



# Interim report 2016

Storebrand Boligkreditt AS

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# Storebrand Boligkreditt AS

## - Quarterly report for 3rd quarter of 2016

(Profit figures for the corresponding period in 2015 are shown in parentheses. Balance sheet figures in parentheses are for the end of 2015.)

- Pre-tax profit of NOK 12 million for the 3rd quarter and NOK 41 million year to date
- Good portfolio quality
- Reduced lending volume for the quarter

### FINANCIAL PERFORMANCE

Pre-tax profit was NOK 12 million (NOK 33 million) for the 3rd quarter and NOK 41 million (NOK 120 million) year to date. This development is in line with the general market trend and the change in the management agreement with Storebrand Bank ASA.

Net interest income was NOK 29 million (NOK 37 million) for the 3rd quarter and NOK 93 million (NOK 134 million) year to date. As a percentage of average total assets, net interest income was 0.77 per cent (1.03 per cent) for the 3rd quarter and 0.82 per cent (1.23 per cent) for the year.

Other operating income in the 3rd quarter amounted to minus NOK 0.5 million (NOK 0 million) and minus NOK 3 million (minus NOK 1 million) for the year to date, resulting from commission income on loans and profit/loss on financial instruments.

Operating costs increased in the 3rd quarter as a result of higher fees paid to Storebrand Bank ASA for management of the company's loan portfolio from and including the 4th quarter of 2015, and totalled NOK 17 million (NOK 4 million) for the 3rd quarter and NOK 50 million (NOK 11 million) for the year to date.

Losses in the portfolio are low, and in the 3rd quarter the company recognised NOK 1 million as income (NOK 0.1 million recognised as income) in loan losses and recognised an expense of NOK 0.1 million (NOK 1 million recognised as an expense) for the year to date.

### BALANCE SHEET PERFORMANCE

The lending volume decreased in the 3rd quarter and amounted to NOK 13.7 billion (NOK 14.3 billion). Storebrand Bank ASA and Storebrand Boligkreditt AS operate with conservative lending practices. The average loan-to-value ratio in the portfolio was 48 per cent at the end of the quarter, compared with 50 per cent at the end of 2015. On the date of transfer, the loan-to-value ratio never exceeds 75 per cent. The risk in the loan portfolio is considered to be very low. The company has over-collateralisation of 122 per cent (126 per cent).

Defaulted loans at the end of the quarter amounted to NOK 40 million (NOK 27 million), equivalent to 0.29 per cent of gross loans in the company (0.19 per cent). Generally all of the commitments have a loan-to-value ratio within 75 per cent of the market value or are written down. Individual loan write-downs amounted to NOK 3 million (NOK 2 million) and group loan write-downs amounted to NOK 1 million (NOK 2 million) at the end of the quarter.

During the quarter, Storebrand Boligkreditt AS entered into an agreement with the rating agency S&P Global Ratings to rate the company's loan programme. The programme has a AAA rating. The decision was also made to end the agreement with Moody's for rating of the same loan programme.

At the end of the 3rd quarter of 2016, the company had a liquidity portfolio consisting of fixed-income securities with an AAA rating from S&P with a market value of NOK 41 million. The investment is classified at fair value through profit or loss.

The company's total assets under management as at 30 September 2016 were NOK 14.4 billion compared with NOK 14.9 billion at the end of 2015.

Storebrand Boligkreditt AS issued covered bonds totalling NOK 2.5 billion (maturity 2021) during the 1st quarter of 2016 and redeemed bond loans of NOK 1.0 billion in June 2016. At the end of the quarter, the company had issued covered bonds totalling NOK 11.4 billion, with remaining terms of approximately 9 months to 5 years. NOK 10.5 billion of these bonds has been invested in the market, while the remaining NOK 0.9 billion is being held in the parent bank.

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

Equity in the company at the end of the quarter amounted to NOK 1,005 million (NOK 975 million). The net primary capital at the end of the quarter amounted to NOK 975 million (NOK 975 million). The capital base of Storebrand Boligkreditt AS consists entirely of pure core capital. The pure core capital adequacy ratio in the company was 16.6 per cent (16.2 per cent) at the end of the quarter. The requirement for a countercyclical capital buffer was 15 per cent as of 30 September 2016. The company has satisfactory solvency and liquidity based on the company's business activities. The company satisfied the combined capital and capital buffer requirements by a good margin at the end of the quarter.

The purpose of the liquidity coverage requirement (LCR) is to measure the size of the company's liquid assets, in relation to the net liquidity outflow 30 days in the future given a stress situation in the money and capital markets. The LCR was introduced for Storebrand Boligkreditt AS from 30 June 2016 with the minimum requirement for LCR with escalation of: 70 per cent from 30 June 2016, 80 per cent from 30 December 2016, and 100 per cent from 30 December 2017. At the end of the quarter, the company's LCR was 111 per cent.

### **STRATEGY AND FUTURE PROSPECTS**

Storebrand Boligkreditt AS will continue its core activity, which is the acquisition and management of home mortgages from Storebrand Bank ASA. Developments in the Norwegian and international capital markets, interest rates, unemployment and the property market are regarded as the key risk factors that can affect the results of Storebrand Boligkreditt AS in 2016.

The housing market and developments in total non-performing loans will be closely monitored. Efforts to ensure good working procedures and high data quality will continue and thereby ensure that government and rating requirements continue to be fulfilled.

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

No events of importance to the preparation of the interim financial statements have occurred since the balance sheet date.

Lysaker, 25 October 2016

The Board of Directors of Storebrand Boligkreditt AS

# Storebrand Boligkreditt AS

## Income statement

(NOK million)	Note	Q3			Full Year	
		2016	2015	30.09.2016	30.09.2015	2015
Interest income	4, 13	84.6	99.1	261.5	324.1	416.9
Interest expense	4, 13	-55.3	-62.0	-168.1	-190.5	-248.3
<b>Net interest income</b>	<b>13</b>	<b>29.3</b>	<b>37.1</b>	<b>93.3</b>	<b>133.6</b>	<b>168.6</b>
Net gains on financial instruments		-1.1	-0.3	-4.2	-2.0	-2.5
Other income		0.5	0.3	1.6	0.8	2.3
<b>Total other operating income</b>		<b>-0.5</b>	<b>0.0</b>	<b>-2.5</b>	<b>-1.2</b>	<b>-0.2</b>
Staff expenses				-0.1	-0.1	-0.2
General administration expenses		-0.1		-0.2	-0.2	-0.3
Other operating costs	4	-17.4	-3.8	-49.7	-11.0	-26.9
<b>Total operating costs</b>		<b>-17.5</b>	<b>-3.9</b>	<b>-50.0</b>	<b>-11.3</b>	<b>-27.4</b>
<b>Operating profit before loan losses</b>		<b>11.3</b>	<b>33.3</b>	<b>40.8</b>	<b>121.1</b>	<b>141.0</b>
Loan losses for the period	15	1.0	0.1	-0.1	-1.0	-1.9
<b>Profit before tax</b>		<b>12.3</b>	<b>33.3</b>	<b>40.7</b>	<b>120.1</b>	<b>139.2</b>
Tax	3	-3.1	-9.0	-10.2	-32.4	-37.6
<b>Profit for the year</b>		<b>9.2</b>	<b>24.3</b>	<b>30.5</b>	<b>87.7</b>	<b>101.6</b>

## Statement of comprehensive income

(NOK million)	Q3			Full Year	
	2016	2015	30.09.2016	30.09.2015	2015
Profit for the period	9.2	24.3	30.5	87.7	101.6
Other comprehensive income					
<b>Total comprehensive income for the period</b>	<b>9.2</b>	<b>24.3</b>	<b>30.5</b>	<b>87.7</b>	<b>101.6</b>

# Storebrand Boligkreditt AS

## Statement of financial position

(NOK million)	Note	30.09.2016	30.09.2015	31.12.2015
Loans to and deposits with credit institutions	6, 14	438.9	413.5	382.0
Financial assets designated at fair value through profit and loss:				
Bonds and other fixed-income securities	6, 10, 14	41.5		
Derivatives	6	186.7	226.6	173.2
Other current assets	4, 6	29.0	21.9	12.2
Gross lending	11	13 684.3	13 692.3	14 291.6
- Loan loss provisions on individual loans	15	-2.9	-1.7	-2.2
- Loan loss provisions on groups of loans	15	-1.3	-1.9	-1.8
Net lending to customers	6	13 680.1	13 688.7	14 287.6
<b>Total assets</b>		<b>14 376.2</b>	<b>14 350.7</b>	<b>14 855.0</b>
Liabilities to credit institutions	4, 6, 8	1 682.4	1 952.4	2 043.6
Other financial liabilities:				
Commercial papers and bonds issued	6, 9	11 640.2	11 344.6	11 782.6
Other liabilities	4, 6	48.3	91.4	54.0
Deferred tax		0.3	1.7	0.3
<b>Total liabilities</b>		<b>13 371.1</b>	<b>13 390.0</b>	<b>13 880.4</b>
Paid in equity		949.4	844.0	844.0
Retained earnings		55.7	116.6	130.6
<b>Total equity</b>	<b>10</b>	<b>1 005.1</b>	<b>960.7</b>	<b>974.6</b>
<b>Total liabilities and equity</b>		<b>14 376.2</b>	<b>14 350.7</b>	<b>14 855.0</b>

Lysaker, 25 October 2016  
The Board of Directors of Storebrand Boligkreditt AS

# Storebrand Boligkreditt AS

## Statement of changes in equity

(NOK million)	Share capital	Share premium	Other paid-in equity	Total paid-in equity	Other equity	Total retained earnings	Total equity
Equity at 31.12.2014	455.0	270.1	118.9	844.0	192.7	192.7	1 036.8
Profit for the period					101.6	101.6	101.6
Other comprehensive income						0.0	0.0
<b>Total comprehensive income for the period</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>101.6</b>	<b>101.6</b>	<b>101.6</b>
Equity transactions with the owner:							
Provision for group contribution					-163.8	-163.8	-163.8
<b>Equity at 31.12.2015</b>	<b>455.0</b>	<b>270.1</b>	<b>118.9</b>	<b>844.0</b>	<b>130.6</b>	<b>130.6</b>	<b>974.6</b>
Profit for the period					30.5	30.5	30.5
Other comprehensive income						0.0	0.0
<b>Total comprehensive income for the period</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>30.5</b>	<b>30.5</b>	<b>30.5</b>
Equity transactions with the owner:							
Group contribution received			105.4	105.4			105.4
Provision for group contribution					-105.4	-105.4	-105.4
<b>Equity at 30.09.2016</b>	<b>455.0</b>	<b>270.1</b>	<b>224.3</b>	<b>949.4</b>	<b>55.7</b>	<b>55.7</b>	<b>1 005.1</b>

Storebrand Boligkreditt AS is 100 per cent owned by Storebrand Bank ASA. Number of shares are 35 000 000 of nominal value NOK 13 per share.

Equity at 31.12.2014	455.0	270.1	118.9	844.0	192.7	192.7	1 036.8
Profit for the period					87.7	87.7	87.7
Other comprehensive income						0.0	0.0
<b>Total comprehensive income for the period</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>87.7</b>	<b>87.7</b>	<b>87.7</b>
Equity transactions with the owner:							
Provision for group contribution					-163.8	-163.8	-163.8
<b>Equity at 30.09.2015</b>	<b>455.0</b>	<b>270.1</b>	<b>118.9</b>	<b>844.0</b>	<b>116.6</b>	<b>116.6</b>	<b>960.7</b>

# Storebrand Boligkreditt AS

## Statement of cash flow

(NOK million)	30.09.2016	30.09.2015
<b>Cash flow from operations</b>		
Net receipts/payments of interest, commissions and fees from customers	265.3	329.4
Net disbursements/payments on customer loans	562.8	653.0
Net receipts/payments on securities	-5.8	-0.3
Payments of operating costs	-39.0	-11.3
<b>Net cash flow from operating activities</b>	<b>783.2</b>	<b>970.7</b>
<b>Cash flow from financing activities</b>		
Payments - repayments of loans and issuing of bond debt	-2 648.2	-2 531.3
Receipts - new loans and issuing of bond debt	2 137.7	2 000.0
Payments - interest on loans	-176.9	-213.9
Receipts - group contribution	105.4	
Payments - group contribution	-144.4	-224.4
<b>Net cash flow from financing activities</b>	<b>-726.4</b>	<b>-969.5</b>
<b>Net cash flow in the period</b>	<b>56.9</b>	<b>1.2</b>
Cash and bank deposits at the start of the period	382.0	412.3
<b>Cash and bank deposits at the end of the period</b>	<b>438.9</b>	<b>413.5</b>

Storebrand Boligkreditt AS has credit facility agreements with Storebrand Bank ASA

The amount drawn on the credit facilities is recognized in the item "Liabilities to credit institutions" as at 30.09.2016. See also Note 8.



# Storebrand Boligkreditt AS

## Notes

### Note 01 | Accounting principles

The financial statements are prepared in accordance with IAS 34 Interim Financial Reporting. The interim financial statements do not include all the information required in the annual report. The financial statements of Storebrand Boligkreditt AS have been prepared in accordance with International Financial Reporting Standards (IFRS) approved by the EU and appurtenant interpretations.

A description of the accounting policies applied in the preparation of the financial statements is provided in the 2015 annual report, and the interim financial statements are prepared with respect to these accounting policies. There are none new nor amended accounting standards that entered into effect as at 1 January 2016 that have caused significant effects on Storebrand Bank's interim financial statements.

### Note 02 | Estimates

Critical accounting estimates and judgements are described in the 2015 annual financial statements' note 2 and valuation of financial instruments at fair value are described in note 8.

In preparing 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 judgment 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 through profit and loss**

See note 6 where valuation of of financial instruments at fair value through profit and loss are described further.

#### **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 loan loss provisions relating to loans in the private market.

### Note 03 | Tax

Tax cost is based on an expected average tax rate of 25% of company's profit before tax adjusted for permanent difference if there are any differences.

### Note 04 | Related Parties

#### **ISSUED COVERED BONDS**

Storebrand Bank ASA has invested a total of NOK 0.9 billion in covered bonds issued by Storebrand Boligkreditt AS as of 30 September 2016.

#### **LOANS TRANSFERRED FROM STOREBRAND BANK ASA**

Storebrand Bank ASA sells loans to the mortgage company Storebrand Boligkreditt AS. The mortgages are transferred on commercial terms. Once the loans are transferred, Storebrand Boligkreditt AS assumes all the risks and benefits of owning the loan portfolio. It is Storebrand Boligkreditt AS that receives all the cash flows from the loan customer. Storebrand Bank ASA shall arrange the transfer and return of loans when changes have to be made, i.e. if there is a request to increase the loan amount, change from variable to fixed interest, conversion to employee loan or conversion to a flexible mortgage. The costs are included in the contractual administration fee. Non-performing loans in Storebrand Boligkreditt AS remain in the company. 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. Specific reports are prepared for non-performing loans in Storebrand Boligkreditt AS. These loans are not included in the cover pool.

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

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

#### **CREDIT FACILITIES WITH STOREBRAND BANK ASA**

Storebrand Boligkreditt AS has two credit facilities with Storebrand Bank ASA. See note 8 for more information.

#### **OTHER**

Storebrand Boligkreditt AS has no employees, and purchases personnel resources from Storebrand Bank ASA and services including accounting functions from Storebrand Livsforsikring AS.

Storebrand Boligkreditt AS conducts transactions with close associates as part of its normal business activities. These transactions take place on commercial terms. The terms for transactions with senior employees and related parties are stipulated in note 27 in the 2015 annual report for Storebrand Boligkreditt AS.

## Note 05 | Financial risk

The market value of Storebrand Boligkreditt AS's financial assets and liabilities varies due to financial market risks. Note 3 to note 7 of the 2015 Annual report explains the company's financial risks which also is representative of the financial risks as per 30 September 2016.

## Note 06 | Valuation of financial instruments

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

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

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

The company categorises financial instruments on three different levels, for further information see description below. The levels express the differing degrees of liquidity and different measurement methods used. The company has established valuation models to gather information from a wide range of well-informed sources with reference to minimising the uncertainty of valuations.

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

Bonds, certificates or equivalent instruments issued by nation states are generally classified as level 1.

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

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

#### **Level 3: Financial instruments valued on the basis of information that is not observable according to the definition for level 2 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 the end of the quarter.

## VALUATION OF FINANCIAL INSTRUMENTS AT AMORTISED COST

(NOK million)	Fair value 30.09.2016	Fair value 31.12.2015	Book value 30.09.2016	Book value 31.12.2015
<b>Financial assets</b>				
Loans to and deposits with credit institutions	438.9	382.0	438.9	382.0
Net lending to customers	13 680.1	14 287.6	13 680.1	14 287.6
Other current assets	29.0	12.2	29.0	12.2
<b>Financial liabilities</b>				
Liabilities to credit institutions	1 682.4	2 043.6	1 682.4	2 043.6
Commercial papers and bonds issued	11 690.0	11 740.8	11 640.2	11 782.6
Other liabilities	48.3	54.0	48.3	54.0

## VALUATION OF FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS

(NOK million)	Level 1 Quoted prices	Level 2 Observable assumptions	Level 3 Non-observable assumptions	Book value 30.09.2016	Book value 31.12.2015
Government and government guaranteed bonds <sup>1)</sup>		41.5		41.5	
<b>Total bonds</b>	<b>0.0</b>	<b>41.5</b>	<b>0.0</b>	<b>41.5</b>	
Total bonds 31.12.2015					
Interest rate derivatives		186.7		186.7	173.2
<b>Total derivatives</b>	<b>0.0</b>	<b>186.7</b>	<b>0.0</b>	<b>186.7</b>	<b>173.2</b>
Derivatives with a positive fair value		186.7		186.7	173.2
Derivatives with a negative fair value					
Total derivatives 31.12.2015		173.2			

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

1) In second quarter of 2016, the company invested in bonds which are classified at fair value through profit and loss.

### Note 07 | Segment information

Business segments are the company's primary reporting segments. The company has only one segment, Retail Lending. This segment comprises lending to private individuals, and all loans are purchased from Storebrand Bank ASA. The company's accounts for the first nine month of 2016 therefore relate entirely to the Retail Lending segment.

### Note 08 | Liabilities to credit institutions

Storebrand Boligkreditt AS has two credit facilities with Storebrand Bank ASA. One of these is a normal overdraft facility, with a ceiling of NOK 6 billion. This has no expiry date, but can be terminated by the bank on 15 months' notice. The other facility must have a sufficient ceiling at all times to be able to cover interest and repayment on covered bonds and related derivatives for the next 12 months. This drawing right may not be terminated by Storebrand Bank ASA until at least 3 months after the maturity date of the covered bond and related derivatives with the longest period to maturity.

## Commercial papers and bonds issued

### COVERED BONDS:

(NOK million) ISIN Code	Nominal value	Currency	Interest	Maturity <sup>1)</sup>	Book value 30.09.2016
NO0010548373	1 250.0	NOK	Fixed	28.10.2019	1 439.2
NO0010635071	2 650.0	NOK	Floating	21.06.2017	2 654.5
NO0010660822	2 540.0	NOK	Floating	20.06.2018	2 552.2
NO0010736903	2 500.0	NOK	Floating	17.06.2020	2 494.1
NO0010760192	2 500.0	NOK	Floating	16.06.2021	2 500.2
<b>Total commercial papers and bonds issued <sup>2)</sup></b>					<b>11 640.2</b>
Total commercial papers and bonds issued as at 31.12.2015					11 782.6

1) Maturity date in this summary is the first possible maturity date (Call date).

2) For covered bonds ascribed to the company's cover pool, an overcollateralization requirement of 109.5 per cent applies. This means that the company must at all times have assets in its cover pool that exceed at least 109.5 per cent of the total outstanding covered bonds, see note 11.

The loan agreements contain standard covenants. In 2016, Storebrand Boligkreditt AS met all terms and conditions with respect to the loan agreements.

## Capital Adequacy

### NET PRIMARY CAPITAL

(NOK million)	30.09.2016	31.12.2015
Share capital	455.0	455.0
Other equity	550.1	519.6
<b>Total equity</b>	<b>1 005.1</b>	<b>974.6</b>
<b>Deductions:</b>		
Provision for group contribution		-105.4
Profit not included in the calculation of net primary capital	-30.5	
Additions		
<b>Core capital exc. Hybrid Tier 1 capital</b>	<b>974.6</b>	<b>869.2</b>
<b>Additional Tier 1 capital:</b>		
Capital instruments eligible as Additional Tier 1 capital		
Additions		
<b>Core capital</b>	<b>974.6</b>	<b>869.2</b>
Subordinated loan capital less own holdings		
Tier 2 capital		
Tier 2 capital deductions		
<b>Net primary capital</b>	<b>974.6</b>	<b>869.2</b>

## MINIMUM CAPITAL REQUIREMENT

(NOK million)	30.09.2016	31.12.2015
Credit risk	426.5	438.1
Of which:		
International organisations	0.0	
Institutions	15.2	13.5
Loans secured against real estate	392.7	411.0
Loans past-due	3.3	2.2
Other	15.2	11.5
<b>Total minimum requirement for credit risk</b>	<b>426.4</b>	<b>438.1</b>
<b>Total minimum requirement for market risk</b>	<b>0.0</b>	<b>0.0</b>
Operational risk	32.5	31.4
CVA risk *)	10.4	11.8
Deductions		
Loan loss provisions on groups of loans	-0.1	-0.1
<b>Minimum requirement for net primary capital</b>	<b>469.2</b>	<b>481.2</b>

## CAPITAL ADEQUACY

	30.09.2016	31.12.2015
Capital ratio	16.6 %	16.2 %
Core (tier 1) capital ratio	16.6 %	16.2 %
Core capital ratio excl. Hybrid Tier 1 capital	16.6 %	16.2 %

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

The standard method is used for credit risk and market risk, and the basic method for operational risk. The overall requirements for core tier 1 capital and the capital base are 11.5 and 15 per cent respectively as of 30 September 2016, through the increase of counter-cyclical capital buffer by 0.5 percent from 30 June 2016.

## BASIS OF CALCULATION (RISK-WEIGHTED VOLUME)

(NOK million)	30.09.2016	31.12.2015
Credit risk	5 331.3	5 476.6
Of which:		
International organisations	0.0	
Institutions	189.9	168.5
Loans secured against real estate	4 909.3	5 137.7
Loans past-due	41.0	26.9
Other	190.2	143.5
<b>Total basis of calculation credit risk</b>	<b>5 330.4</b>	<b>5 476.6</b>
<b>Total basis of calculation market risk</b>	<b>0.0</b>	<b>0.0</b>
Operational risk	406.6	392.2
CVA risk *)	129.8	147.5
Deductions		
Loan loss provisions on groups of loans	-1.3	-1.8
<b>Total basis of calculation of minimum requirements for capital base</b>	<b>5 865.6</b>	<b>6 014.5</b>

Note  
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## Loan to value ratios and collateral

(NOK million)	30.09.2016	31.12.2015
Gross lending <sup>1)</sup>	13 684.3	14 291.6
Average loan balance	1.7	1.6
No. of loans	8 142	8 705
Weighted average seasoning (months)	39	39
Weighted average remaining term (months)	218	219
Average loan to value ratio	48 %	50 %
Over-collateralisation <sup>2)</sup>	122.4 %	126.2 %
<b>Cover pool:</b>		
Residential mortgages <sup>1)</sup>	13 617.1	14 188.9
Supplementary security	398.1	380.3
<b>Total</b>	<b>14 015.2</b>	<b>14 569.2</b>

1) In accordance with the Regulation for credit institutions that issue covered bonds, lending cannot exceed 75% of the value of collateral (i.e. value of properties pledged as collateral). As per 30 September 2016 the company had NOK 18.9 million that exceeds the loan to value limit and has therefore not been included in the cover pool. As per 30 September 2016, the company has 11 non-performing loans without evidence of impairment, equivalent to NOK 22.6 million. There are 11 non-performing loans with evidence of impairment of NOK 17.3 million where the impairment is assessed to be NOK 2.9 million. Non-performing loans with and without evidence of impairment, are not included in the cover pool. Deposits with credit institutions includes received collateral by NOK 37.2 million. See note 14. The collateral is not a part of the cover pool.

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

Note  
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## Key figures

(NOK million)	Q3			Full Year	
	2016	2015	30.09.2016	30.09.2015	2015
<b>Profit and loss account:</b>					
(as % of avg. total assets) <sup>1)</sup>					
Net interest income	0.77 %	1.03 %	0.82 %	1.23 %	1.16 %
<b>Main balance sheet figures:</b>					
Total assets			14 376.2	14 350.7	14 855.0
Average total assets	15 241.6	14 330.7	15 134.3	14 523.6	14 573.2
Gross lending to customers			13 684.3	13 692.3	14 291.6
Equity			1 005.1	960.7	974.6
<b>Other key figures:</b>					
Loan losses and provisions as % of average total lending	-0.03 %	0.00 %	0.00 %	0.01 %	0.01 %
Individual loan loss provisions as % of gross loss-exposed loans <sup>3)</sup>			9.8 %	9.6 %	22.7 %
Cost/income ratio	60.6 %	10.4 %	55.1 %	8.5 %	16.3 %
Return on equity after tax <sup>2)</sup>			4.1 %	12.2 %	10.5 %
Core capital ratio excl. Hybrid Tier 1 capital			16.6 %	14.8 %	16.2 %
LCR <sup>4)</sup>			111.0 %	na	na

Definitions:

- 1) Average total assets is calculated on the basis of monthly total assets for the year.
- 2) Annualised profit after tax adjusted for hedging ineffectiveness as % of average equity.
- 3) Gross loss-exposed loans with evidence of impairment.
- 4) Liquidity coverage requirement.

Note 13 | Net interest income

(NOK million)	Q3			Full Year	
	2016	2015	30.09.2016	30.09.2015	2015
Interest and other income on loans to and deposits with credit institutions	1.2	1.6	3.5	5.3	6.8
Interest and other income on loans to and due from customers	83.2	97.5	257.6	318.7	410.1
Interest on short-term debt instruments, bonds and other interest-bearing securities	0.2		0.4		
Other interest income					
<b>Total interest income</b>	<b>84.6</b>	<b>99.1</b>	<b>261.5</b>	<b>324.1</b>	<b>416.9</b>
Interest and other expenses on debt to credit institutions	-9.3	-9.0	-25.6	-31.3	-39.5
Interest and other expenses on deposits from and due to customers					
Interest and other expenses on securities issued	-46.0	-53.0	-142.6	-159.2	-208.8
Interest and other expenses on subordinated loan capital					
Other interest expenses					
<b>Total interest expenses</b>	<b>-55.3</b>	<b>-62.0</b>	<b>-168.1</b>	<b>-190.5</b>	<b>-248.3</b>
<b>Net interest income</b>	<b>29.3</b>	<b>37.1</b>	<b>93.3</b>	<b>133.6</b>	<b>168.6</b>

Note 14 | Off balance sheet liabilities and contingent liabilities

(NOK million)	30.09.2016	31.12.2015
Undrawn credit limits	1 787.6	1 684.6
<b>Total contingent liabilities</b>	<b>1 787.6</b>	<b>1 684.6</b>

Undrawn credit limits relate to the unused portion of credit limits on flexible mortgage loans. The company has received collateral by NOK 37.2 million. Per 30 September 2016, the company has not pledged any collateral.

Note 15 | Non-performing loans and loan losses

(NOK million)	30.09.2016	31.12.2015
<b>Non-performing loans</b>		
Non-performing loans without evidence of impairment	22.6	9.8
Loss-exposed loans with evidence of impairment	17.3	16.7
<b>Gross non-performing and loss-exposed loans</b>	<b>39.9</b>	<b>26.5</b>
Loan loss provisions on individual loans	-2.9	-2.2
<b>Net non-performing and loss-exposed loans</b>	<b>37.0</b>	<b>24.3</b>
<b>Key figures</b>		
Net non-performing and loss-exposed loans as % of gross lending	0.29 %	0.19 %

Loans 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 loans 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 regarded as active when there are no longer any arrears. The amount in arrears at the time of reporting can be less than NOK 2,000.

(NOK million)	Q3		Full Year		
	2016	2015	30.09.2016	30.09.2015	2015
Change in individual loan loss provisions			-0.7	-0.6	-1.7
Change in grouped loan loss provisions	1.0	0.1	0.5	-0.3	-0.2
Other effects on loan loss provisions					
Realised losses specifically provided for previously					
Realised losses not specifically provided for previously					
Recoveries on previous realised losses					
<b>Loan losses for the period</b>	<b>1.0</b>	<b>0.1</b>	<b>-0.1</b>	<b>-1.0</b>	<b>-1.9</b>

Note  
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## Quarterly income statement

(NOK million)	Q3	Q2	Q1	Q4	Q3
	2016	2016	2016	2015	2015
Interest income	84.6	89.0	87.9	92.8	99.1
Interest expense	-55.3	-56.7	-56.1	-57.8	-62.0
<b>Net interest income</b>	<b>29.3</b>	<b>32.2</b>	<b>31.8</b>	<b>35.1</b>	<b>37.1</b>
Net gains on financial instruments	-1.1	-0.6	-2.5	-0.4	-0.3
Other income	0.5	0.6	0.5	1.4	0.3
<b>Total other operating income</b>	<b>-0.5</b>	<b>0.0</b>	<b>-2.0</b>	<b>1.0</b>	<b>0.0</b>
Staff expenses		-0.1		-0.1	
General administration expenses	-0.1	-0.1	-0.1	-0.1	
Other operating cost	-17.4	-16.5	-15.8	-16.0	-3.8
<b>Total operating costs</b>	<b>-17.5</b>	<b>-16.6</b>	<b>-15.9</b>	<b>-16.1</b>	<b>-3.9</b>
<b>Operating profit before loan losses</b>	<b>11.3</b>	<b>15.6</b>	<b>13.9</b>	<b>19.9</b>	<b>33.3</b>
Loan losses for the period	1.0	-1.0	-0.2	-0.9	0.1
<b>Profit before tax</b>	<b>12.3</b>	<b>14.7</b>	<b>13.7</b>	<b>19.0</b>	<b>33.3</b>
Tax	-3.1	-3.7	-3.4	-5.1	-9.0
<b>Profit for the year</b>	<b>9.2</b>	<b>11.0</b>	<b>10.3</b>	<b>13.9</b>	<b>24.3</b>



Translation from the original Norwegian version

To the Board of Directors of Storebrand Boligkreditt AS

## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

We have reviewed the statement of financial position of Storebrand Boligkreditt AS as of 30 September 2016, and the related income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flow for the nine-month period then ended and selected explanatory notes. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting” as adopted by EU. Our responsibility is to express a conclusion on this interim financial information based on our review.

### *Scope of Review*

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting” as adopted by EU.

Oslo, 25 October 2016  
Deloitte AS

Henrik Woxholt  
State Authorized Public Accountant (Norway)

Translation has been made for information purposes only

# Financial Calendar 2017



<b>8 February 2017</b>	Result Q4 2016
<b>27 April 2017</b>	Result Q1 2017
<b>13 July 2017</b>	Result Q2 2017
<b>25 October 2017</b>	Result Q3 2017
<b>February 2018</b>	Result Q4 2017

## Investor Relations Contacts



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