



Interim report 2020

Storebrand Boligkreditt AS

(unaudited)

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This document may contain forward-looking statements. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances that may be beyond the Storebrand Group's control. As a result, the Storebrand Group's actual future financial condition, performance and results may differ materially from the plans, goals and expectations set forth in these forward-looking statements. Important factors that may cause such a difference for the Storebrand Group include, but are not limited to: (i) the macroeconomic development, (ii) change in the competitive climate, (iii) change in the regulatory environment and other government actions and (iv) market related risks such as changes in equity markets, interest rates and exchange rates, and the performance of financial markets generally. The Storebrand Group assumes no responsibility to update any of the forward-looking statements contained in this document or any other forward-looking statements it may make.

Storebrand Boligkreditt AS

- Interim report for the fourth quarter of 2020

(Profit figures for the corresponding period in 2019 are shown in brackets. Balance sheet figures in brackets are for the end of 2019.)

- Solid interest margins
- Increased lending

FINANCIAL PERFORMANCE

Pre-tax profit was NOK 45 million (NOK 20 million) for the fourth quarter and a pre-tax profit of NOK 94 million (NOK 82 million) year to date.

Net interest income was NOK 65 million (NOK 40 million) in the fourth quarter and NOK 197 million (NOK 161 million) year to date. As a percentage of average total assets, net interest income was 1.13 per cent (0.81 per cent) for the fourth quarter and 0.93 per cent (0.86 per cent) year to date. Low NIBOR rates contributed to the solid margins in the fourth quarter.

Other operating income in the fourth quarter amounted to NOK 0.3 million (minus NOK 0.7 million) and minus NOK 16 million (minus NOK 2 million) year to date. The negative income year to date was primarily due to losses related to buy back of external funding. The funding buy back have contributed to reducing the company's funding costs in 2020 and will also contribute to lower future funding costs.

Operating expenses remained stable in the quarter and totalled NOK 21 million (NOK 19 million) in the fourth quarter and NOK 84 million (NOK 76 million) year to date.

Loan losses in the fourth quarter amounted to income of NOK 1.5 million (NOK 0.6 million) and NOK 3 million (NOK 0.3 million) year to date.

BALANCE SHEET PERFORMANCE

The lending volume has increased by NOK 0.7 billion since the end of 2019 and amounted to NOK 21.1 billion (NOK 20.4 billion). Storebrand Bank ASA and Storebrand Boligkreditt AS operate with restrictive lending practices. The average loan-to-value ratio in the portfolio was 52 per cent (54 per cent) at the end of the quarter. On the date of transfer, the loan-to-value ratio never exceeds 75 per cent. The company has over-collateralisation of 116 per cent (140 per cent).

Defaulted loans at the end of the fourth quarter amounted to NOK 41 million (NOK 35 million), equivalent to 0.19 per cent of gross loans in the company (0.17 per cent). All the loans have a loan-to-value ratio within 75 per cent of market value or have mainly been written down. Loan loss provisions amounted to NOK 4 million (NOK 2 million) at the end of the fourth quarter.

The company's loan programme is AAA rated by S&P Global Ratings.

At the end of the fourth quarter of 2020, the company had a liquidity portfolio consisting of fixed-income securities with a AAA rating and AA+ rating from S&P Global Ratings with a market value of NOK 1.498 million, of which NOK 42 million is classified at amortised cost and NOK 1.456 million is classified at fair value in the balance sheet with changes in value through profit or loss.

The company's total assets under management as at 31 December 2020 were NOK 22.6 billion (NOK 20.6 billion), an increase of NOK 2 billion compared with the end of 2019.

At the end of the fourth quarter, Storebrand Boligkreditt AS had issued covered bonds with a total carrying amount of NOK 19.2 billion with remaining terms of approximately 6 months to 5 years. NOK 16.8 billion of these bonds has been placed in the market, while NOK 2.4 billion is being held by the parent bank.

Storebrand Boligkreditt AS has two credit facilities with Storebrand Bank ASA. One of these is a normal overdraft facility, with a ceiling of NOK 6.0 billion. This has no expiry date, but can be terminated by the bank on 15 months' notice. The other facility may not be terminated by Storebrand Bank ASA until at least 3 months after the maturity date of the covered bond and the associated derivatives with the longest period to maturity. Both agreements require a sufficient ceiling at all times to be able to cover interest and repayment on covered bonds and associated derivatives for the next 31 days.

CAPITAL ADEQUACY

Equity in the company at the end of the fourth quarter amounted to NOK 1.6 billion (NOK 1.5 billion) after group contributions paid/received. The eligible capital (Tier 1 capital + Tier 2 capital) at the end of the quarter amounted to NOK 1.6 billion (NOK 1.5 billion). The capital base of Storebrand Boligkreditt AS consists entirely of Core Equity Tier 1 (CET1). The CET1 adequacy ratio in the company was 19.7 per cent (19.7 per cent) at the end of the fourth quarter. The requirement for the capital base was 15.8 per cent as of 31 December 2020. 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.

Storebrand Boligkreditt AS must comply with an LCR of 100 per cent. At the end of the fourth quarter of 2020, the company's LCR was 991 per cent.

CREDIT RISK

The loan portfolio at 31 December 2020 is not significantly changed from previous quarters. The portfolio mainly consists of loans and credits secured in real estate. The average LTVs are low and have not changed significantly from previous quarters. Loans in arrear and defaulted loans are on similar levels.

The macroeconomic environment is significantly changed since year end 2019. The unemployment rate including furloughs peaked at approximately 15 per cent (including part time unemployment) in March/April 2020. Full time unemployment rate is reduced by approximately 65 per cent from the peak. According to Statistics Norway there are signs of macroeconomic improvement.

There is, however, still a significant uncertainty of the macroeconomic outlook, for example regarding duration and level of the downturn both

domestically and internationally. The severity of the downturn will be dependent upon amongst others containment of the Covid-19 pandemic, and the effectiveness of economic measures, locally and globally. The severity will affect economic activity, unemployment and housing prices. Default levels and loan losses in the loan portfolio are dependent on these parameters.

The macro economic uncertainty is still reflected in the IFRS 9 expected credit losses, even though there are signs of improvement. Storebrand Boligkreditt AS has not changed the outlook significantly from the first quarter only a small adjustment due to the improved economic outlook. The expected credit losses are therefore not significantly changed in the third quarter. There is still a higher uncertainty in the point estimate of expected credit losses compared to year end 2019, and there is a higher possibility in larger variations in expected credit losses in the next quarters.

STRATEGY AND FUTURE PROSPECTS

In 2021, Storebrand Boligkreditt AS will continue its core activity, which is the acquisition and management of mortgages from Storebrand Bank ASA. The company is aiming for moderate growth in collateralisation during 2021. Storebrand Boligkreditt AS will continue to monitor the

development of Covid-19 and adjust its operations to the changing conditions, both in terms of macroeconomic development and impact on individual customers.

The market trends and the non-performing loans are being closely monitored. Efforts to ensure good working procedures and high data quality will continue and thereby ensure that government and rating requirements continue to be fulfilled. Developments in the Norwegian and international capital markets, interest rates, unemployment and the property market are regarded as the key risk factors that can affect the results of Storebrand Boligkreditt AS in 2021.

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

The Board of Directors are not aware of any events of material importance to the preparation of the interim financial statements that have occurred since the balance sheet date.

Lysaker, 9 February 2021

The Board of Directors of Storebrand Boligkreditt AS

Storebrand Boligkreditt AS

Income statement

(NOK million)	note	Q4		Full Year	
		2020	2019	2020	2019
<i>Interest income and similar income</i>					
Interest income calculated by using the effective interest method		99.5	138.0	462.7	495.8
Other interest income		1.5	0.7	3.2	0.9
Total interest income and similar income		101.1	138.6	465.8	496.6
<i>Interest expenses and similar expenses</i>					
Interest expenses calculated by using the effective interest method		-35.6	-98.9	-265.0	-358.8
Other interest expenses		-0.8	0.1	-3.4	22.7
Total interest expenses and similar expenses		-36.5	-98.8	-268.4	-336.2
Net interest income	13	64.6	39.8	197.5	160.5
Fee and commission income from banking services				0.1	0.1
Fee and commission expense for banking services		-0.1	-0.1	-0.3	-0.3
<i>Net change in fair value and gain/loss on foreign exchange and financial instruments</i>					
Net change in fair value and gain/loss on loans to customers			-0.1		-0.2
Net change in fair value and gain/loss on interest bearing securities		0.3	0.2	0.9	0.3
Net change in fair value and gain/loss on equity instruments					
Net change in fair value and gain/loss on financial liabilities (except of derivatives)			1.3	-17.0	22.3
Net change in fair value and gain/loss on foreign exchange and derivatives			-2.0		-24.7
Net change in fair value and gain/loss on guarantees					
Total net change in fair value and gain/loss on foreign exchange and financial instruments		0.4	-0.6	-16.2	-2.2
Other operating income					
Staff expenses		-0.1	-0.1	-0.2	-0.2
Other operating cost		-21.3	-18.7	-84.2	-75.7
Credit loss on loans, guarantees etc. and interest bearing securities					
Credit loss on loans valued at amortised cost or fair value with change in value through other comprehensive income		1.5	-0.6	-2.7	-0.3
Credit loss on loans valued at fair value through profit and loss					
Credit loss on guarantees and unused credit facilities which not are valued at fair value through profit and loss					
Credit loss on guarantees and unused credit facilities valued at fair value through profit and loss					

Storebrand Boligkreditt AS

Income statement continues

(NOK million)	note	Q4		Full Year	
		2020	2019	2020	2019
Credit loss on interest bearing securities valued at amortised cost or fair value with change in value through other comprehensive income					
Credit loss on interest bearing securities valued at fair value through profit and loss					
Total credit loss on loans, guarantees and interest bearing securities	15	1.5	-0.6	-2.7	-0.3
Profit before tax for continued operations		45.0	19.7	93.8	81.9
Tax on profit from continued operations	3	-9.9	-4.4	-20.6	-18.0
Profit before other comprehensive income		35.1	15.4	73.2	63.9
<i>Other comprehensive income</i>					
<i>Other income and expenses not to be reclassified to profit/loss</i>					
Other income and expenses					
Tax on other income and expenses not to be reclassified to profit/loss					
<i>Other income and expenses that may be reclassified to profit/loss</i>					
Change in unrealised gain/loss on loans valued at fair value through other comprehensive income (OCI)					
Other income and expenses					
Tax on other income and expenses that may be reclassified to profit/loss					
Total other income and expenses		0.0	0.0	0.0	0.0
Total comprehensive income for the period		35.1	15.4	73.2	63.9

Storebrand Boligkreditt AS

Statement of financial position

(NOK million)	Note	31.12.2020	31.12.2019
Cash and deposits with central banks			
Loans to and deposits with credit institutions	6	8.3	6.8
Loans to customers at fair value	6, 11, 14, 15, 16	21,065.6	20,403.3
Loans to customers at amortised cost			
Interest bearing securities at fair value	6	1,456.1	100.7
Interest bearing securities at amortised cost	6	41.7	42.5
Derivatives	6		
Equity instruments			
Ownership interests in group companies			
Intangible assets			
Tangible fixed assets			
Deferred tax assets			
Other current assets	6	15.8	7.5
Total assets		22,587.5	20,560.9
Loans and deposits from credit institutions	6, 8	1,712.7	4,467.4
Deposits from and due to customers			
Debt securities issued	6, 9, 11	19,243.1	14,538.5
Derivatives			
Other current liabilities	6	0.7	0.3
Pensions			
Tax payable		15.3	17.7
Deferred tax		6.6	1.3
Provisions for guarantees and unused credit facilities	15		
Other provisions			
Subordinated loans			
Total liabilities		20,978.5	19,025.1
Share capital		490.0	490.0
Share premium		550.1	550.1
Other paid in equity		467.0	404.3
Total paid in equity		1,507.0	1,444.4
Other equity		102.0	91.4
Total retained earnings		102.0	91.4
Total equity	10	1,609.0	1,535.8
Total liabilities and equity		22,587.5	20,560.9

Lysaker, 9 February 2021
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 31.12.2018	490.0	550.1	355.2	1,395.3	76.7	76.7	1,472.0
Profit for the period					63.9	63.9	63.9
Other comprehensive income							
Total comprehensive income for the period	0.0	0.0	0.0	0.0	63.9	63.9	63.9
Equity transactions with the owner:							
Group contribution received			49.1	49.1			49.1
Provision for group contribution					-49.1	-49.1	-49.1
Equity at 31.12.2019	490.0	550.1	404.3	1,444.4	91.4	91.4	1,535.8
Profit for the period					73.2	73.2	73.2
Other comprehensive income							
Total comprehensive income for the period	0.0	0.0	0.0	0.0	73.2	73.2	73.2
Equity transactions with the owner:							
Group contribution received			62.6	62.6			62.6
Provision for group contribution					-62.6	-62.6	-62.6
Equity at 31.12.2020	490.0	550.1	467.0	1,507.0	102.0	102.0	1,609.0

Storebrand Boligkreditt AS is 100 per cent owned by Storebrand Bank ASA. Number of shares are 35 000 000 of nominal value NOK 14 per share.

Storebrand Boligkreditt AS

Statement of cash flow

(NOK million)	31.12.2020	31.12.2019
Cash flow from operations		
Net receipts of interest, commissions and fees from customers	470.5	489.5
Net disbursements/payments on customer loans	-668.5	-1,917.2
Net receipts/payments on securities	-1,367.2	-101.5
Payments of operating costs	-91.1	-71.4
Net cash flow from operating activities	-1,656.2	-1,600.5
Cash flow from financing activities		
Payments - repayments of loans and issuing of bond debt	-5,433.0	-1,290.0
Receipts - new loans and issuing of bond debt	10,175.0	1,500.0
Payments - interest on loans	-310.9	-301.7
Net receipts/payments of liabilities to credit institutions	-2,755.8	1,465.7
Receipts - group contribution	62.6	49.1
Payments - group contribution	-80.3	-63.8
Net cash flow from financing activities	1,657.7	1,359.3
Net cash flow in the period	1.5	-241.2
Cash and bank deposits at the start of the period	6.8	248.0
Cash and bank deposits at the end of the period	8.3	6.8

Storebrand Boligkreditt AS has credit facility agreements with Storebrand Bank ASA. The amount drawn on the credit facilities is recognised in the item "Liabilities to credit institutions" as at 31.12.2020. 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 contain all the information that is required in full annual financial statements. The financial statements of Storebrand Boligkreditt AS have been prepared in accordance with International Financial Reporting Standards (IFRS) and appurtenant interpretations.

A description of the accounting policies applied in the preparation of the financial statements is provided in the 2019 annual report, and the interim financial statements are prepared with respect to these accounting policies. As a result of changes in the annual accounts regulations of banks, mortgage and finance companies, the company has changed its layout plan for income statement and statement of financial position. The same applies to the presentation of comparative figures.

There are none new or changed accounting standards that entered into effect in 2020.

Note 02 | Estimates

Critical accounting estimates and judgements are described in the 2019 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 uncertainty of the economic development causes an increase in expected credit losses from year end 2019. There is also a higher uncertainty in the point estimate of expected credit losses, and there is a higher possibility in larger variations in expected credit losses in the next quarters. See further information in note 5 financial risk and note 15 non-performing loans and loan losses.

Note 03 | Tax

Storebrand Boligkreditt AS has activities within "Section K" (financing and insurance activities as defined in Standard Industrial Classification 2007) which exceed 30 per cent and are therefore subject to the financial tax, but since the company does not have any employees it is not subject to finance tax. A tax rate of 22 per cent has been used for capitalizing deferred tax asset in the balance sheet.

Note 04 | Related Parties

ISSUED COVERED BONDS

Storebrand Bank ASA has invested NOK 2.4 billion in covered bonds issued by Storebrand Boligkreditt AS as of 31 December 2020.

LOANS TRANSFERRED FROM STOREBRAND BANK ASA

Storebrand Bank ASA sells loans to the mortgage company Storebrand Boligkreditt AS. Once the loans are transferred, Storebrand Boligkreditt AS assumes all the risks and benefits of owning the loan portfolio. It is Storebrand Boligkreditt 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 in case of change from variable to fixed interest and conversion to a flexible mortgage. In some cases Storebrand Bank ASA shall arrange the transfer and return of loans when changes of loan amount or conversion to another mortgage product have to be made. 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. The terms for transactions with senior employees and related parties are stipulated in note 27 in the 2019 annual report for Storebrand Boligkreditt AS.

Note 05 | Financial risk

Notes 4 to 8 in the 2019 annual report provide a detailed overview of the company's financial risk. The descriptions are applicable at 31 December 2020, however, with the following amendments and further comments.

CREDIT RISK – CREDIT EXPOSURE

There are no significant changes to PD, EAD and LGD estimates from 31 December 2019 to 31 December 2020. The LTV's are not significantly changed. There are no significant changes to loans in arrear and defaulted loans at 31 December 2020 compared to previous quarters.

The fourth quarter has also been affected by the development linked to the Coronavirus spread. From the last part of February, the contagion, and the consequences of containment both in Norway and globally, has led to financial turmoil with falling economic activity, increased unemployment, and falling oil price. In Norway the unemployment has fallen significantly from the peak in the beginning of the second quarter, and full time unemployment is reduced by approximately 65 per cent since the peak. According to Statistics Norway the economic outlook has improved during the second and third quarter of 2020 from the outlook in March/April 2020, however, the uncertainty going forward is still elevated. Storebrand Boligkreditt AS has not altered the outlook significantly, however, a small adjustment due to the improved outlook has been made, see note 15. Statistics Norway has about the same forecast in the fourth quarter as in the third quarter. Expected credit losses are therefore not significantly changed from the third quarter.

Note 06 | Valuation of financial instruments

The Storebrand group categorises financial instruments on three different levels. Criteria for the categorisation and processes associated with valuation are described in more detail in note 8 in the 2019 annual report for Storebrand Boligkreditt AS.

The levels express the differing degrees of liquidity and different measurement methods used. The company has established valuation models to gather information from a wide range of well-informed sources with a view to minimising the uncertainty of valuations.

VALUATION OF FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS (FVTPL)

(NOK million)	Level 1	Level 2	Level 3	Book value	Book value
	Quoted prices	Observable assumptions	Non-observable assumptions	31.12.2020	31.12.2019
Government and government guaranteed bonds					
Mortgage and asset backed bonds		1,456.1		1,456.1	100.7
Total bonds 31.12.2020	0.0	1,456.1	0.0	1,456.1	
Total bonds 31.12.2019		100.7			
Interest rate derivatives					
Total derivatives 31.12.2020	0.0	0.0	0.0	0.0	
Derivatives with a positive fair value					
Derivatives with a negative fair value					
Total derivatives 31.12.2019					

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

VALUATION OF FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

(NOK million)	Level 1	Level 2	Level 3	Book value	Book value
				31.12.2020	31.12.2019
Loans to customers - retail market			21,065.6	21,065.6	20,403.3
Total loans to customers			21,065.6	21,065.6	20,403.3

VALUATION OF FINANCIAL INSTRUMENTS AT AMORTISED COST

(NOK million)	Fair value	Book value	Fair value	Book value
	31.12.2020	31.12.2020	31.12.2019	31.12.2019
Financial assets				
Loans to and deposits with credit institutions	8.3	8.3	6.8	6.8
Loans to customers - retail market				
Other current assets	15.8	15.8	7.5	7.5
Interest bearing securities	41.8	41.7	42.4	42.5
Financial liabilities				
Loans from credit institutions	1,712.7	1,712.7	4,467.4	4,467.4
Debt securities issued	19,325.3	19,243.1	14,529.8	14,538.5
Other liabilities	16.0	16.0	17.9	17.9

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 4th quarter of 2020 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 facilities is a normal overdraft facility, with a commitment of NOK 6 billion. This has no expiry date, but can be terminated by the bank on 15 months' notice. The amount of the other facility is the payment obligations of Storebrand Boligkreditt the following 31 days on interest and principal amounts regarding Covered Bonds, including any connected derivatives. This facility may not be terminated by Storebrand Bank ASA until at least 3 months after the maturity date of the covered bond and the associated derivatives with the longest period to maturity. In 2020 all covenant requirements are fulfilled.

Note
09

Debt securities issued

COVERED BONDS

(NOK million) ISIN Code	Nominal value	Currency	Interest	Maturity ¹⁾	Book value 31.12.2020
NO0010760192	1,067.0	NOK	Floating	16.06.2021	1,068.5
NO0010786726	4,000.0	NOK	Floating	15.06.2022	4,008.3
NO0010813959	4,000.0	NOK	Floating	20.06.2023	4,003.1
NO0010873177	5,000.0	NOK	Floating	19.06.2024	4,997.0
NO0010894199	5,000.0	NOK	Floating	25.06.2025	5,166.2
Total debt securities issued ²⁾	19,067.0				19,243.1
Total debt securities issued as at 31.12.2019	14,500.0				14,538.5

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

2) For covered bonds (CBs) that are allocated to the company's security, regulatory requirements for over-collateralisation of 102 per cent and an over-collateralisation requirement of 109.5 per cent apply for bonds issued prior to 21 June 2017. In 2020 all covenants are fulfilled. See note 11.

Note
10

Capital Adequacy

ELIGIBLE CAPITAL

(NOK million)	31.12.2020	31.12.2019
Share capital	490.0	490.0
Other equity	1,119.0	1,045.8
Total equity	1,609.0	1,535.8
Deductions		
AVA adjustments	-22.5	-20.5
Provision for group contribution	-54.4	-62.6
Additions		
Group contribution received	54.4	62.6
Core Equity Tier 1 (CET1)	1,586.6	1,515.3
Additional Tier 1 capital		
Capital instruments eligible as Additional Tier 1 capital		
Additions		
Tier 1 capital	1,586.6	1,515.3
Tier 2 capital		
Subordinated loans		
Tier 2 capital deductions		
Eligible capital (Tier 1 capital + Tier 2 capital)	1,586.6	1,515.3

MINIMUM CAPITAL REQUIREMENT

(NOK million)	31.12.2020	31.12.2019
Credit risk	621.3	591.3
Of which:		
International organisations		
Local and regional authorities		
Institutions	0.3	0.2
Loans secured against real estate	584.5	566.9
Loans past-due	3.3	3.2
Covered bonds	11.6	0.8
Other	21.6	20.1
Total minimum requirement for credit risk	621.3	591.3
Total minimum requirement for market risk	0.0	0.0
Operational risk	22.6	22.6
CVA risk ¹⁾		
Deductions		
Minimum requirement for net primary capital	644.0	613.9

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

CAPITAL ADEQUACY

(NOK million)	31.12.2020	31.12.2019
Capital ratio	19.7 %	19.7 %
Tier 1 capital ratio	19.7 %	19.7 %
Core equity Tier 1 (CET1) capital ratio	19.7 %	19.7 %

The standard method is used for credit risk and market risk and the basis method is used for operational risk. Total requirement to Core Equity Tier 1 (CET1) and eligible capital (Tier 1 capital + Tier 2 capital) are 12.3 per cent and 15.8 per cent. The countercyclical capital buffer requirement has decreased to 1.0 percentage from 31 March 2020.

BASIS OF CALCULATION (RISK-WEIGHTED VOLUME)

(NOK million)	31.12.2020	31.12.2019
Credit risk	7,766.6	7,390.7
Of which:		
International organisations		
Local and regional authorities		
Institutions	3.7	2.7
Loans secured against real estate	7,306.2	7,086.6
Loans past-due	41.7	39.6
Covered bonds	145.5	10.1
Other	269.5	251.8
Total basis of calculation credit risk	7,766.6	7,390.7
Total basis of calculation market risk	0.0	0.0
Operational risk	283.0	283.0
CVA risk		
Deductions		
Total basis of calculation of minimum requirements for capital base	8,049.6	7,673.7

Note
11

Loan to value ratios and collateral

(NOK million)	31.12.2020	31.12.2019
Gross loans ¹⁾	21,069.7	20,404.9
Average loan balance per customer	2.3	2.2
No. of loans	9,560	10,076
Weighted average seasoning (months)	36	36
Weighted average remaining term (months)	279	269
Average loan to value ratio	52 %	54 %
Over-collateralisation ²⁾	116 %	140 %
Cover pool:		
Residential mortgages ¹⁾	20,966.3	20,284.2
Supplementary security	1,355.7	2.0
Total	22,321.9	20,286.2

1) In accordance with the Regulation for credit institutions that issue covered bonds, lending cannot exceed 75% of the value of collateral (i.e. value of properties pledged as collateral). As per 31 December 2020, the company had NOK 62 million that exceeds the loan to value limit and has therefore not been included in the cover pool. As per 31 December 2020, the company has 16 non-performing loans without evidence of impairment, equivalent to NOK 33 million. There are 5 non-performing loans with evidence of impairment of NOK 8 million where the impairment is assessed to be NOK 1.2 million. Non-performing loans with and without evidence of impairment, are not included in the cover pool.

2) Over-collateralisation has been calculated based on total volume of issued covered bonds of NOK 19.1 billion (nominal value).

Note
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Key figures

(NOK million)	Q4		31.12.2020	31.12.2019
	2020	2019		
Profit and loss account: (as % of avg. total assets) ¹⁾				
Net interest income	1.13 %	0.81 %	0.93 %	0.86 %
Main balance sheet figures:				
Total assets			22,587.5	20,560.9
Average total assets	22,735.7	19,626.4	21,249.2	18,710.6
Gross loans to customers			21,069.7	20,404.9
Equity			1,609.0	1,535.8
Other key figures:				
Loan losses and provisions as % of average total lending	-0.03 %	0.01 %	0.01 %	0.17 %
Individual loan loss provisions as % of gross loss-exposed loans ²⁾			12.5 %	5.2 %
Cost/income ratio	33.0 %	48.1 %	46.7 %	48.0 %
Core equity Tier 1 (CET1) capital ratio			19.7 %	19.7 %
LCR ³⁾			991.0 %	886.0 %

Definitions:

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

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

3) Liquidity coverage requirement.

Note 13 | Net interest income

(NOK million)	Q4		Full Year	
	2020	2019	31.12.2020	31.12.2019
Interest on loans to credit institutions	0.2	0.5	0.5	2.5
Interest on loans to customers - loans valued at fair value with change in value through other comprehensive income (OCI)	99.3	137.3	461.8	492.8
Interest on interest-bearing securities valued at amortised cost		0.2	0.4	0.5
Total interest income calculated by using the effective interest method	99.5	138.0	462.7	495.8
Interest on interest-bearing securities valued at fair value with change in value through profit and loss	1.5	0.7	3.2	0.9
Total other interest income	1.5	0.7	3.2	0.9
Total interest income	101.1	138.6	465.8	496.6
Interest on loans from credit institutions	-3.3	-15.9	-27.1	-33.1
Interest on debt securities issued	-32.3	-83.0	-237.8	-325.7
Total interest expenses calculated by using the effective interest method	-35.6	-98.9	-265.0	-358.8
Interest on derivatives		2.3		24.8
Other interest expenses	-0.8	-2.2	-3.4	-2.2
Total other interest expenses	-0.8	0.1	-3.4	22.7
Total interest expense	-36.5	-98.8	-268.4	-336.2
Net interest income	64.6	39.8	197.5	160.5

Note 14 | Off balance sheet liabilities and contingent liabilities

(NOK million)	31.12.2020	31.12.2019
Unused credit facilities	1,090.7	1,229.2
Total contingent liabilities	1,090.7	1,229.2

Unused credit facilities encompass unused flexible mortgage facilities.

Per 31 December 2020, the company has not pledged any collateral.

Non-performing loans and loan losses

(NOK million)	31.12.2020	31.12.2019
Non-performing loans		
Non-performing loans without evidence of impairment	33.1	30.7
Loss-exposed loans with evidence of impairment	7.8	4.1
Gross non-performing and loss-exposed loans	40.9	34.8
Loan loss provisions on individual loans excl. statistical provisions (IFRS9)	-1.2	-0.7
Net non-performing and loss-exposed loans	39.7	34.1
Key figures		
Net non-performing and loss-exposed loans as % of gross loans	0.19 %	0.17 %

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

- when a credit facility has been overdrawn for more than 90 days and the overdrawn amount minimum is NOK 2,000
- when an ordinary mortgage has arrears older than 90 days and these arrears minimum is NOK 2,000
- when a credit card has arrears older than 90 days

When one of the three situations described above occurs, the specific loan is considered as non-performing, without taking into account the customer's other engagements.

OVERVIEW OF LOAN LOSS PROVISIONS AND SECURITIES ON LOANS IN STAGE 3

(NOK million)	Gross amount	2020		Value of collateral	Type of collateral
		Loan loss provisions	Net value		
Non-performing loans without evidence of impairment					
- retail exposures secured by mortgages on immovable property	33.1	-0.2	32.9	83.1	residential property
- unsecured retail exposures including credit cards exposures					
- other exposures including SME exposures					
Total non-performing loans without evidence of impairment	33.1	-0.2	32.9		
Loss-exposed loans with evidence of impairment					
- retail exposures secured by mortgages on immovable property	7.5	-1.1	6.4	17.6	residential property
- unsecured retail exposures including credit cards exposures					
- other exposures including SME exposures	0.3	-0.1	0.2		
Total loss-exposed loans with evidence of impairment	7.8	-1.2	6.6		

The company has loans of NOK 23.1 million in stage 3 where no loan loss provisions have been made due to the value of collateral.

(NOK million)	2019			Value of collateral	Type of collateral
	Gross amount	Loan loss provisions	Net value		
Non-performing loans without evidence of impairment					
- retail exposures secured by mortgages on immovable property	30.7	-0.1	30.6	59.1	residential property
- unsecured retail exposures including credit cards exposures					
- other exposures including SME exposures					
Gross non-performing loans without evidence of impairment	30.7	-0.1	30.6		
Loss-exposed loans with evidence of impairment					
- retail exposures secured by mortgages on immovable property	3.8	-0.6	3.1	14.7	residential property
- unsecured retail exposures including credit cards exposures					
- other exposures including SME exposures	0.3	-0.1	0.2		
Gross loss-exposed loans with evidence of impairment	4.1	-0.7	3.4		

The company has loans of NOK 19.9 million in stage 3 where no loan loss provisions have been made due to the value of collateral.

LOSSES ON LOANS, GURANTEES AND UNUSED CREDITS

(NOK million)	2020			2019		
	Loans to customers and securities valued at amortisert cost and loans to customers valued at fair value through other comprehensive income (OCI)	Guarantees and unused credit limits	Total	Loans to customers and securities valued at amortisert cost and loans to customers valued at fair value through other comprehensive income (OCI)	Guarantees and unused credit limits	Total
The periods change in impairment losses stage 1	-0.5		-0.5	0.1		0.1
The periods change in impairment losses stage 2	-1.4		-1.4	0.1		0.1
The periods change in impairment losses stage 3	-0.6		-0.6	-0.5		-0.5
Realised losses	-0.2		-0.2			0.0
Recoveries on previously realised losses			0.0			0.0
Credit loss on interest-bearing securities			0.0			0.0
Other changes	0.1		0.1			0.0
Loss expense for the period	-2.7	0.0	-2.7	-0.3	0.0	-0.3

The company has NOK 0.2 million in outstanding contractual amounts for realised losses during 2020 that are still subject to enforcement activities.

LOANS PORTFOLIO AND GUARANTEES

(NOK million)	31.12.2020 Book value	31.12.2019 Book value
Loans to customers at amortised cost		
Loans to customers at fair value through profit and loss		
Loans to customers at fair value through other comprehensive income (OCI)	21,069.7	20,404.9
Total gross loans to customers	21,069.7	20,404.9
Provision for expected loss Stage 1	-0.8	-0.3
Provision for expected loss Stage 2	-2.0	-0.6
Provision for expected loss Stage 3	-1.4	-0.8
Net loans to customers	21,065.6	20,403.3

CHANGE IN GROSS LOANS TO CUSTOMERS VALUED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (OCI)

(NOK million)	Stage 1	Stage 2	Stage 3	Total gross loans
Gross loans 01.01.2020	19,225.6	1,144.6	34.8	20,404.9
Transfer to stage 1	221.3	-218.4	-2.9	0.0
Transfer to stage 2	-775.6	782.8	-7.1	0.0
Transfer to stage 3	-8.5	-23.2	31.7	0.0
New loans	6,863.7	559.0	2.3	7,425.1
Derecognition	-5,959.2	-401.8	-17.4	-6,378.4
Other changes	-355.4	-26.0	-0.5	-381.9
Gross loans 31.12.2020	19,211.8	1,817.1	40.9	21,069.7

(NOK million)	Stage 1	Stage 2	Stage 3	Total gross loans
Gross loans 01.01.2019	17,416.3	1,039.1	30.7	18,486.0
Transfer to stage 1	196.6	-196.6		0.0
Transfer to stage 2	-371.1	385.7	-14.6	0.0
Transfer to stage 3	-7.2	-21.6	28.8	0.0
New loans	7,592.3	261.8	1.6	7,855.7
Derecognition	-5,247.6	-304.5	-9.1	-5,561.2
Other changes	-353.7	-19.2	-2.6	-375.5
Gross loans 31.12.2019	19,225.6	1,144.6	34.8	20,404.9

CHANGE IN MAXIMUM EXPOSURE FOR GUARANTEES AND UNUSED CREDITS

(NOK million)	Stage 1	Stage 2	Stage 3	Total gross loans
Maximum exposure 01.01.2020	1,225.3	3.9		1,229.2
Transfer to stage 1	2.6	-2.6		0.0
Transfer to stage 2	-14.6	14.6		0.0
Transfer to stage 3				
New loans	19.4	1.1		20.5
Derecognition	-239.8	-0.7		-240.5
Other changes	80.4	1.0		81.5
Maximum exposure 31.12.2020	1,073.3	17.4	0.0	1,090.7

(NOK million)	Stage 1	Stage 2	Stage 3	Total gross loans
Maximum exposure 01.01.2019	1,397.2	3.9		1,401.1
Transfer to stage 1	1.9	-1.9		0.0
Transfer to stage 2	-5.4	5.4		0.0
Transfer to stage 3				
New loans	59.8	0.0		59.8
Derecognition	-259.8	-0.6		-260.4
Other changes	31.6	-2.9		28.7
Maximum exposure 31.12.2019	1,225.3	3.9	0.0	1,229.2

TOTAL LOAN LOSS PROVISIONS IN THE BALANCE SHEET

(NOK million)	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL - no objective evidence of impairment	Lifetime ECL - objective evidence of impairment	
Loan loss provisions 01.01.2020	0.3	0.6	0.8	1.6
Transfer to stage 1 (12-month ECL)	0.1		-0.1	0.0
Transfer to stage 2 (lifetime ECL - no objective evidence of impairment)				
Transfer to stage 3 (lifetime ECL - objective evidence of impairment)				
Net remeasurement of loan losses	-0.1	0.5	0.8	1.2
New financial assets originated or purchased	0.4	0.3	0.0	0.7
Financial assets that have been derecognised	-0.1	-0.2	0.0	-0.3
ECL changes of balances on financial assets without changes in stage in the period	0.2	0.8	0.1	1.1
Changes due to modification without any effect in derecognition				
ECL allowance on written-off (financial) assets			-0.2	-0.2
Changes in models/risk parameters				
Foreign exchange and other changes				
Loan loan loss provisions 31.12.2020	0.8	2.0	1.4	4.1
Loan loss provisions on loans to customers valued at amortised cost				
Loan loss provisions on loans to customers valued at fair value through other comprehensive income (OCI)	0.8	2.0	1.4	4.1
Loan loss provisions on guarantees and unused credit limits				
Total loan loss provisions	0.8	2.0	1.4	4.1

The macroeconomic environment is significantly changed since year end 2019. The unemployment rate including furloughs peaked at approximately 15 per cent (including part time unemployment) in March/April 2020. Full time unemployment rate is reduced by approximately 65 per cent from the peak. According to Statistics Norway there are signs of macroeconomic improvement.

The calculation of expected credit losses is based upon various macroeconomic scenarios in accordance with the IFRS 9 standard. The uncertainty of the economic development and outlook therefore causes an increase in expected credit losses from year end 2019. The increase is due to altered weights on the different scenarios. The credit models (PD, LGD, EAD) have not been changed significantly. The increase in expected credit loss and stage migration is virtually completely due to the economic development and outlook, and not linked to portfolio quality in terms of credit ratings, defaults, loan-to-value ratios etc. which have not changed significantly since year end 2019.

There is also a higher uncertainty in the point estimate of expected credit losses, and there is a higher possibility in larger variations in expected credit losses the next quarters as well as on stage migration.

(NOK million)	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL - no objective evidence of impairment	Lifetime ECL - objective evidence of impairment	
Loan loss provisions 01.01.2019	0.4	0.6	0.2	1.3
Transfer to stage 1 (12-month ECL)	0.1	-0.1		0.0
Transfer to stage 2 (lifetime ECL - no objective evidence of impairment)				
Transfer to stage 3 (lifetime ECL - objective evidence of impairment)				
Net remeasurement of loan losses	-0.1	0.1	0.5	0.4
New financial assets originated or purchased	0.1	0.1		0.3
Financial assets that have been derecognised	-0.1	-0.1		-0.3
ECL changes of balances on financial assets without changes in stage in the period	-0.1	-0.1	0.1	-0.1
Changes due to modification without any effect in derecognition				
ECL allowance on written-off (financial) assets				
Changes in models/risk parameters				
Foreign exchange and other changes				
Loan loan loss provisions 31.12.2019	0.3	0.6	0.8	1.6
Loan loss provisions on loans to customers valued at amortised cost				
Loan loss provisions on loans to customers valued at fair value through other comprehensive income (OCI)	0.3	0.6	0.8	1.6
Loan loss provisions on guarantees and unused credit limits				
Total loan loss provisions	0.3	0.6	0.8	1.6

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Distribution of loan loss provisions and exposure on secured and unsecured retail exposures

DISTRIBUTION OF LOAN LOSS PROVISIONS

(NOK million)	2020			Total loan loss provisions
	Stage 1	Stage 2	Stage 3	
Retail exposures secured by mortgages on immovable property	0.8	2.0	1.3	4.1
Unsecured retail exposures including credit cards exposures				0.0
Other exposures including SME exposures			0.1	0.1
Total loan loss provisions	0.8	2.0	1.4	4.1

(NOK million)	2019			Total loan loss provisions
	Stage 1	Stage 2	Stage 3	
Retail exposures secured by mortgages on immovable property	0.3	0.6	0.7	1.5
Unsecured retail exposures including credit cards exposures				0.0
Other exposures including SME exposures			0.1	0.1
Total loan loss provisions	0.3	0.6	0.8	1.6

DISTRIBUTION OF EXPOSURE INCL. UNUSED CREDIT FACILITIES AND GUARANTEES

(NOK million)	2020			Total exposure
	Stage 1	Stage 2	Stage 3	
Retail exposures secured by mortgages on immovable property	20,285.1	1,834.5	40.6	22,160.1
Unsecured retail exposures including credit cards exposures				0.0
Other exposures including SME exposures			0.3	0.3
Total exposure	20,285.1	1,834.5	40.9	22,160.4

(NOK million)	2019			Total exposure
	Stage 1	Stage 2	Stage 3	
Retail exposures secured by mortgages on immovable property	20,450.9	1,148.5	34.5	21,633.9
Unsecured retail exposures including credit cards exposures				0.0
Other exposures including SME exposures			0.3	0.3
Total exposure	20,450.9	1,148.5	34.8	21,634.2

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Quarterly income statement

(NOK million)	Q4	Q3	Q2	Q1	Q4
	2020	2020	2020	2020	2019
Interest income	101.1	99.0	111.1	154.6	138.6
Interest expense	-36.5	-40.9	-83.5	-107.4	-98.8
Net interest income	64.6	58.1	27.6	47.2	39.8
Net gains on financial instruments	0.4	-12.3	0.2	-4.5	-0.6
Other income	-0.1	-0.1	-0.1		-0.1
Total other operating income	0.3	-12.4	0.1	-4.5	-0.7
Staff expenses	-0.1		-0.1		-0.1
Other operating cost	-21.3	-20.5	-21.4	-21.0	-18.7
Total operating costs	-21.4	-20.5	-21.5	-21.1	-18.8
Operating profit before loan losses	43.5	25.2	6.3	21.6	20.3
Loan losses for the period	1.5	-0.4	0.5	-4.3	-0.6
Profit before tax	45.0	24.8	6.8	17.3	19.7
Tax	-9.9	-5.5	-1.5	-3.8	-4.4
Profit for the year	35.1	19.3	5.3	13.5	15.4

Financial Calendar 2021



28 April	Results 1Q 2021
14 July	Results 2Q 2021
27 October	Results 3Q 2021
February 2022	Results 4Q 2021

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