Storebrand ASA 9)					
Finn Myhre					
Tone Margrethe Reierselmoen					
Elisabeth Wille	747				
Harald Moen	595				
Ida Hjort Kraby					
Ole Klette					
Erling Naper					

1) Outstanding in bonus bank at 31.12.10 less Storebrand's initial contribution. Senior executives are contractually entitled to performance related bonuses related to the group's value-based management system. The group's value creation finances the overall amount of bonus, but individual performance determines what proportion of the bonus is allocated. The bonus allocated to an individual is credited to a bonus account, and 1/3 of the balance on the bonus account is paid each year. If the total annual payments exceed the total bonuses awarded and return this will result in parts of Storebrand's initial contribution forming part of the annual payment. Senior employees, with the exception of the Charirman of the Board, received an intitial contribution when the bonus bank was established. If the employee leaves the company, the positive amount of the initial deposit will be retained by Storebrand. The balance of the bonus account is exposed 50% to Storebrand's share price and 50% to the best interest rate paid by Storebrand Bank. Over time the balance in the "share bank" and "interest bank" will grow separately. In accordance with the annual general meeting's decision a long-term incentive scheme was established in 2008 for the group's management team and other senior employees. In connection with the establishment of this, the previously withheld bonuses earned from 2008 and before have been paid. Storebrand has also made an extra contribution that equals the size of this amount. The payment was reported as salary/bonus and taxed as income. The net payment less tax, was in its entirety spent on purchasing shares with a lock-in period of 3 years.

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

3) Loans to senior employees and members of the Board of Directors are granted in part on the normal terms and conditions for loans to employees, i.e. loan to an individual of up to NOK 1.7 million at 80% of normal market interest rate. Loans in excess of NOK 1.7 million are granted on normal commercial terms and conditions.

4) The years shown are the years in which the loans are contractually due to be repaid.

5) Loan payment due but not yet paid.

6) Remuneration paid represents remuneration paid in connection with the individual's appointment to the Board of Directors of Storebrand Bank ASA.

7) Idar Kreutzer, the Chairman of the Board, does not receive any remuneration from Storebrand Bank ASA for this appointment, and the company has no liability towards the Chairman of the Board in the event of termination of or change to this appointment. Idar Kreutzer is the Chief Executive Officer of Storebrand ASA.He is entitled to salary for 24 months after the expiry of the normal notice period. Such payments will be reduced by all work-related income during this period, including consultancy assignments. He is entitled to a performance-related bonus based on Storebrand's ordinary bonus scheme, payable in three instalments. The group's value creation finances the overall amount of the bonus, but individual performance determines allocation. Bonus entitlement is credited to a bonus account, and 1/3 of the balance on the bonus account is paid each year.

8) Neither Roar Thoresen nor Anne-Kristine Baltzersen receives any remuneration from Storebrand Bank ASA for their appointments as members of the Board. The remuneration shown in the note relates to salary and benefits paid by Storebrand Livsforsikring AS and Storebrand Kapitalforvaltning AS in respect of their employment by the company. In addition to the information in this note, Anne-Kristine Baltzersen will receive NOK 124' in payment from bonus bank in 2011.

9) Storebrand Bank ASA has had from 1 July 2010 a joint control committee with Storebrand ASA. Of the members of Storebrand Bank ASA's former control committee only Jan Ljone has been paid remuneration by the bank.

10) Former CEO Klaus-Anders Nysteen left Storebrand Bank ASA on 1 May 2010. Truls Nergaard, former head of Corporate Market, was appointed as the new CEO on the same date.

11) Specification of remuneration

NOK 1000	Salary/fee	Bonus	Additional remuneration	Other taxable benefits [1]	Total remuneration
Senior employees					
Truls Nergaard (CEO)	1,983	959	240		3,183
Monica Kristoffersen Hellekleiv	1,030	123	108		1,261
Anne Grete T. Wardeberg	1,151	295	114		1,560
Trond Fladvad	1,367	148	112		1,627
Robert Fjelli	1,459	274	105		1,839
Lars Syse Christiansen	1,235	282	91		1,607
Klaus-Anders Nysteen (former CEO)	1,254	352	85		1,691

[1] Comprises company car, telephone, insurance, concressionary interest rate and other contractual benefits.

For the 2012 AGM, the Board of Storebrand Bank ASA will present the following statement on the determination of salaries and other compensation for senior employees pursuant to Section 6-16a of the Public Limited Liability Companies Act, based on the Group's previously adopted guidelines for compensation for senior employees in Storebrand.

THE BOARD'S STATEMENT ON THE DETERMINATION OF SALARIES AND OTHER COMPENSATION FOR SENIOR EMPLOYEES

Since 2000 the Board of Storebrand ASA has had a separate Remuneration Committee. The Remuneration Committee shall provide advice to the Board on all matters concerning the company's remuneration to the CEO. The Committee shall monitor and propose guidelines for determining Group senior employees' compensation. In addition, the Committee is an advisory organ for the CEO in relation to remuneration schemes that encompass all the employees in Storebrand Group, including Storebrand's bonus system and pension scheme.

In 2011 a common Compensation Committee was established for the companies in the Group which are required to have a compensation committee in accordance with the regulations laid down by the Ministry of Finance on 1 December 2010 "On remuneration schemes in financial institutions". The Committee shall prepare cases that in accordance with the regulations are to be considered by the Boards.

The Board's Remuneration Committee will continue to function in the same manner, in keeping with current practice.

1. RECOMMENDED GUIDELINES FOR THE COMING FINANCIAL YEAR

Storebrand shall have competitive and stimulating salary policies that help to attract, develop and retain highly qualified members of staff. The optimal use of financial compensation contributes to creating an achievement culture with clear goals for all employees and appropriate management evaluations that differentiate between good and less good levels of performance.

The financial compensation shall be designed to:

1. Contribute to supporting continuous improvement, stimulate collaboration with others and create a values-based achievement culture
2. Help to focus employees' efforts on the goals
3. Ensure that the Group's strategy and plans form the basis for employees' performance requirements and goals
4. Be based on long term thinking, a balanced scorecard and actual value creation
5. Be based on evaluations of the individual's results and compliance with Group policies
6. Facilitate a process connected to establishing goals and goal structures that is clear, transparent and team-based.
7. Ensure that both the development in financial remuneration and requirements of the position are based on the employee's role, responsibilities and influence in the Group
8. Are designed in such a way that the composition and level of the elements of financial remuneration are balanced and tailored to the market

The salary for senior employees is determined on the basis of the position's responsibility and complexity. Comparisons with equivalent external positions are regularly made in order to adjust the salary level to the market rates. Storebrand does not wish to be the wage leader in the industry.

In addition to fixed salary, senior employees in Storebrand can receive compensation in the form of an annual bonus, participate in the common Group pension scheme, and gain other fringe benefits. Senior employees may also receive a severance package, which guarantees an amount of salary less other income for a specific period of up to 24 months after the employment has ended.

2. BINDING GUIDELINES FOR SHARES, WARRANTS, OPTIONS ETC. FOR THE 2012 FINANCIAL YEAR

2.1 FURTHER INFORMATION ON THE BONUS SYSTEM

The principal elements of the bonus system remain the same

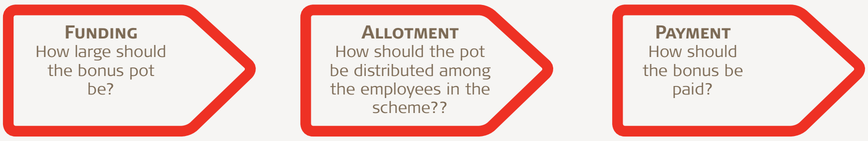
The Storebrand Group bonus scheme for the 2012 financial year has been established in compliance with the regulations laid down by the Ministry of Finance on 1 December 2010 "On compensation schemes in financial institutions". Much of the Group's bonus scheme for senior employees in 2012 is a continuation of the previous bonus scheme. The previous bonus scheme has been very robust in safeguarding the overarching goals of increasing compatibility between the owners' and the senior employees' incentives as well as helping the senior employees to refrain from taking inappropriate levels of risk.

Two categories for financial compensation

Senior employees and employees who influence the company's risk are divided into two categories for financial compensation. Senior employees who have a large part of their work relating to accounting and control functions are paid a fixed salary only. The other senior employees have a bonus scheme that is linked to value creation in the Group and the unit as well as the performance of the individual employee.

The overall structure of the bonus scheme

The overall structure of the bonus scheme is shown in the diagram below.



The bonus is funded by the value created in the Group, while the allocation of the bonus is dependent upon the value created in the unit and the employee's own performance.

Financing

Specific quantitative goals are set annually for how the company's creation of value shall finance bonuses. The value creation target is based on the risk-adjusted result which excludes results and profit sharing that depend on the market. Material one-time effects are also adjusted for. The financing is calculated based on the value created over the last two years. The last year is used for 2011 as there is not a corresponding risk-adjusted result available for 2010. For 2012 the value creation will be an average of the percentage of goals achieved in 2011 and 2012.

In addition, the total Group result must exceed a predefined level in order to avoid a reduction in the bonus earned based on the risk-adjusted result. A negative Group result before taxes leads to the maximum reduction and zero bonus. Also, the return on equity (before taxes) must exceed 5% and there must be a satisfactory level of solvency.

The Board of Storebrand ASA decides upon the target for how the risk-adjusted value creation finances the bonus.

Calculation of the profit distribution

The unit's value creation is measured by means of a scorecard, which is anchored in the unit's strategy and financial and operational goals. The scorecard incorporates both quantitative and qualitative goals. Also each year specific goals are established for senior employees' performance, which are documented in a separate monitoring system. Employee evaluations are conducted annually. The profit allocation is dependent upon both the unit's results and individual goal achievements.

Calculation of individual bonuses awarded

The target bonus for senior employees shall over time account for 20-40 per cent of the fixed salary. The maximum goal achievement for financing and allocations is 150%. The bonus awarded to senior employees is determined using the following formula:

Target bonus level x Financing result x Allocation result

The maximum awarded bonus can not represent more than 90 per cent of the fixed salary. For senior employees at Storebrand Bank ASA the awarded bonus can not exceed 50 per cent of the fixed salary.

Bonus payment

50% of the awarded bonus, 40% for participants in the scheme in Sweden, is paid in cash.

50% of the awarded bonus, 60% for participants in the scheme in Sweden, is converted to a number of synthetic shares based on the weighted average of the price during the last week before the date in February on which the ordinary bonus is paid. The number of shares is registered in a share bank and will remain there for three years. No actual shares are bought. At the end of the three year period, an amount corresponding to the number and market price of the shares awarded is paid, based on the weighted average of the price during the last week prior to the ordinary bonus being paid. The amount is paid as a bonus and tax is assessed on this payment. The company can withdraw some, or all, of the shares that have previously been awarded and deposited in the share bank if the allocation was made on the basis of faulty assumptions. The Board shall conduct an evaluation of whether there is good reason to adjust the number of shares awarded. Half of the amount paid, after tax, from the share bank shall be used to purchase actual shares in Storebrand ASA at the market price with a lock-in period of 3 years. No payments are made from the share bank until the end of the 3-year period, even if the employee withdraws from the scheme or leaves the company, but the payment will be made on the date that was specified at the time the allocation was made.

2.2 PENSION SCHEME

The company arranges and pays for ordinary collective pension insurance for all members of staff, applicable from the date of employment, and in accordance with the pension regulations in effect at all times.

2.3 SEVERANCE PACKAGE

The CEO and the Group's directors are entitled to a severance package in the event of the company terminating the employee.

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

2.4 EMPLOYEE SHARE PROGRAMME

Senior employees, in line with other employees in Storebrand, are given the opportunity to purchase a limited number of shares in Storebrand ASA at a discount pursuant to the employee share programme.

3. THE SENIOR EMPLOYEE REMUNERATION POLICY PRACTISED IN 2011

3.1 GENERAL

The senior employee remuneration policy practised in 2011 is based on the statement concerning the setting of senior employees' remuneration which was considered at the AGM in April 2011.

3.2 BONUS PAID FOR THE 2010 QUALIFYING YEAR

The targets set for funding the bonus were achieved in the 2010 qualifying year. Therefore bonuses were awarded to the senior employees based on the results and performance in 2010, and were paid in March 2011. The payment from the bonus bank in March 2011 was carried out in accordance with the applicable regulations for the

2010 qualifying year. One third of the balance in the bonus bank after the bonus for the 2010 qualifying year was awarded and after the estimated returns relating to the interest rate and the Storebrand share price performance from 1 January 2010 to 31 December 2010, was disbursed. Pursuant to the regulations for a long term incentive scheme, shares were also purchased for half of the amount disbursed. A total of 42,344 shares were bought.

As a consequence of the new compensation regulations, Storebrand has carried out the necessary adjustments in the Group's bonus model with effect from 2011. In connection with this, the bonus bank was closed during the first half of 2011. The 2011 payment was therefore substantially higher than the normal level for a bonus payment, and is to be viewed as a one-time event. The funds in the bonus bank comprised withheld bonuses earned in previous years. 50% of the amount paid after tax was used to acquire Storebrand shares with an 18 month lock-in period. Based on the prevailing market conditions, no increase in salaries and the bonus limits for the executive management team were made in Storebrand in 2012, and a moderate local salary adjustment was made in the rest of the organisation of nearly 1% in Norway and 2% in Sweden.

3.3 FURTHER INFORMATION ON HOW THE BONUS AWARDED FOR THE 2010 QUALIFYING YEAR IS CALCULATED

The average calculation for the bonus awarded to a member of the Group's executive management team is determined as follows:

Expected bonus level x the Group's financing x Individual goal achievement

The average expected bonus level was NOK 938,000. The Group financing was 114% and the average unit's and individual's goal achievement was 106% for the 2010 qualifying year. This lead to an average bonus awarded of NOK 1,289,000. This amount was deposited in the bonus bank.
The return on the cash portion of the bonus bank was 3.04% and the securities portion returned 10.3% for 2010. Awarding and payment of the bonus adhered to the guidelines that were applicable in 2010. The bonus paid was 1/3 of the account balance in the bonus bank. Half of the amount paid was used to purchase shares with a 3-year lock-in period. When the bonus bank was closed, NOK 796,000 was paid to each Group director on average, including funds for share purchases with an 18-month lock-in period.

3.4 CALCULATION OF THE BONUS AWARDED FOR 2011

For 2011 there was a basis for financing the bonus. The average expected bonus level for the Group's executive management team was NOK 1,000,000.
Financing of the bonus was connected to the risk-adjusted result. Minimum requirements relating to the Group result, ROE and solvency were fulfilled. The financing result was 59%, calculated in accordance with the guidelines for the bonus scheme. Given an individual result of 100%, the average bonus awarded was NOK 493,000. The allocation for 2011 was also dependent upon the unit's results and individual results. 50% of the bonus awarded (40% in Sweden) was paid in cash, while the remaining balance was converted into a number of synthetic shares based on the market price and registered in a share bank with a lock-in period of 3 years. The bonuses were allocated in accordance with the applicable guidelines for 2011. The report on the compensation scheme in practice will be prepared by an independent control function team.

4. REPORT ON THE EFFECTS OF SHARE-BASED COMPENSATION AGREEMENTS ON THE COMPANY AND THE SHAREHOLDERS

In accordance with the new guidelines, in section 2.1 above, half of the amount disbursed from the share bank shall be used to purchase shares in Storebrand ASA at the market price with a 3-year lock-in period. Senior employees thereby have up to 6 years of withheld bonus and substantial exposure to the company's share price. In the opinion of the Board, this does not have any negative effect on the company and the shareholders, given the structure of the scheme and the size of each Group director's portfolio of shares in Storebrand ASA.

Note 46 | Close associates

Transactions with group companies

	2011		2010	
NOK million	**Subsidiaries**	**Other group companies**	**Subsidiaries**	**Other group companies**
Interest income	367.0		313.4	
Interest expense	24.7	0.2	14.1	0.2
Services sold	13.9	3.4	13.1	4.7
Services purchased		82.6		66.7
Due from	4,379.7	0.2	3,656.9	1.3
Liabilities to	667.9	65.4	372.1	62.1

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

Lending transferred to Storebrand Boligkreditt AS

Storebrand Bank ASA shall arrange the transfer and return of loans when changes have to be made, i.e. if the customer requested to increase borrowing, change from variable to fixed interest rate, convert to empoloyee loan or convert to a mortgage loan. The costs form part of the contractual administration fees. The mortgages will be transferred on commercial terms. Non-performing loans in Storebrand Boligkreditt AS remain in the undertaking. These loans will, pursuant to the service agreement with Storebrand Bank ASA, be treated in the same way as non-performing loans in the bank.

Overview of transferred lending:

NOK million	**2011**	**2010**
To Storebrand Boligkreditt AS	3,613.9	7,504.1
From Storebrand Boligkreditt AS	825.0	2,815.5
To Storebrand Eiendomskreditt AS		438.3
From Storebrand Eiendomskreditt AS	2,261.7	65.8

In January 2011, Storebrand Eiendomskreditt AS under avvikling sold all of the lending portfolio to Storebrand Bank ASA as the company is winding up.
Storebrand Bank AS has not pledged any guarantees in connection with loans to Storebrand Boligkreditt AS and Storebrand Eiendomskreditt AS under avvikling.

Transactions with other related parties:

Storebrand Bank ASA defines Storebrand Optimér ASA as a related party as the company's objective is to offer alternative savings products to the bank's customers. Storebrand Optimér ASA has no employees and the company has entered into an agreement with Storeband Bank ASA to carry out the day-to-day operation of the company. The bank also acts as a Manager for issues of shares carried out by Storebrand Optimér ASA. The bank has booked NOK 5.7 million as revenue in the accounts for 2011 and the bank has a receivable due from the company of NOK 1.6 million as of 31.12.11. The fees paid to the bank are based on the arm's length principle.

Storebrand Bank ASA also defines Storebrand Infrastruktur ASA as a related party since the general manager of Storebrand Infrastruktur ASA is an employee of Storebrand Bank ASA and the company's objective is to offer alternative savings products to the bank's customers. Storebrand Infrastruktur ASA has no employees and the company has entered into an agreement with Storeband Bank ASA to carry out the day-to-day operation of the company. The bank also acts as a Manager for issues of shares carried out by Storebrand Infrastruktur ASA. The bank has booked NOK 0.6 million as revenue in the accounts for 2011 and the bank has a receivable due from the company of NOK 0.2 million as of 31.12.11. The fees paid to the bank are based on the arm's length principle.

Loans to employees:

NOK million	2011	2010
Loans to employees of Storebrand Bank ASA	48.0	82.6
Loans to employees of Storebrand group including Storebrand Bank ASA	326.7	560.7

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

Number of employees:

	2011	2010
Number of employees at 31 December	128	146
Number of employees expressed as full-time equivalent positions	126	144

Storebrand Bank ASA

- 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 2011 financial year and as of 31 December 2011 (2011 annual report).

The consolidated financial statements 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 2011. The annual accounts have been prepared in accordance with the Norwegian Accounting Act, the regulations relating to annual accounts of banks and finance companies etc. and simplified IFRS as of 31 December 2011, as well as the additional requirements in the Norwegian Securities Trading Act. The annual report complies with the requirements of the Norwegian Accounting Act, Norwegian Accounting Standard no. 16 and the regulations relating to annual accounts of banks and finance companies etc. as of 31 December 2011.

In the best judgement of the Board and the CEO, the annual financial statements for 2011 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 the parent company's and group's assets, liabilities, financial position and results as a whole as of 31 December 2011. 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 Bank ASA. In the best judgement of the Board and the CEO, the descriptions of the most important elements of risk and uncertainty that the group faces in the next accounting period, and a description of related parties' material transactions, also provide a true and fair view.

Lysaker, 13 February 2012

The Board of Directors of Storebrand Bank ASA

Translation – not to be signed

Idar Kreutzer
Chairman

Stein Wessel-Aas
Deputy Chairman

Kristine Schei
Board Member

Geir Holmgren
Board Member

Maria Borch Helsengreen
Board Member

Anne-Kristine Baltzersen
Board Member

Heidi Storruste
Board Member

Truls Nergaard
CEO

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Translation from the original Norwegian version

To the Annual Shareholders' Meeting of Storebrand Bank ASA

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Storebrand Bank ASA, which comprise the financial statements of the parent company and the financial statements of the group. The financial statements for the parent company comprise the statement of financial position as at 31 December 2011, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements of the group comprise the statement of financial position as at 31 December 2011, the profit and loss account, the statement of comprehensive income, the statement of changes in equity, the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

Auditor's Responsibility

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

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

Deloitte.

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

Opinion on the financial statements for the parent company

In our opinion, the financial statements of the parent company are prepared in accordance with the law and regulations and give a true and fair view of the financial position of Storebrand Bank ASA as at 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to the Norwegian accounting act § 3-9.

Opinion on the financial statements for the group

In our opinion, the financial statements of the group are prepared in accordance with the law and regulations and give a true and fair view of the financial position of the group Storebrand Bank ASA as at 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report and the coverage of the loss

Based on our audit of the financial statements as described above, it is our opinion that the information concerning the financial statements presented in the Board of Directors report and in the statement of corporate governance principles and practices, the going concern assumption and the proposal for the coverage of the loss, complies with the law and regulations and that the information is consistent with the financial statements.

Opinion on Registration and Documentation

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

Oslo, 16 February 2012
Deloitte AS

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

Storebrand Bank ASA – Control Committee's Statement for 2011

At its meeting on 28 February 2012, the Control Committee of Storebrand Bank ASA reviewed the Board of Directors' proposed Annual Report and Accounts for 2011 for Storebrand Bank ASA and the Storebrand Bank Group.

With reference to the auditor's report of 16 February 20121, the Control Committee recommends that the Annual Report and Accounts proposed be adopted as the Annual Report and Accounts of Storebrand Bank ASA and the Storebrand Bank Group for 2011.

Lysaker, 28 February 2012

Translation – not to be signed

Elisabeth Wille
Chair of the Control Committee

Storebrand Bank ASA – Board of Representatives' Statement 2011

The Board of Directors' proposal for the Annual Report and Accounts, together with the Auditor's report and the Control Committee's statement have, in the manner required by law, been presented to the Board of Representatives.

The Board of Representatives recommends that the Annual General Meeting approve the Board of Directors proposal for the Annual Report and Accounts of Storebrand Bank ASA and the Storebrand Bank Group.

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

Lysaker, 8 March 2012

Translation – not to be signed

Terje Venold
Chairman of the Board of Representatives

storebrand