



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

Monica Kristoffersen Hellekleiv  
Storebrand





# Company information

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|                              |                                                            |
|------------------------------|------------------------------------------------------------|
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# Contents

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# Key figures Storebrand Bank Group

| (NOK million)                                                             | 2014     | 2013     |
|---------------------------------------------------------------------------|----------|----------|
| <b>Profit and Loss account: (as % of avg. total assets)</b>               |          |          |
| Net interest income                                                       | 1.26 %   | 1.35 %   |
| Other operating income <sup>3)</sup>                                      | 0.18 %   | 0.18 %   |
| <b>Main balance sheet figures:</b>                                        |          |          |
| Total assets                                                              | 34 002.4 | 39 056.1 |
| Average total assets <sup>1)</sup>                                        | 36 545.3 | 40 572.5 |
| Gross lending to customers                                                | 28 465.9 | 33 746.8 |
| Deposits from customers                                                   | 19 358.1 | 20 728.1 |
| Deposits from customers as % of gross lending                             | 68.0 %   | 61.4 %   |
| Equity                                                                    | 2 526.7  | 2 565.5  |
| <b>Other key figures:</b>                                                 |          |          |
| Total non-interest income as % of total income                            | 12.2 %   | 12.0 %   |
| Loan losses and provisions as % of average total lending <sup>5)</sup>    | 0.24 %   | 0.03 %   |
| Gross non-performing and loss-exposed loans as % of total average lending | 0.5 %    | 1.4 %    |
| Cost/income ratio banking activities <sup>4)</sup>                        | 46.3 %   | 57.2 %   |
| Return on equity before tax <sup>2)</sup>                                 | 7.7 %    | 9.5 %    |
| Core capital ratio                                                        | 13.3 %   | 12.8 %   |

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) Profit before tax for continued operations as % of average equity.
- 3) Other operating income includes net fee and commission income.
- 4) Banking activities consists of Storebrand Bank ASA and Storebrand Boligkreditt AS.
- 5) Loan losses and provisions for Storebrand Bank Group includes the items loan losses for the period and losses real estate at fair value, assets repossessed, in the profit & loss account.

# Annual Report

## MAIN TRENDS

Storebrand Bank ASA is a wholly owned subsidiary of Storebrand ASA, and is part of the Bank and Asset Management business unit in the 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.

Storebrand Bank ASA is an internet-based bank that offers traditional banking products to the Norwegian market. Employees with an occupational pension with Storebrand is the bank's main target group and part of the group's benefit programme, Storebrand Fordel. The bank's offering is integrated into the Group's benefit programme for these customers, Storebrand Fordel.

Storebrand Bank ASA has decided to wind up the corporate market at the bank. The winding up of operations will be gradual and controlled, with existing customers being well looked after.

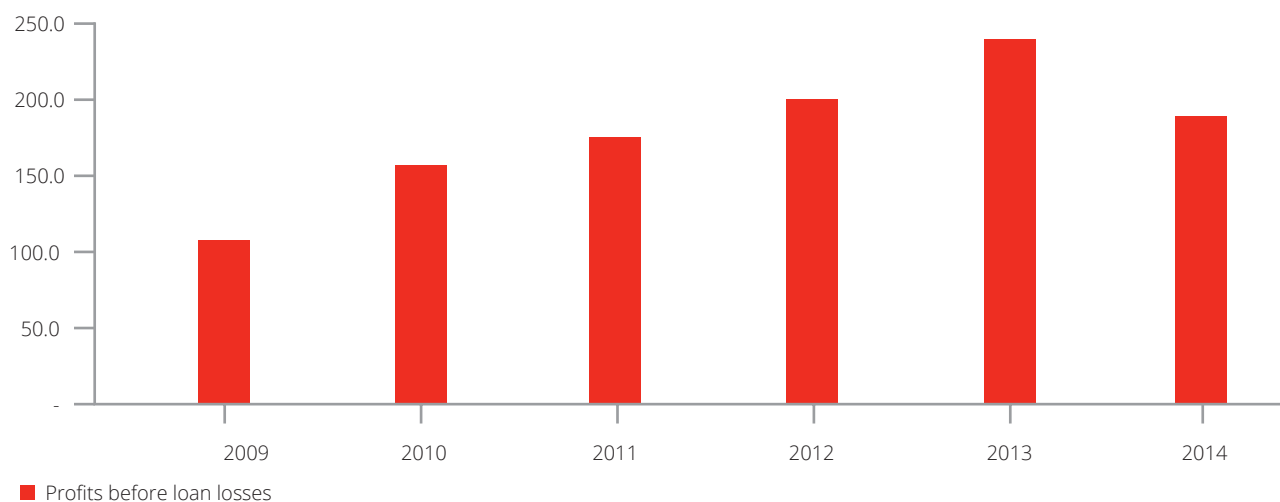
At Storebrand, the group unit Customer Area Norway is responsible for the general commercial activities in the Norwegian part of Storebrand. This means that distribution, market activities and product development in Norway are gathered under the same management, with the goal to increase the force of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

During the fourth quarter, the bank group converted its core bank system from Evry to Scandinavian Data Center (SDC) of Denmark.

The bank group achieved a profit before taxes of NOK 192 million for 2014 compared with NOK 235 million in 2013 for continued operations. The planned winding up of the corporate market portfolio reduces income in relation to 2013.

## FINANCIAL PERFORMANCE

### TRENDS IN PROFIT BEFORE LOSSES



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

The bank group achieved a profit before taxes of NOK 192 million for 2014 compared with NOK 235 million in 2013 for continued operations. The effect of sold/discontinued operations, Ring Eiendomsmegling, on the income statement was minus NOK 1 million for 2014 compared with minus NOK 4 million in 2013. The bank group achieved a profit after taxes of NOK 137 million in 2014 compared with NOK 162 million in 2013.

## NET INTEREST INCOME

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



Net interest income for the bank group amounted to NOK 462 million compared with NOK 547 million in the previous year. Net interest income as a percentage of average total assets was 1.26 per cent in 2014, 0.08 percentage points lower than in 2013. The bank's corporate market portfolio is being wound up and the increased proportion of retail market loans reduces net interest income as a percentage of average total assets.

## OTHER INCOME

The bank group's net commission income totalled NOK 57 million, compared with NOK 70 million in 2013. Other income increased from NOK 4 million in 2013 to NOK 7 million in 2014. Revaluations of financial instruments recorded at fair value were NOK 7 million compared with minus NOK 16 million in 2013. This includes a positive contribution from interest rate and foreign exchange services supplied to the bank's customers. Revaluations in 2013 included a write-down of the value of the bank's fixed-rate loans. The winding up of the corporate market portfolio had a negative effect on other operating income, as did the sale of the subsidiary Hadrian Eiendom AS in the fourth quarter of 2014.

## OPERATING EXPENSES

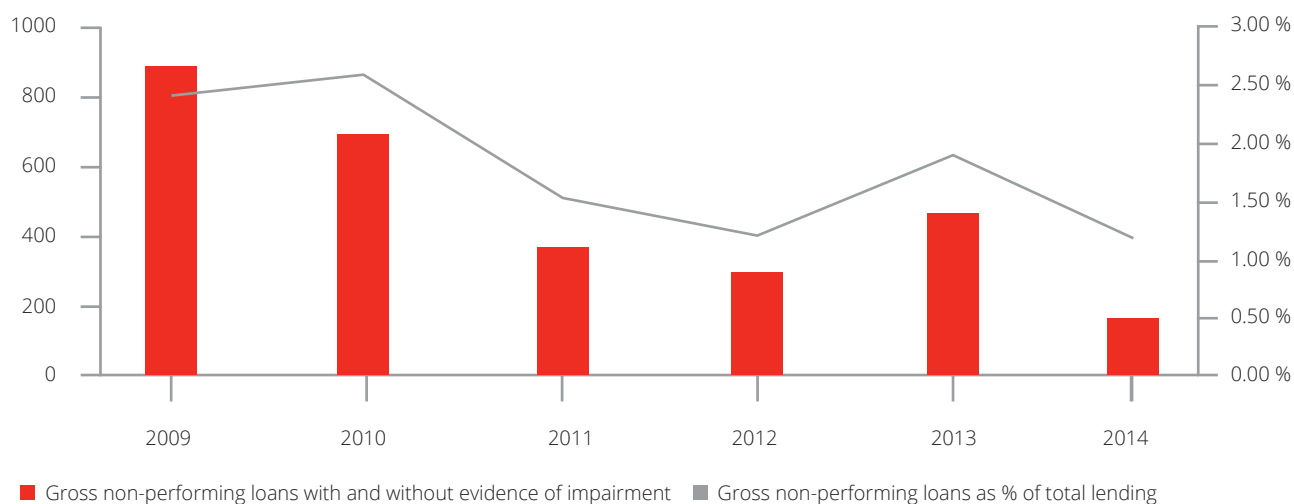
### OPERATING EXPENSES AS A PERCENTAGE OF AVERAGE TOTAL ASSETS



The operating expenses in the bank group totalled NOK 260 million (NOK 375 million). The cost percentage was 49 per cent in 2014 (60 per cent). The Board of Directors of Storebrand ASA decided on 28 October 2014 to wind up the Norwegian defined benefit scheme. This also had an effect on the Norwegian subsidiaries in the Storebrand group in 2014. Pension liabilities and pension funds in the defined benefit scheme have been derecognised from the annual accounts for 2014. The net effect on profit for the bank group is income of NOK 43.9 million, which reduced operating expenses for 2014. Costs were also reduced due to lower group expenses and the sale of the subsidiary Hadrian Eiendom AS.

## LOSSES AND NON-PERFORMING LOANS

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



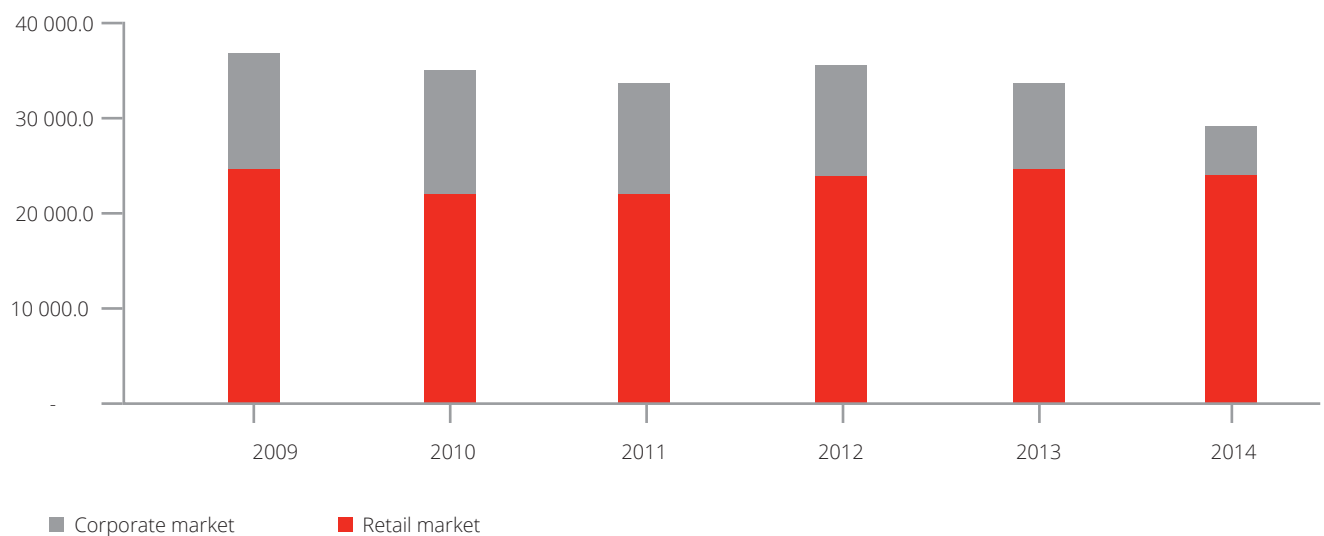
Total loan loss provisions amounted to minus NOK 74 million for the bank group, compared with minus NOK 11 million in 2013.

Non-performing loans without evidence of impairment fell in 2014, and totalled NOK 76 million (NOK 111 million). The total volume of non-performing loans without evidence of impairment also fell in 2014 to NOK 77 million (NOK 356 million), partly as a result of the bank having sold a large commitment in the 4th quarter. The total volume of non-performing loans represents 0.5 per cent of gross lending (1.4 per cent).

Loss provisions on groups of loans have been reduced from NOK 30 million in 2013 to NOK 21 million at the end of 2014. The reduction is mainly the result of the ongoing winding up of the bank's corporate market portfolio.

#### STATEMENT OF FINANCIAL POSITION - BALANCE SHEET

##### DEVELOPMENTS IN GROSS LENDING IN BOTH THE RETAIL MARKET AND CORPORATE MARKET



At the end of 2014 the bank group had NOK 34.0 billion in total assets. Gross lending to customers was NOK 27.5 billion at year-end. This is a decline of NOK 5.0 billion, corresponding to 15 per cent since the end of 2013. The Retail Market portfolio was stable, while the Corporate Market portfolio has declined, as planned.

The bank group's Retail Market portfolio represents 84 per cent of total loans, and mainly consists of low risk home mortgages. The average weighted loan-to-value ratio (LVR) is about 54 per cent. Loan-to-value ratio is calculated based on amounts drawn in the case of flexible secured loans. Corporate market lending accounts for 16 per cent of the portfolio. At the end of 2014 about 71 per cent of these loans were to income-generating properties, 20 per cent to development properties (construction projects) and 9 per cent were other Corporate Market loans. Storebrand Bank ASA has signed a syndication agreement with Storebrand Livsforsikring AS for good 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 customers are in default and the portfolio has a low level of losses.

The bank group has a balanced funding structure and bases its funding on customer deposits, the issuing of securities and mortgage bonds, as well as borrowing in the Norwegian and international capital markets. In 2014 the bank group continued to prioritise maintaining a good deposit to loan ratio, and at year end the deposit to loan ratio was 70 per cent (61 per cent).

The bank group has issued NOK 0.2 billion in subordinated loans and perpetual hybrid Tier 1 capital and NOK 0.6 billion in covered bonds, but no senior bonds during 2014. Total amount to maturity in 2014 was NOK 1.7 billion. The bank group takes an active stance in managing liquidity and market makers and in 2014 reacquired approximately NOK 0.5 billion of outstanding borrowing before the maturity dates in 2015 and 2016.

## **BUSINESS SEGMENTS**

### **RETAIL MARKET**

Storebrand Bank ASA is a internet-based bank that offers traditional bank products to the Norwegian market. Employees with an occupational pension with Storebrand are the bank's main target group and part of the group's benefit programme, Storebrand Fordel. The programme includes favourable home mortgages and bank saving, and an attractive everyday banking package. The bank also aims especially at young people who are setting up home.

At the end of 2014, the bank group had 68,000 active Retail Market customers, with a lending volume of NOK 23.9 billion and a volume of deposits of NOK 13.7 billion. Competitiveness for loans above NOK 2 million and mortgages for young people (BLU) increased during the year, and the bank saw lending growth in strategic focus areas. There has also been a growth in deposit volume in the bank's high interest rate accounts.

### **CORPORATE MARKET**

Storebrand Bank ASA decided in 2013 to wind up the corporate market at the bank. The Corporate Market has a significant portfolio of commercial property loans that tie up much capital on the part of the Storebrand group. In light of the future Solvency II rules and new capital requirements for banks, a decision has been made to prioritise the freeing up of capital. This is also a strategic assessment of the future direction of the Group, and the bank's Corporate Market is not a prioritised core activity.

The area is being wound up in a controlled manner over time, meaning that the bank is not becoming involved in new projects, granting new loans or through other means bringing in new customers in the Corporate Market. The parent bank's existing customers and projects will be attended to and served well.

## **GROUP STRUCTURE AND SUBSIDIARIES**

Subsidiary Storebrand Boligkreditt AS holds a licence to issue covered bonds secured by mortgages in residential property. The company's balance was NOK 15 billion at the end of 2014, and it mainly serves as a funding tool. NOK 10.8 million in covered bonds are issued. The portfolio had 0.2 per cent non-performing loans at the end of 2014. The established loan programme is Aaa rated by Moody's rating agency.

A decision was made in 2011 to wind up ownership in Ring Eiendomsmegling AS, and this work took place in 2012 and 2013. In 2013, all of the subsidiaries of Ring Eiendomsmegling AS were merged with Ring Eiendomsmegling AS. Only minor obligations remain in the company.

The subsidiary Hadrian Eiendom AS was sold during the fourth quarter of 2014.

## RISK MANAGEMENT

A bank's core activities are linked to creating value through exposure to acceptable risk. The bank group is proactive in managing the risks in its business activities and continuously works to develop its routines and processes for risk management. On the whole, the current risk profile is regarded as being satisfactory.

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

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

### CREDIT RISK

The bank group has lending to customers totalling NOK 28.4 billion, in addition to unused credit facilities of NOK 3.9 billion as at 31.12.2014.

Lending to the corporate market segment will be wound up and is being reduced. Lending volume including unused credit facilities and guarantees on own balance sheet has been reduced from NOK 9.8 billion to NOK 4.4 billion. Corresponding lending volume to the private market is NOK 26.4 billion.

The credit quality of the corporate market portfolio is considered good. The portfolio consists mainly of mortgages for commercial properties. Mortgage-backed commitments in which running cash flows cover the commitment's interest charges account for around 71 per cent of the total exposure (loans and lines of credit).

Cash flow loans are characterised by a good, diversified tenant profile and long leases. The bank is secured a cash flow from tenants with these types of loans, in addition to having security in the property itself. Tenant diversification considerably minimises the overall risk in the portfolio. Development projects involve somewhat greater risk and the total exposure here is around NOK 0.9 billion. This segment is largely composed of loans to construction projects in the housing and office sector in and around the centre of Oslo.

Of loans that are not non-performing or in arrears in the Corporate Market portfolio, about 82 per cent have a loan-to-value ratio of below 80 per cent. About 85 per cent of the loans are within a 90 per cent loan-to-value ratio. The risk level is considered to be moderate.

The credit quality of the retail market portfolio is considered very good. Almost the entire portfolio is secured in real estate. The portfolio's high collateral 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 85 per cent of the market value. Such loans are only granted if customers can provide additional collateral or following a special assessment of suitability.

The weighted average loan-to-value ratio in the bank group for the Retail Market portfolio is approximately 54 per cent for home loans. Approximately 90 per cent of home loans 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 55 per cent of housing loans are within a 60 per cent loan-to-value ratio.

The retail market portfolio has historically had low losses and the proportion of loans in the retail market as a percentage of the bank's total lending is 85 per cent at the end of 2014.

Out of the total exposure in the Retail Market portfolio, the housing credits amounts for about 34 per cent. In isolation, this structure contributes to an increase in portfolio risk, but the risk is counteracted by stricter loan criteria for residential mortgages, monitoring customers with a high degree of utilisation, and follow-up of those who do not pay interest and instalments on a regular basis.

The bank group's guarantee portfolio amounted to NOK 90 million at year-end. The majority of the guarantees have been made for

customers in connection with property development in Oslo and Akershus.

At year-end, the bank group had deposited securities with a fair value of NOK 1.45 billion as collateral for drawing rights to overnight loans and F-loans in Norges Bank.

#### **LIQUIDITY RISK**

The proportion of long-term funding over 1 year was 100 per cent throughout 2014. The deposit to loan ratio showed a positive trend in 2014, and at the end of the year was above 68 per cent. The bank attaches great importance to having a balanced funding structure in relation to the different maturities and issuing in different markets. The average remaining maturity for external funding excluding subordinated loans is 2.5 years, a slight reduction from 2.9 years in 2013 as a result of reduced balance and increased deposit-to-loan ratio.

The bank group has established good liquidity buffers and attaches great importance to having a balanced funding structure in relation to the various maturities and issuances in various markets. Storebrand Bank ASA is rated by S&P and Moody's.

#### **MARKET RISK**

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

#### **OPERATIONAL RISK**

The bank group manages operational risk by focusing on establishing good work and control routines. It also works systematically to create the right attitude among the bank group's employees. The most important measures to reduce operational risk are systematic risk reviews carried out at least every six months on all of the bank group's activities, and also when starting projects or with special events. The last risk review was performed in autumn 2014.

#### **COMPLIANCE RISK**

The risk of incurring public sanctions or financial losses due to failure to comply with external and internal regulations is defined as the bank group's compliance risk. Storebrand Bank ASA is particularly focused on the risk relating to compliance and implementation of changes in the current legislation. The compliance manager has responsibility for preparing, documenting, implementing and maintaining the compliance process in Storebrand Bank ASA.

#### **LEGAL DISPUTES**

In 2014 Storebrand Bank reported 7 cases to the police. 4 of these relate to ID theft. The others relate to falsification of documents and card swindles.

All 117 customer complaints submitted to the Norwegian Financial Services Complaints Board (Banking) concerning investments in structured products in Storebrand Bank ASA and Storebrand Finansiell Rådgivning were processed in 2014. None of the customers' complaints/claims against the bank was upheld. No legal proceedings were instituted or threatened against the bank in connection with claims concerning investments in structured products in 2014.

### **CAPITAL MANAGEMENT**

#### **CAPITAL ADEQUACY**

The bank group had a net capital base of NOK 2.5 billion at the end of 2014. The capital adequacy ratio was 15.0 per cent and the core capital ratio was 13.3 per cent, compared to 13.6 per cent and 12.8 per cent respectively at the end of 2013. The bank group aims to comply with the applicable buffer capital requirements at all times.

The bank group has satisfactory solvency and good liquidity as at 31/12/2014.

## PERSONNEL, ORGANISATION, CORPORATE BODIES AND THE ENVIRONMENT

### SUSTAINABILITY

The Storebrand group has worked systematically and purposefully on sustainability for almost 20 years. Sustainability is one of Storebrand's six promises to its customers and one of the group's three main messages, which illustrates how highly we set this work. During the course of 2014, Storebrand has further strengthened these efforts. The purpose is to ensure sustainability as a differentiating factor that brings us closer to our vision that "Our customers recommend us".

In 2014, Storebrand performed an analysis for the purpose of gaining a picture of which areas of sustainability are the most important for us to work on. The analysis shows that these are industry distrust, climate change, corruption and financial crime and overexploitation of natural resources. The analysis will influence Storebrand's sustainability strategy, priorities and use of resources in the years to come. Indicators and targets in the sustainability scorecard for 2015-2016 will also be based on the analysis.

Sustainability is integrated into Storebrand's assessments, vision, core values and promises to customers, and the company has drawn up clear guidelines as a foundation for this work.

### ETHICS AND TRUST

Storebrand depends on confidence and must keep its own house in order. The company sets strict requirements concerning high ethical standards for the Group's employees. The Group has a common code of ethics that is available on our intranet in three languages. Notification routines, brochures, anonymous postbox, dilemma bank, question and answer summaries and presentations are all available to employees on the intranet. Every year all the managers must confirm in writing that they have discussed ethics and ethical dilemmas, information security, financial crime and HSE in departmental meetings.

Employees take the company's e-learning course on ethics. The group has mandatory ethics courses for managers, including on money laundering and corruption. 16 such courses have been held in 2014. At these, managers have practical exercises based on dilemmas that have arisen in Storebrand. Dilemma training is also performed by e-mail for all employees once per month.

The company's authorised financial advisers complete a specially tailored training programme.

### THE ENVIRONMENT

The group sets strict requirements for the companies we invest in, and we set the same requirements for ourselves and our suppliers. Climate change and the over-exploitation of natural resources are among the most important topics for Storebrand to work on in sustainability in the years to come.

Every department works to minimise its environmental footprint by focusing on resource use. The emissions we still have through travel and energy consumption are compensated through the purchase of verified climate quotas within the framework of REDD and Verified Carbon Standard.

The company's head office is a low-emission building that uses renewable energy sources like solar energy and district heating. The building is also Eco-Lighthouse certified.

### HUMAN RESOURCES AND ORGANISATION

The group had 110 employees at the end of the year, compared with 99 at the beginning of the year. 48 per cent of these are women. The average age of our employees is 43, and the average term of service is 12 years.

The proportion of women on the board of the bank is 60 per cent in 2014. The share of women in senior management is 40 per cent, an increase over 2013. Among Storebrand Bank ASA's managerial positions with personnel responsibilities, 35 per cent are held by women. No injuries to people, property damage or accidents were reported by Storebrand Bank ASA in 2014.

## **EQUALITY / DIVERSITY**

The positive trend regarding the share of women, compared to men, is a result of systematic work to promote an even gender distribution at the company. The company has increased its cultural diversity along the same lines as society in general.

## **ABSENCE DUE TO ILLNESS**

Absence due to illness at Storebrand Bank ASA at the end of the year was measured at 3.8 per cent, which is lower than in 2013. Like the Storebrand group, the bank group is committed to creating an inclusive workplace.

## **COMPETENCE**

All employees have easy access to formal e-Learning and classroom courses, and each employee's follow-up plans specify competence and development goals.

## **CORPORATE GOVERNANCE**

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

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

The management and board of Storebrand ASA consider the principles for corporate governance every year. Storebrand ASA established principles for corporate governance in 1998. Storebrand reports on the 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 30 October 2014. For further information on Storebrand's corporate governance and a statement of company management in accordance with section 3-3b of the Norwegian Accounting Act, see the dedicated description in the Storebrand Group annual report.

The work of the Board is regulated by special rules of procedure for the Board. The Board of Storebrand ASA has also adopted an executive "2014 Steering Document for Risk Management and Internal Control at Storebrand" and a set of instructions for the Boards of subsidiary companies. These documents describe how guidelines, plans and strategies adopted by the Group's Board of Directors are expected to be complied with and how risk management and controls are implemented at the Group. The Board of Storebrand ASA has two advisory subcommittees, common to Storebrand Group: the compensation committee and the audit committee.

According to its articles of association, Storebrand Bank ASA must have the same nominating committee as Storebrand ASA, and thus follows the Storebrand Group's processes for nomination and replacement of Board members. The bank has no articles or authorities that enable the board to decide that the company may buy back or issue own shares or capital certificates.

#### **CHANGES IN THE COMPOSITION OF THE BOARD**

There have been no changes in the composition of Storebrand Bank's board in 2014.

#### **SOCIAL RESPONSIBILITY**

Refer to the detailed description regarding sustainability, included in the 2014 annual report of the Storebrand group.

#### **GOING CONCERN**

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

#### **EVENTS AFTER THE BALANCE SHEET DATE**

During the normal course of its business, 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.

#### **STOREBRAND BANK ASA**

The annual profit for the parent bank Storebrand Bank ASA was NOK 149 million (NOK 151 million) in 2014. Net interest income for Storebrand Bank ASA was NOK 227 million (NOK 291 million) in 2014. NOK 75 million (NOK 9 million) was expensed for write-downs on loans for the year.

The parent bank had total assets of NOK 26.1 billion at year-end. Gross lending in the parent bank amounted to NOK 13.2 billion (NOK 17.6 billion). Equity in the parent bank at the end of the year amounted to NOK 2.1 billion. The net capital base at year-end after giving group contributions amounted to NOK 2.5 billion (NOK 2.9 billion). The company's capital adequacy was 17.6 per cent (15.5 per cent) and core capital adequacy was 15.6 per cent (14.7 per cent).

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

The board proposes that NOK 211.3 million with tax effect, NOK 245.7 million without tax effect, is paid in group contributions to Storebrand ASA. The board considers the bank group's and Storebrand Bank ASA's capital situation to be good given the risk profile and proposes to the bank's supervisory council and general meeting the following allocation of the profit for the year:

(NOK million)

|                                   |              |
|-----------------------------------|--------------|
| Group contribution paid after tax | 400.0        |
| Transferred from other equity     | -251.2       |
| <b>Total allocations</b>          | <b>148.8</b> |

## STRATEGY AND OUTLOOK FOR 2015

In 2015 Storebrand Bank will continue to work on improving the business' profitability combined with growth in the retail market. The consequences of the international financial instability for both the banking industry and our customers will be closely monitored. The bank will also prioritise maintaining a moderate to low risk profile with good composition of the financial position and funding.

In the retail market, the bank will work towards reducing costs, increasing the degree of automation in customer and work processes, as well as developing better mobile and tablet solutions for customers.

As the corporate market is being wound up, the bank does not wish to become involved in new projects, provide new loans or through other means bring in new customers within the corporate market.

Sound management of the bank's credit and liquidity risk, and control of the operational risk in key work processes will also be a vital focus in 2015, and the bank will continue to closely monitor developments in non-performing loans and loan losses. Developments in the Norwegian and international capital markets, interest rates, unemployment and the property market are regarded as the key risk factors that can affect the results of Storebrand Bank Group in 2015.

Lysaker, Norway, 10 February 2015

The Board of Directors of Storebrand Bank ASA

*Translation - not to be signed*

**Heidi Skaaret**  
Chairman of the Board

**Geir Holmgren**  
Deputy Chairman

**Leif Helmich Pedersen**  
Board Member

**Inger Roll-Matthiesen**  
Board Member

**Ranveig S. Ofstad**  
Board Member

**Truls Nergaard**  
CEO

# Accounts and notes

| Contents                                                                                           | Page | Contents                                                                                           | Page |
|----------------------------------------------------------------------------------------------------|------|----------------------------------------------------------------------------------------------------|------|
| <b>STOREBRAND BANK GROUP</b>                                                                       |      | <b>STOREBRAND BANK ASA</b>                                                                         |      |
| Profit and loss account                                                                            | 18   | Profit and loss account                                                                            | 77   |
| Statement of comprehensive income                                                                  | 18   | Statement of comprehensive income                                                                  | 77   |
| Balance                                                                                            | 19   | Balance                                                                                            | 78   |
| Reconciliation of equity                                                                           | 21   | Reconciliation of equity                                                                           | 80   |
| Cash flow statement                                                                                | 22   | Cash flow statement                                                                                | 81   |
| Note 1: Company information and accounting policies                                                | 23   | Note 1: Company information and accounting policies                                                | 82   |
| Note 2: Key accounting estimates and judgements                                                    | 28   | Note 2: Key accounting estimates and judgements                                                    | 86   |
| Note 3: Risk Management                                                                            | 30   | Note 3: Risk Management                                                                            | 88   |
| Note 4: Credit risk                                                                                | 30   | Note 4: Credit risk                                                                                | 88   |
| Note 5: Liquidity risk                                                                             | 42   | Note 5: Liquidity risk                                                                             | 98   |
| Note 6: Market risk                                                                                | 45   | Note 6: Market risk                                                                                | 101  |
| Note 7: Operational risk                                                                           | 46   | Note 7: Operational risk                                                                           | 102  |
| Note 8: Valuation of financial instruments at fair value                                           | 46   | Note 8: Valuation of financial instruments at fair value                                           | 103  |
| Note 9: Segment reporting                                                                          | 49   | Note 9: Segment reporting                                                                          | 105  |
| Note 10: Net income from financial instruments                                                     | 51   | Note 10: Net income from financial instruments                                                     | 105  |
| Note 11: Net commission income                                                                     | 53   | Note 11: Net commission income                                                                     | 107  |
| Note 12: Other income                                                                              | 53   | Note 12: Other income                                                                              | 107  |
| Note 13: Remuneration paid to auditor                                                              | 53   | Note 13: Remuneration paid to auditor                                                              | 107  |
| Note 14: Operating expenses                                                                        | 54   | Note 14: Operating expenses                                                                        | 108  |
| Note 15: Pensions                                                                                  | 54   | Note 15: Pensions                                                                                  | 108  |
| Note 16: Loan losses                                                                               | 58   | Note 16: Loan losses                                                                               | 112  |
| Note 17: Tax                                                                                       | 58   | Note 17: Tax                                                                                       | 112  |
| Note 18: Classification of financial instruments                                                   | 60   | Note 18: Classification of financial instruments                                                   | 115  |
| Note 19: Fair value financial assets and financial liabilities at amortised cost                   | 60   | Note 19: Fair value financial assets and financial liabilities at amortised cost                   | 115  |
| Note 20: Cash and deposits with central banks                                                      | 61   | Note 20: Cash and deposits with central banks                                                      | 116  |
| Note 21: Loans to and deposits with credit institutions                                            | 61   | Note 21: Loans to and deposits with credit institutions                                            | 116  |
| Note 22: Shares and other equity instruments                                                       | 61   | Note 22: Shares and other equity instruments                                                       | 116  |
| Note 23: Bonds and other fixed income securities at fair value through the profit and loss account | 61   | Note 23: Investments in subsidiaries                                                               | 117  |
| Note 24: Bonds at amortised cost                                                                   | 62   | Note 24: Bonds and other fixed income securities at fair value through the profit and loss account | 117  |
| Note 25: Transferred financial assets (swap scheme)                                                | 62   | Note 25: Bonds at amortised cost                                                                   | 117  |
| Note 26: Financial derivatives                                                                     | 62   | Note 26: Transferred financial assets (swap scheme)                                                | 118  |
| Note 27: Foreign exchange risk                                                                     | 63   | Note 27: Financial derivatives                                                                     | 118  |
| Note 28: Analysis of loan portfolio and guarantees                                                 | 64   | Note 28: Foreign exchange risk                                                                     | 119  |
| Note 29: Loan loss provisions                                                                      | 64   | Note 29: Analysis of loan portfolio and guarantees                                                 | 119  |
| Note 30: Intangible assets and goodwill                                                            | 65   | Note 30: Loan loss provisions                                                                      | 119  |
| Note 31: Fixed assets                                                                              | 66   | Note 31: Intangible assets and goodwill                                                            | 120  |
| Note 32: Operational leasing                                                                       | 66   | Note 32: Fixed assets                                                                              | 120  |
| Note 33: Other current assets                                                                      | 67   | Note 33: Operational leasing                                                                       | 121  |
| Note 34: Deposits from customers                                                                   | 67   | Note 34: Other current assets                                                                      | 121  |
| Note 35: Hedge accounting                                                                          | 68   | Note 35: Deposits from customers                                                                   | 121  |
| Note 36: Bonds and commercial papers issued                                                        | 68   | Note 36: Hedge accounting                                                                          | 122  |
| Note 37: Subordinated loan capital                                                                 | 69   | Note 37: Bonds and commercial papers issued                                                        | 123  |
| Note 38: Provisions                                                                                | 69   | Note 38: Subordinated loan capital                                                                 | 123  |
| Note 39: Other liabilities                                                                         | 70   | Note 39: Provisions                                                                                | 124  |
| Note 40: Off balance sheet liabilities and contingent liabilities                                  | 70   | Note 40: Other liabilities                                                                         | 124  |
| Note 41: Collateral                                                                                | 70   | Note 41: Off balance sheet liabilities and contingent liabilities                                  | 124  |
| Note 42: Capital Adequacy                                                                          | 71   | Note 42: Collateral                                                                                | 125  |
| Note 43: Changes in the composition of the group                                                   | 73   | Note 43: Capital Adequacy                                                                          | 125  |
| Note 44: Related parties                                                                           | 74   | Note 44: Remuneration of senior employees and elected officers of the company                      | 127  |
| Note 45: Sold operations and discontinued operations                                               | 75   | Note 45: Related parties                                                                           | 130  |

# Storebrand Bank Group

## Profit and loss account

### 1 January - 31 December

| (NOK million)                                   | NOTE           | 2014          | 2013          |
|-------------------------------------------------|----------------|---------------|---------------|
| Interest income                                 |                | 1 328.3       | 1 548.6       |
| Interest expense                                |                | -866.5        | -1 001.9      |
| <b>Net interest income</b>                      | 10             | <b>461.8</b>  | <b>546.7</b>  |
| Fee and commission income from banking services |                | 71.6          | 82.0          |
| Fee and commission expense for banking services |                | -14.9         | -11.8         |
| <b>Net fee and commission income</b>            | 11             | <b>56.7</b>   | <b>70.2</b>   |
| Net gains on financial instruments              | 10             | 7.3           | -16.0         |
| Other income                                    | 12             | 0.2           | 20.3          |
| <b>Total other operating income</b>             |                | <b>7.5</b>    | <b>4.3</b>    |
| Staff expenses                                  | 14, 15         | -73.1         | -127.6        |
| General administration expenses                 | 14             | -54.2         | -55.6         |
| Other operating costs                           | 13, 14, 30, 31 | -132.7        | -191.6        |
| <b>Total operating costs</b>                    |                | <b>-260.0</b> | <b>-374.8</b> |
| <b>Operating profit before loan losses</b>      |                | <b>266.0</b>  | <b>246.5</b>  |
| Loan losses for the period                      | 16             | -74.2         | -11.1         |
| <b>Profit before tax</b>                        |                | <b>191.8</b>  | <b>235.3</b>  |
| Tax                                             | 17             | -53.5         | -69.1         |
| Result after tax sold/discontinued operations   | 45             | -1.0          | -3.8          |
| <b>Profit for the year</b>                      |                | <b>137.3</b>  | <b>162.3</b>  |
| Allocated to:                                   |                |               |               |
| Parent company                                  |                | 137.3         | 162.3         |
| Minority interests                              |                | 0.0           | 0.0           |

## Statement of comprehensive income

| (NOK million)                                                          | NOTE | 2014         | 2013         |
|------------------------------------------------------------------------|------|--------------|--------------|
| Profit for the year                                                    |      | 137.3        | 162.3        |
| Other result elements not to be classified to profit/loss              |      |              |              |
| Pension experience adjustments                                         | 15   | -35.1        | -5.7         |
| Tax on pension experience adjustments                                  | 17   | 9.5          | 2.1          |
| <b>Total other result elements not to be classified to profit/loss</b> |      | <b>-25.6</b> | <b>-3.5</b>  |
| <b>Total comprehensive income for the period</b>                       |      | <b>111.7</b> | <b>158.8</b> |
| Allocated to:                                                          |      |              |              |
| Parent company                                                         |      | 111.7        | 158.8        |
| Minority interests                                                     |      | 0.0          | 0.0          |
| <b>Total</b>                                                           |      | <b>111.7</b> | <b>158.8</b> |

# Storebrand Bank Group

## Statement of financial position – balance sheet

### 31 December

#### ASSETS

| (NOK million)                                                                  | NOTE             | 2014            | 2013            |
|--------------------------------------------------------------------------------|------------------|-----------------|-----------------|
| Cash and deposits with central banks                                           | 4, 18, 20        | 181.0           | 19.8            |
| Loans to and deposits with credit institutions                                 | 4, 18, 19, 21    | 207.1           | 152.5           |
| Financial assets designated at fair value through the profit and loss account: |                  |                 |                 |
| Equity instruments                                                             | 8, 18, 22        | 2.0             | 1.7             |
| Bonds and other fixed-income securities                                        | 4, 8, 18, 23, 25 | 3 247.8         | 2 790.7         |
| Derivatives                                                                    | 4, 5, 8, 18, 26  | 742.1           | 693.2           |
| Bonds at amortised cost                                                        | 4, 18, 19, 24    | 1 006.7         | 1 541.8         |
| Other current assets                                                           | 18, 19, 33       | 62.3            | 100.6           |
| Gross lending, amortised cost                                                  | 4, 8, 19, 28     | 27 477.2        | 32 457.7        |
| Gross lending, FVO                                                             | 8                | 988.8           | 1 289.0         |
| Loan loss provisions                                                           | 28, 29           | -53.6           | -112.9          |
| Net lending to customers                                                       | 4, 18, 28        | 28 412.3        | 33 633.9        |
| Tangible assets                                                                | 31               | 6.6             | 9.5             |
| Intangible assets and goodwill                                                 | 30               | 108.7           | 99.1            |
| Deferred tax assets                                                            | 17               | 25.8            | 13.0            |
| Assets sold/discontinued operations                                            | 45               | 0.0             | 0.3             |
| <b>Total assets</b>                                                            |                  | <b>34 002.4</b> | <b>39 056.1</b> |

# Storebrand Bank Group

## Statement of financial position - balance sheet

### 31 December

#### LIABILITIES AND EQUITY

| (NOK million)                                  | NOTE          | 2014            | 2013            |
|------------------------------------------------|---------------|-----------------|-----------------|
| Liabilities to credit institutions             | 5, 8, 18, 19  | 19.2            | 1 027.8         |
| Deposits from and due to customers             | 5, 18, 19, 34 | 19 358.1        | 20 728.1        |
| Other financial liabilities:                   |               |                 |                 |
| Derivatives                                    | 5, 8, 18, 26  | 545.1           | 411.0           |
| Commercial papers and bonds issued             | 5, 18, 19, 36 | 10 858.6        | 13 523.6        |
| Other liabilities                              | 5, 18, 19, 39 | 140.0           | 133.6           |
| Liabilities sold/discontinued operations       | 45            | 0.1             | 0.5             |
| Provision for accrued expenses and liabilities | 38            | 12.2            | 18.4            |
| Pension liabilities                            | 15            | 30.8            | 57.8            |
| Subordinated loan capital                      | 5, 18, 19, 37 | 511.6           | 589.7           |
| <b>Total liabilities</b>                       |               | <b>31 475.7</b> | <b>36 490.6</b> |
| Share capital                                  |               | 960.6           | 960.6           |
| Share premium                                  |               | 156.0           | 400.3           |
| Other paid-in share capital                    |               | 400.3           | 156.0           |
| Retained earnings                              |               | 1 009.9         | 1 048.6         |
| Minority interests                             |               | 0.0             | 0.0             |
| <b>Total equity</b>                            |               | <b>2 526.7</b>  | <b>2 565.5</b>  |
| <b>Total liabilities and equity</b>            |               | <b>34 002.4</b> | <b>39 056.1</b> |

Lysaker, 10 February 2015  
The Board of Directors of Storebrand Bank ASA

Translation - *not to be signed*

**Heidi Skaaret**  
Chairman of the Board

**Geir Holmgren**  
Deputy Chairman

**Leif Helmich Pedersen**  
Board Member

**Inger Roll-Matthiesen**  
Board Member

**Ranveig S. Ofstad**  
Board Member

**Truls Nergaard**  
CEO

# Storebrand Bank Group

## Reconciliation of equity

| (NOK million)                                                          | PAID-IN EQUITY |               |                      |                      | OTHER EQUITY   |                    | TOTAL EQUITY   |
|------------------------------------------------------------------------|----------------|---------------|----------------------|----------------------|----------------|--------------------|----------------|
|                                                                        | SHARE CAPITAL  | SHARE PREMIUM | OTHER PAID-IN EQUITY | TOTAL PAID-IN EQUITY | OTHER EQUITY   | TOTAL OTHER EQUITY |                |
| Equity at 31.12.2012                                                   | 960.6          | 156.0         | 400.3                | 1 516.8              | 938.8          | 938.8              | 2 455.7        |
| Profit for the period                                                  |                |               |                      |                      | 162.3          | 162.3              | 162.3          |
| Pension experience adjustments (see note 15)                           |                |               |                      |                      | -3.5           | -3.5               | -3.5           |
| <b>Total other result elements not to be classified to profit/loss</b> | <b>0.0</b>     | <b>0.0</b>    | <b>0.0</b>           | <b>0.0</b>           | <b>-3.5</b>    | <b>-3.5</b>        | <b>-3.5</b>    |
| <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>158.8</b>   | <b>158.8</b>       | <b>158.8</b>   |
| <b>Equity transactions with owners:</b>                                |                |               |                      |                      |                |                    |                |
| Receipts of group contribution                                         |                |               |                      |                      | 21.8           | 21.8               | 21.8           |
| Group contribution paid                                                |                |               |                      |                      | -72.3          | -72.3              | -72.3          |
| Other changes                                                          |                |               |                      |                      | 1.6            | 1.6                | 1.6            |
| <b>Equity at 31.12.2013</b>                                            | <b>960.6</b>   | <b>156.0</b>  | <b>400.3</b>         | <b>1 516.8</b>       | <b>1 048.6</b> | <b>1 048.6</b>     | <b>2 565.5</b> |
| Profit for the period                                                  |                |               |                      |                      | 137.3          | 137.3              | 137.3          |
| Pension experience adjustments (see note 15)                           |                |               |                      |                      | -25.6          | -25.6              | -25.6          |
| <b>Total other result elements not to be classified to profit/loss</b> | <b>0.0</b>     | <b>0.0</b>    | <b>0.0</b>           | <b>0.0</b>           | <b>-25.6</b>   | <b>-25.6</b>       | <b>-25.6</b>   |
| <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>111.7</b>   | <b>111.7</b>       | <b>111.7</b>   |
| <b>Equity transactions with owners:</b>                                |                |               |                      |                      |                |                    |                |
| Receipts of group contribution                                         |                |               |                      |                      | 31.4           | 31.4               | 31.4           |
| Group contribution paid                                                |                |               |                      |                      | -181.4         | -181.4             | -181.4         |
| Other changes                                                          |                |               |                      |                      | -0.5           | -0.5               | -0.5           |
| <b>Equity at 31.12.2014</b>                                            | <b>960.6</b>   | <b>156.0</b>  | <b>400.3</b>         | <b>1 516.8</b>       | <b>1 009.9</b> | <b>1 009.9</b>     | <b>2 526.7</b> |

The equity changes with the result for the individual period, equity transactions with the owners and items that are entered directly on the balance sheet.

Share capital, the share premium reserve and other equity is evaluated and managed together. The share premium 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.

For further information on the group's fulfilment of the capital requirements, see note 42.

# Storebrand Bank Group

## Cash flow statement

### 1. January - 31. December

| (NOK million)                                                                                   | NOTE   | 2014            | 2013            |
|-------------------------------------------------------------------------------------------------|--------|-----------------|-----------------|
| <b>Cash flow from operations</b>                                                                |        |                 |                 |
| Receipts of interest, commissions and fees from customers                                       |        | 1 201.1         | 1 571.0         |
| Payments of interest, commissions and fees to customers                                         |        | -523.3          | -556.1          |
| Net disbursement/payments on customer loans                                                     |        | 5 351.4         | 1 676.5         |
| Net receipts/payments of deposits from banking customers                                        |        | -1 370.0        | 794.5           |
| Net receipts/payments - securities                                                              |        | -38.7           | -465.4          |
| Payments of operating costs                                                                     |        | -245.5          | -329.2          |
| Net receipts/payments on other operating activities                                             |        | -1.9            | -1.8            |
| <b>Net cash flow from operating activities</b>                                                  |        | <b>4 373.1</b>  | <b>2 689.6</b>  |
| <b>Cash flow from investment activities</b>                                                     |        |                 |                 |
| Net receipts - sale/capitalisation of group companies                                           |        | 14.5            |                 |
| Net payments on purchase/sale of fixed assets etc.                                              | 30, 31 | -51.1           | -42.8           |
| <b>Net cash flow from investment activities</b>                                                 |        | <b>-36.6</b>    | <b>-42.8</b>    |
| <b>Cash flow from financing activities</b>                                                      |        |                 |                 |
| Payments - repayments of loans and issuing of bond debt                                         |        | -2 456.5        | -1 407.0        |
| Receipts - new loans and issuing of bond debt                                                   |        | 0.0             | 500.4           |
| Payments - interest on loans                                                                    |        | -327.6          | -407.1          |
| Receipts- subordinated loan capital                                                             |        | 200.0           | 150.0           |
| Payments - repayments of subordinated loan capital                                              |        | -275.8          |                 |
| Payments - interest on subordinated loan capital                                                |        | -31.2           | -26.3           |
| Net receipts/payments of liabilities to credit institutions                                     |        | -1 002.3        | -1 469.8        |
| Receipts - group contribution                                                                   |        | 31.4            | 21.8            |
| Payments - group contribution                                                                   |        | -251.9          | -100.5          |
| <b>Net cash flow from financing activities</b>                                                  |        | <b>-4 113.9</b> | <b>-2 738.4</b> |
| <b>Net cash flow in the period</b>                                                              |        | <b>222.6</b>    | <b>-91.6</b>    |
| Net cash flow in the period                                                                     |        | 222.6           | -91.6           |
| Cash and bank deposits at the start of the period for new companies and discontinued operations |        | -6.7            |                 |
| Cash and bank deposits at the start of the period                                               |        | 172.3           | 263.9           |
| <b>Cash and bank deposits at the end of the period</b>                                          |        | <b>388.1</b>    | <b>172.3</b>    |
| Cash and deposits with central banks                                                            | 20     | 181.0           | 19.8            |
| Loans to and deposits with credit institutions                                                  | 21     | 207.1           | 152.5           |
| <b>Total cash and bank deposits in the balance sheet</b>                                        |        | <b>388.1</b>    | <b>172.3</b>    |

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

#### OPERATIONAL ACTIVITIES

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

#### INVESTMENT ACTIVITIES

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

#### FINANCING ACTIVITIES

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

#### CASH/CASH EQUIVALENTS

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

# Notes

## Storebrand Bank Group

### Note 01 | 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 2014 were approved by the Board of Directors on 10 February 2015.

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

The assets side of the Storebrand Bank 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.

#### 3. THE BASIS FOR PREPARATION OF THE FINANCIAL STATEMENTS

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

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

#### 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.

#### 4. CHANGES IN ACCOUNTING POLICIES

No changes have been made to the accounting policies in 2014 that have had a significant impact on the profit for the year.

#### IFRS 10 – CONSOLIDATED FINANCIAL STATEMENTS

IFRS 10 replaces the parts of IAS 27 that address consolidated financial statements and include in addition companies for special purposes that were previously addressed in SIC-12.

IFRS 10 establishes a model for evaluating control that will apply to all companies, and the content of the control concept has changed in IFRS 10 in relation to IAS 27 and will entail an increased degree of assessment of units that are controlled by the company. Control exists when the investor has power over the investment object and possesses the right to variable yields from the investment object and simultaneously possesses the power and possibility to steer activities in the investment object that affect the yield.

The changes have not had any significant effect on the consolidated financial statements.

#### Changes to other accounting standards

There are also other amendments to the IFRS regulations with effect from or that can voluntarily be applied from 1 January 2014, but which have not had any significant effect on the consolidated financial statements.

#### New standards and changes in standards that have not come into effect

IFRS 9 Financial Instruments will be an important standard for Storebrand Bank's consolidated financial statements. Among other things, the standard deals with classification of financial instruments (use of fair value and amortised cost) and rules for writing down financial instruments. No implementation date has been decided.

No new accounting standards that will have a significant impact on Storebrand Bank's consolidated financial statements are expected to be implemented in 2015.

## **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.

Storebrand Boligkreditt AS, Ring Eiendom AS og Bjørndalen Panorama AS are subsidiaries owned directly by Storebrand Bank ASA.

### **ELIMINATION OF INTERNAL TRANSACTIONS**

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

## **6. COMPANY INTEGRATION**

The acquisition method is applied when accounting for business combinations. The acquisition cost is measured at fair value plus any costs directly attributable to the acquisition. Any expenses relating to the issuing 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 costs exceed the value of the identified assets and liabilities, the difference is recognised in the financial statements as goodwill. With acquisitions of less than 100 per cent of a business, 100 per cent of the added 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.

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 making investments, including purchasing investment properties, a decision is made as to whether the purchase is subject to IFRS 3 regulations regarding 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 added value and a provision is not allocated for deferred tax as would have occurred in a business combination.

## **7. INCOME RECOGNITION**

### **NET INTEREST INCOME - BANKING**

Interest income is recognised in profit or loss using the effective interest method.

### **INCOME FROM PROPERTIES AND FINANCIAL ASSETS**

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

### **OTHER INCOME**

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

## **8. GOODWILL AND INTANGIBLE ASSETS**

Added value when acquiring a business that cannot be 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, but is tested for impairment and the need for write-downs. 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.

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. FINANCIAL INSTRUMENTS**

### **9-1. 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. Normal purchases and sales of financial assets are recorded on the transaction date and financial liabilities are recorded on settlement 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/liability if it is not a financial asset/liability at fair value in profit or loss.

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, loans and receivables as well as financial liabilities not at fair value in profit or loss are measured at amortised cost using the effective interest method. The calculation of the effective interest rate involves estimating all cash flows and all of the 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 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 on each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

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

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

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

**Financial assets are classified into one of the following categories:**

- Financial assets held for trading
- Financial assets at fair value through profit or loss in accordance with the fair value option (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, is part of a portfolio of identified financial instruments that are managed together and there is evidence of a recent actual pattern of short-term profit-taking, or
- it is a derivative that is not designated and effective as a hedging instrument.

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

Financial assets held for trading are measured at fair value at the reporting date, with all changes in their fair value recognised in profit or loss.

### **At fair value through profit or loss in accordance with the fair value option (FVO)**

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

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

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

### **Loans and receivables**

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

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

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

## **9-3. DERIVATIVES**

### **Definition of a derivative**

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

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

### **Accounting treatment of derivatives that are not hedging**

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

## **9-4. HEDGE ACCOUNTING**

### **Fair value hedging**

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

### **9-5. FINANCIAL LIABILITIES**

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

## **10. PENSION LIABILITIES FOR OWN EMPLOYEES**

Storebrand Bank has offered a defined-contribution scheme to its employees since 01.01.2011. Most of the other employees have had a defined-benefit pension. In the fourth quarter of 2014 it was decided to discontinue the defined-benefit scheme for most employees with effect from 31 December of 2014 and replace it with a defined-contribution scheme. Storebrand is a member of the Norwegian contractual early retirement (AFP) pension scheme. The Norwegian AFP scheme is regarded as a defined-benefit scheme, but there is insufficient quantitative information to be able to estimate reliable accounting obligations and costs.

### **10-1. 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. 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 in Norway is managed by Storebrand Livsforsikring AS.

### **10-2. DEFINED-CONTRIBUTION SCHEME**

The defined-contribution pension scheme involves the Group in paying an annual contribution to the employees' collective pension savings. The future pension will depend 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.

## **11. TANGIBLE FIXED ASSETS**

The Group's tangible fixed assets consist of machines, inventory and IT systems. Equipment and fittings are valued at acquisition cost less accumulated depreciation and any write-downs.

The write-down 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. Properties are split into components if different parts have different useful economic lives. The depreciation period and method of depreciation are evaluated separately for each component.

The value of a tangible fixed asset is tested when there are indications that its value has been impaired. Any 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 costs of sale and the value in use. On each reporting date a determination is made as to whether to reverse previous impairment losses on non-financial assets.

## **12. TAX**

The tax expense in the income statement comprises current tax and changes to deferred tax and is based on the accounting standard IAS 12 Income Taxes. Tax is recognised in the income statement, except to the extent that it relates to items recognised

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 carryforwards, deductible temporary differences and taxable temporary differences.

### 13. PROVISION FOR GROUP CONTRIBUTION

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

### 14. LEASING

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

### 15. STATEMENT OF CASH FLOWS

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

### 16. 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 02 | Key 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.

### LOAN WRITE-DOWNS

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

### INDIVIDUAL WRITE-DOWNS

When write-downs for individual customers are estimated, both their current and expected future financial positions and relevant security must be assessed. When it comes to the corporate market, one must also assess the market situation of the customer and the security, market conditions within the relevant industry, and general market conditions of significance for the commitment. Opportunities for

restructuring, refinancing and recapitalisation also have to be assessed. The overall assessment of these factors provides a basis for estimating future cash flows and repayment capacity. The discounting period is estimated individually or based on historical data about the period up to a solution to the circumstances that caused the commitment to be exposed to impairment.

#### **GROUP WRITE-DOWNS**

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

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

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

#### **BONDS AT AMORTISED COST**

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

#### **FINANCIAL INSTRUMENTS AT FAIR VALUE**

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

There will be uncertainty regarding the pricing of fixed-rate loans recorded at fair value, as there is a great variation in the interest rate terms offered by banks, while the demand for fixed-rate loans has decreased. As a result, it has been more difficult to find observable conditions. The bank reclassified fixed-rate loans from level 2 to level 3 in the first quarter of 2013 in terms of the valuation hierarchy.

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

#### **OTHER INTANGIBLE ASSETS WITH UNDEFINED USEFUL ECONOMIC LIVES**

Goodwill and other 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.

#### **PENSIONS FOR OWN EMPLOYEES**

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 Group has both secured and unsecured pension schemes (pension over operations). There will be uncertainty associated with these estimates.

## CONTINGENT LIABILITIES

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

### Note 03

## Risk management

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

## ORGANISATION OF RISK MANAGEMENT

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

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

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

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

Level 2 managers with personnel responsibility and the CEO of Storebrand Boligkreditt AS, must submit an annual confirmation that documents how risk management has functioned during the period.

### Note 04

## INDEPENDENT CONTROL FUNCTIONS

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

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

## Credit risk

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

## RISK MANAGEMENT

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

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

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

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

## RISK CONTROL

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

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

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

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

## ANALYSIS OF CREDIT RISK BY TYPE OF FINANCIAL INSTRUMENT

The maximum credit exposure is the sum of gross loans, guarantees, amounts drawn from credit lines and undrawn amounts of credit lines. Maximum credit exposure has been reduced from the end of 2013 due to a reduction in the amount of loans.

| (NOK million)                                                                   | MAXIMUM CREDIT EXPOSURE |                 |
|---------------------------------------------------------------------------------|-------------------------|-----------------|
|                                                                                 | 2014                    | 2013            |
| Liquidity portfolio                                                             | 4 261.2                 | 4 336.8         |
| Loans to and deposits with credit institutions and central bank                 | 388.1                   | 172.3           |
| Total commitments customers *)                                                  | 32 399.8                | 38 085.4        |
| Interest rate swaps                                                             | 742.1                   | 693.1           |
| Forward foreign exchange contracts                                              | 0.0                     | 0.1             |
| <b>Total</b>                                                                    | <b>37 791.3</b>         | <b>43 287.7</b> |
| *) Of which net loans to and amounts due from customers measured at fair value: | 988.8                   | 1 289.0         |

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 drawing facility and guarantees. (See "Credit exposure for lending activities" below).

## CREDIT RISK LIQUIDITY PORTFOLIO

### INTEREST-BEARING SECURITIES AT FAIR VALUE

#### CREDIT RISK PER COUNTERPARTY

Short-term holdings of interest-bearing securities

Issuer category

| (NOK million)                             | AAA<br>FAIR VALUE | AA<br>FAIR VALUE | A<br>FAIR VALUE | BBB<br>FAIR VALUE | NIG<br>FAIR VALUE | TOTAL 2014<br>FAIR VALUE | TOTAL 2013<br>FAIR VALUE |
|-------------------------------------------|-------------------|------------------|-----------------|-------------------|-------------------|--------------------------|--------------------------|
| Sovereign and Government Guaranteed bonds | 100.4             |                  |                 |                   |                   | 100.4                    | 100.3                    |
| Credit bonds                              |                   | 900.3            |                 |                   |                   | 900.3                    | 534.6                    |
| Mortgage and asset backed bonds           | 2 111.9           | 135.1            |                 |                   |                   | 2 247.1                  | 2 155.8                  |
| <b>Total</b>                              | <b>2 212.3</b>    | <b>1 035.4</b>   |                 |                   |                   | <b>3 247.8</b>           | <b>2 790.7</b>           |

Rating classes are based on Standard & Poors.

Change in value:

Total change in value on the balance sheet

14.6 3.3 17.8 6.2

Change in value recognised in the profit and loss during period

9.1 2.5 11.6 -30.5

### INTEREST-BEARING SECURITIES AT AMORTISED COST

#### CREDIT RISK PER COUNTERPARTY

Short-term holdings of interest-bearing securities

Issuer category

| (NOK million)                                     | AAA<br>FAIR VALUE | AA<br>FAIR VALUE | A<br>FAIR VALUE | BBB<br>FAIR VALUE | NIG<br>FAIR VALUE | TOTAL 2014<br>FAIR VALUE | TOTAL 2014<br>FAIR VALUE |
|---------------------------------------------------|-------------------|------------------|-----------------|-------------------|-------------------|--------------------------|--------------------------|
| Public issuers and/or Government Guaranteed bonds | 628.4             |                  |                 |                   |                   | 628.4                    | 727.5                    |
| Credit bonds                                      |                   |                  |                 |                   |                   |                          |                          |
| Mortgage and asset backed bonds                   | 354.7             | 30.4             |                 |                   |                   | 385.1                    | 818.7                    |
| <b>Total</b>                                      | <b>983.1</b>      | <b>30.4</b>      |                 |                   |                   | <b>1 013.5</b>           | <b>1 546.1</b>           |

Rating classes are based on Standard & Poors.

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

### CREDIT RISK PER COUNTERPARTY

| (NOK million)                                                                | AAA<br>FAIR<br>VALUE | AAA<br>FAIR<br>VALUE | A<br>FAIR<br>VALUE | BBB<br>FAIR<br>VALUE | NIG<br>FAIR<br>VALUE | TOTAL<br>2014<br>FAIR<br>VALUE | TOTAL<br>2013<br>FAIR<br>VALUE |
|------------------------------------------------------------------------------|----------------------|----------------------|--------------------|----------------------|----------------------|--------------------------------|--------------------------------|
| Norway                                                                       | 181.0                |                      |                    |                      |                      | 181.0                          | 19.8                           |
| <b>Total deposits with central bank</b>                                      | <b>181.0</b>         |                      |                    |                      |                      | <b>181.0</b>                   | <b>19.8</b>                    |
| Norway                                                                       |                      | 152.8                |                    |                      |                      | 152.8                          | 108.7                          |
| Denmark                                                                      |                      |                      | 54.3               |                      |                      | 54.3                           | 43.7                           |
| <b>Total loans to and deposits with credit-institutions</b>                  |                      | <b>152.8</b>         | <b>54.3</b>        | <b>0.0</b>           |                      | <b>207.1</b>                   | <b>152.5</b>                   |
| <b>Total loans to and deposits with credit-institutions and central bank</b> | <b>181.0</b>         | <b>152.8</b>         | <b>54.3</b>        | <b>0.0</b>           |                      | <b>388.1</b>                   | <b>172.3</b>                   |

## CREDIT EXPOSURE FOR LENDING ACTIVITIES

### CORPORATE MARKET

Gross lending in the corporate market represents about NOK 4.5 billion. There is also about NOK 108 million in unused credit facilities and about NOK 90 million in guarantees. In addition, loans of nearly NOK 4.7 billion are under management, which are syndicated to Storebrand Livsforsikring AS.

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

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

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

A scorecard has been drawn up for projects in both IGE and development properties. Development properties are further split into three scorecards to identify different characteristics in this type of project. The scorecard for IGE and construction loans for rental includes the property's location, tenant risk, development and zoning risk in the property assessment, at the same time that the downside risk is assessed, as well as the strength of the cash flow. The scorecard for construction loans for rental assesses cost risk, conversion risk and execution risk in the risk dimension project risk, but tenant risk and location are part of the property assessment. Downside risk and the strength of the cash flow are also assessed. The scorecard for construction loans for sale assesses cost risk and execution risk in the risk dimension project risk and the sales buffer residual risk, quality of advance sales and location in the risk dimension sales risk. The scorecard for loans for plots assesses liquidity risk, loan-to-value ratio and sensitivity of construction costs in the risk dimension financial risk, and the project complexity and the builder's experience/competence in the risk dimension execution risk. Political risk is another dimension that is assessed. A simple debtor scorecard has also been developed, where qualitative assessments are made in the risk dimensions business risk, financial risk, and ownership. The cash flow assessment is given greatest emphasis for IGE. The most important risk dimension for construction loans is project risk. Accordingly, financial risk is the most important risk dimension for loans for plots.

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

Based on the Corporate Market expert model, about 71 per cent of loans are for IGE. About 20 per cent are for development properties. 9 per cent are outside the area of validity of the model, and represent loans for different purposes. The Corporate Market portfolio is generally secured on commercial property. A bare 4 per cent of the portfolio has other security than commercial property or is unsecured (credit card and credit accounts).

A debenture loan of just over NOK 31 million kroner was granted at the end of 2014, but the funds have not been disbursed.

About 37 % of the portfolio relates to Group debtors with total loans of over NOK 200 million. The definition of a Group debtor is given in the regulations relating to large loans. 31 % of the portfolio relates to Group debtors with total loans under NOK 50 million. 32 % of the loans have been made to customers with consolidated exposure of between NOK 50 million and NOK 200 million. The bank has 6 group debtors (with 12 debtors in total) with total loans exceeding NOK 200 million, and 16 Group debtors (with 40 debtors in total) with total borrowings of between NOK 50 million and NOK 200 million.

The bank's exposure is secured by pledged assets in Oslo, equivalent to almost 65 %. A further 27% 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, Kristiansand and Stavanger. Assets pledged are valued at their realisable values in addition to separate assessments based on return considerations.

At the end of 2014, about 64 per cent of the amount granted was linked to loans in risk classes A to D, while about 9 per cent was in risk classes G to J. The loans must be classified both on establishment and when there are changes in the loans. In addition, corporate market customers are to be reclassified annually or as necessary. The classifications thereby provide an overview of the risk exposure in the portfolio at all times. The bank measures the Corporate Market portfolio's distribution into risk classes on a quarterly basis.

Of loans that are not non-performing or in arrears, about 82 % of the loans have a loan to value ratio of under 80%. Approximately 85 % of the loans have a loan to value ratio within 90%. The remaining healthy loans have a loan to value ratio of under 100% for the most part.

The volume of non-performing loans without impairment at the end of 2014 covers two loans to the same customer, and represents just under NOK 0.14 million. The risk of loss linked to these loans is considered very low.

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

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

## **RETAIL MARKET**

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

Storebrand Bank has developed internal models for classifying home loans. The models estimate a loan's Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD). PD estimates are based on a logistical regression model where late payment notices, reminders, overdrafts and information about assets are key explanatory variables when predicting defaults. When estimating the LGD, the loan-to-value ratio is the most important explanatory variable. Mortgage loans are classified according to the bank's master scale, consisting of 11 risk classes from A to K, with A indicating the lowest default probability and K containing non-performing loans. The classification of home loans is automatically updated on a monthly basis. At the end of 2014, about 70 per cent of the EAD was linked to home loans in risk class A, while less than 3 per cent of the EAD was in risk classes G to J. The models must be validated at least once a year, with the models' accuracy compared to actual outcomes.

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

In the retail market, most of the loans are secured by way of home mortgages. Approximately NOK 23.8 billion has been lent in home loans, with a further NOK 2.6 billion in undrawn credit facilities. Total loans and credit facilities in housing are therefore about NOK 26.4 billion. The weighted average loan-to-value ratio is approximately 54 per cent for home loans (loan-to-value ratio is calculated based on amounts drawn in the case of flexible secured loans). More than 90 per cent of loans have a loan-to-value ratio lower than 80 per cent and approximately 97 per cent are lower than 90 per cent. Approximately 55 % of the loans have a loan to value ratio within 60 %. The portfolio is considered to have a low credit risk.

There is largely good security on non-performing loans that are not impaired for retail market customers. The average loan to value ratio for these loans is 55 %. Housing loans that are part of the volume of non-performing loans total NOK 67 million. All home loans in default have a loan-to-value ratio lower than 80%. 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 191 million has been drawn, and approximately NOK 816 million is available as unused credit facilities. For credit accounts about NOK 80 million has been drawn, and approximately NOK 300 million is available as unused credit facilities.

## COMMITMENTS PER CUSTOMER GROUP

| (NOK million)                                | 2014                                     |             |                             | TOTAL<br>COMMIT-<br>MENTS |
|----------------------------------------------|------------------------------------------|-------------|-----------------------------|---------------------------|
|                                              | LOANS TO<br>AND DUE<br>FROM<br>CUSTOMERS | GUARANTEES  | UNDRAWN<br>CREDIT<br>LIMITS |                           |
| Development of building projects             | 249.9                                    | 2.9         | 13.2                        | 266.0                     |
| Sale and operation of real estate            | 2 755.1                                  | 85.6        | 35.5                        | 2 876.2                   |
| Service providers                            | 1 152.9                                  | 0.0         | 24.5                        | 1 177.4                   |
| Wage-earners                                 | 24 141.2                                 | 0.6         | 3 739.7                     | 27 881.4                  |
| Other                                        | 166.9                                    | 0.5         | 31.4                        | 198.8                     |
| <b>Total</b>                                 | <b>28 465.9</b>                          | <b>89.6</b> | <b>3 844.3</b>              | <b>32 399.8</b>           |
| Loan loss provisions on individual loans     | -32.9                                    |             |                             | -32.9                     |
| Loan loss provisions on groups of loans      | -20.7                                    |             |                             | -20.7                     |
| <b>Total loans to and due from customers</b> | <b>28 412.3</b>                          | <b>89.6</b> | <b>3 844.3</b>              | <b>32 346.2</b>           |

| (NOK million)                                | 2013                                     |                          |                             | TOTAL<br>COMMIT-<br>MENTS |
|----------------------------------------------|------------------------------------------|--------------------------|-----------------------------|---------------------------|
|                                              | LOANS TO<br>AND DUE<br>FROM<br>CUSTOMERS | GUARANTEES <sup>1)</sup> | UNDRAWN<br>CREDIT<br>LIMITS |                           |
| Development of building projects             | 1 378.8                                  | 32.8                     | 61.7                        | 1 473.3                   |
| Sale and operation of real estate            | 5 817.9                                  | 181.1                    | 237.0                       | 6 236.0                   |
| Service providers                            | 2 016.9                                  | 32.0                     | 89.8                        | 2 138.7                   |
| Wage-earners                                 | 24 192.5                                 | 0.1                      | 3 641.9                     | 27 834.4                  |
| Other                                        | 340.7                                    | 31.4                     | 30.8                        | 402.9                     |
| <b>Total</b>                                 | <b>33 746.8</b>                          | <b>277.4</b>             | <b>4 061.2</b>              | <b>38 085.4</b>           |
| Loan loss provisions on individual loans     | -82.7                                    |                          |                             | -82.7                     |
| Loan loss provisions on groups of loans      | -30.2                                    |                          |                             | -30.2                     |
| <b>Total loans to and due from customers</b> | <b>33 633.9</b>                          | <b>277.4</b>             | <b>4 061.2</b>              | <b>37 972.4</b>           |

1) Guarantees include NOK 43 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 ENGAGEMENT PER CUSTOMER GROUP

| (NOK million)                     | 2014                                                         |                              |                                            | TOTAL<br>AVERAGE<br>ENGAGEMENT |
|-----------------------------------|--------------------------------------------------------------|------------------------------|--------------------------------------------|--------------------------------|
|                                   | AVERAGE VOLUME<br>LOANS<br>TO AND DEPOSITS<br>FROM CUSTOMERS | AVERAGE VOLUME<br>GUARANTEES | AVERAGE VOLUME<br>UNDRAWN<br>CREDIT LIMITS |                                |
| Development of building projects  | 814.3                                                        | 17.8                         | 37.5                                       | 869.7                          |
| Sale and operation of real estate | 4 286.5                                                      | 133.3                        | 136.3                                      | 4 556.1                        |
| Service providers                 | 1 584.9                                                      | 16.0                         | 57.2                                       | 1 658.1                        |
| Wage-earners                      | 24 166.8                                                     | 0.3                          | 3 690.8                                    | 27 857.9                       |
| Other                             | 253.8                                                        | 16.0                         | 31.1                                       | 300.9                          |
| <b>Total</b>                      | <b>31 106.4</b>                                              | <b>183.5</b>                 | <b>3 952.7</b>                             | <b>35 242.6</b>                |

| (NOK million)                     | 2013                                                         |                              |                                            | TOTAL<br>AVERAGE<br>ENGAGEMENT |
|-----------------------------------|--------------------------------------------------------------|------------------------------|--------------------------------------------|--------------------------------|
|                                   | AVERAGE VOLUME<br>LOANS<br>TO AND DEPOSITS<br>FROM CUSTOMERS | AVERAGE VOLUME<br>GUARANTEES | AVERAGE VOLUME<br>UNDRAWN<br>CREDIT LIMITS |                                |
| Development of building projects  | 1 437.4                                                      | 38.9                         | 274.2                                      | 1 750.5                        |
| Sale and operation of real estate | 6 698.4                                                      | 188.1                        | 230.6                                      | 7 117.1                        |
| Service providers                 | 1 978.3                                                      | 17.4                         | 47.6                                       | 2 043.3                        |
| Wage-earners                      | 24 103.9                                                     | 0.2                          | 3 539.1                                    | 27 643.2                       |
| Other                             | 378.1                                                        | 32.1                         | 30.5                                       | 440.8                          |
| <b>Total</b>                      | <b>34 596.1</b>                                              | <b>276.6</b>                 | <b>4 122.1</b>                             | <b>38 994.8</b>                |

## COMMITMENTS PER GEOGRAPHICAL AREA

2014

| (NOK million)   | LOANS TO<br>AND DUE<br>FROM<br>CUSTOMERS |             | UNDRAWN<br>CREDIT<br>LIMITS | TOTAL<br>COMMIT-<br>MENTS | NON-PER-<br>FORMING<br>AND<br>LOSS-EXPOSED<br>LOANS WITH<br>EVIDENCE<br>OF IMPAIR-<br>MENT |                                                                                            |                                                    |                                                   |                                                    |
|-----------------|------------------------------------------|-------------|-----------------------------|---------------------------|--------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|----------------------------------------------------|---------------------------------------------------|----------------------------------------------------|
|                 |                                          |             |                             |                           | NON-PER-<br>FORMING<br>LOANS<br>WITHOUT<br>EVIDENCE OF<br>IMPAIRMENT                       | NON-PER-<br>FORMING<br>AND<br>LOSS-EXPOSED<br>LOANS WITH<br>EVIDENCE<br>OF IMPAIR-<br>MENT | GROSS<br>DEFAULTED<br>AND<br>LOSS-EXPOSED<br>LOANS | PROVISIONS<br>FOR<br>INDIVIDUAL<br>LOAN<br>LOSSES | NET DE-<br>FAULTED<br>AND<br>LOSS-EXPOSED<br>LOANS |
| Eastern Norway  | 23 124.6                                 | 88.8        | 2 995.5                     | 26 208.8                  | 52.0                                                                                       | 70.2                                                                                       | 122.2                                              | 30.5                                              | 91.7                                               |
| Western Norway  | 3 598.8                                  | 0.8         | 590.3                       | 4 189.9                   | 16.3                                                                                       | 2.1                                                                                        | 18.4                                               | 1.2                                               | 17.2                                               |
| Southern Norway | 372.4                                    |             | 70.4                        | 442.8                     | 1.9                                                                                        | 1.9                                                                                        | 3.9                                                | 0.0                                               | 3.8                                                |
| Mid-Norway      | 753.8                                    |             | 94.1                        | 847.9                     | 1.8                                                                                        | 1.8                                                                                        | 3.6                                                | 0.9                                               | 2.7                                                |
| Northern Norway | 489.1                                    |             | 69.4                        | 558.5                     | 4.1                                                                                        | 0.4                                                                                        | 4.5                                                | 0.3                                               | 4.2                                                |
| Rest of world   | 127.3                                    |             | 24.6                        | 151.8                     | 0.3                                                                                        | 0.1                                                                                        | 0.4                                                | 0.0                                               | 0.4                                                |
| <b>Total</b>    | <b>28 465.9</b>                          | <b>89.6</b> | <b>3 844.3</b>              | <b>32 399.8</b>           | <b>76.4</b>                                                                                | <b>76.5</b>                                                                                | <b>152.9</b>                                       | <b>32.9</b>                                       | <b>120.1</b>                                       |

2013

| (NOK million)   | LOANS TO<br>AND DUE<br>FROM<br>CUSTOMERS |              | UNDRAWN<br>CREDIT<br>LIMITS | TOTAL<br>COMMIT-<br>MENTS | NON-PER-<br>FORMING<br>AND<br>LOSS-EXPOSED<br>LOANS WITH<br>EVIDENCE<br>OF IMPAIR-<br>MENT |                                                                                            |                                                    |                                                   |                                                    |
|-----------------|------------------------------------------|--------------|-----------------------------|---------------------------|--------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|----------------------------------------------------|---------------------------------------------------|----------------------------------------------------|
|                 |                                          |              |                             |                           | NON-PER-<br>FORMING<br>LOANS<br>WITHOUT<br>EVIDENCE OF<br>IMPAIRMENT                       | NON-PER-<br>FORMING<br>AND<br>LOSS-EXPOSED<br>LOANS WITH<br>EVIDENCE<br>OF IMPAIR-<br>MENT | GROSS<br>DEFAULTED<br>AND<br>LOSS-EXPOSED<br>LOANS | PROVISIONS<br>FOR<br>INDIVIDUAL<br>LOAN<br>LOSSES | NET DE-<br>FAULTED<br>AND<br>LOSS-EXPOSED<br>LOANS |
| Eastern Norway  | 28 170.8                                 | 269.8        | 3 202.5                     | 31 643.1                  | 85.5                                                                                       | 347.2                                                                                      | 432.8                                              | 66.2                                              | 366.6                                              |
| Western Norway  | 3 650.6                                  | 7.3          | 601.5                       | 4 259.3                   | 21.0                                                                                       | 5.4                                                                                        | 26.4                                               | 2.8                                               | 23.6                                               |
| Southern Norway | 351.1                                    |              | 66.1                        | 417.2                     | 0.2                                                                                        | 1.9                                                                                        | 2.1                                                | 0.2                                               | 1.8                                                |
| Mid-Norway      | 953.9                                    |              | 96.9                        | 1 050.8                   | 3.6                                                                                        | 0.0                                                                                        | 3.6                                                | 0.0                                               | 3.6                                                |
| Northern Norway | 448.0                                    | 0.3          | 64.9                        | 513.2                     | 0.7                                                                                        | 1.8                                                                                        | 2.5                                                | 1.0                                               | 1.5                                                |
| Rest of world   | 172.4                                    |              | 29.3                        | 201.7                     | 0.2                                                                                        | 0.0                                                                                        | 0.2                                                | 0.0                                               | 0.1                                                |
| <b>Total</b>    | <b>33 746.8</b>                          | <b>277.4</b> | <b>4 061.2</b>              | <b>38 085.4</b>           | <b>111.1</b>                                                                               | <b>356.4</b>                                                                               | <b>467.5</b>                                       | <b>70.2</b>                                       | <b>397.3</b>                                       |

## TOTAL ENGAGEMENT AMOUNT BY REMAINING TERM TO MATURITY

| (NOK million)     | 2014                                  |             |                             | TOTAL<br>COMMITMENTS |
|-------------------|---------------------------------------|-------------|-----------------------------|----------------------|
|                   | LOANS TO<br>AND DUE FROM<br>CUSTOMERS | GUARANTEES  | UNDRAWN<br>CREDIT<br>LIMITS |                      |
| Up to 1 month     | 13.6                                  |             |                             | 13.6                 |
| 1 - 3 months      | 269.4                                 | 1.4         | 34.2                        | 305.0                |
| 3 months - 1 year | 1 270.3                               | 38.7        | 23.4                        | 1 332.4              |
| 1 - 5 years       | 3 561.0                               | 47.3        | 1 013.3                     | 4 621.6              |
| More than 5 years | 23 351.6                              | 2.2         | 2 773.4                     | 26 127.3             |
| <b>Total</b>      | <b>28 465.9</b>                       | <b>89.6</b> | <b>3 844.3</b>              | <b>32 399.8</b>      |

| (NOK million)     | 2013                                  |              |                             | TOTAL<br>COMMITMENTS |
|-------------------|---------------------------------------|--------------|-----------------------------|----------------------|
|                   | LOANS TO<br>AND DUE FROM<br>CUSTOMERS | GUARANTEES   | UNDRAWN<br>CREDIT<br>LIMITS |                      |
| Up to 1 month     | 4.6                                   |              | 4.0                         | 8.5                  |
| 1 - 3 months      | 535.2                                 |              | 15.3                        | 550.5                |
| 3 months - 1 year | 879.0                                 | 29.6         | 203.2                       | 1 111.7              |
| 1 - 5 years       | 7 705.5                               | 182.5        | 1 554.9                     | 9 442.9              |
| More than 5 years | 24 622.5                              | 65.3         | 2 283.8                     | 26 971.7             |
| <b>Total</b>      | <b>33 746.8</b>                       | <b>277.4</b> | <b>4 061.2</b>              | <b>38 085.4</b>      |

## AGE DISTRIBUTION OF OVERDUE ENGAGEMENTS WITHOUT IMPAIRMENT

| (NOK million)                                                      | 2014                                  |            |                             | TOTAL<br>COMMITMENTS |
|--------------------------------------------------------------------|---------------------------------------|------------|-----------------------------|----------------------|
|                                                                    | LOANS TO<br>AND DUE FROM<br>CUSTOMERS | GUARANTEES | UNDRAWN<br>CREDIT<br>LIMITS |                      |
| Overdue 1 - 30 days                                                | 870.8                                 |            | 3.7                         | 874.6                |
| Overdue 31 - 60 days                                               | 109.6                                 |            | 0.4                         | 110.0                |
| Overdue 61 - 90 days                                               | 60.0                                  |            | 1.2                         | 61.2                 |
| Overdue more than 90 days                                          | 76.4                                  |            | 1.1                         | 77.5                 |
| <b>Total</b>                                                       | <b>1 116.8</b>                        | <b>0.0</b> | <b>6.4</b>                  | <b>1 123.2</b>       |
| <b>Engagements overdue more than 90 days by geographical area:</b> |                                       |            |                             |                      |
| Eastern Norway                                                     | 52.0                                  |            | 0.7                         | 52.7                 |
| Western Norway                                                     | 16.3                                  |            | 0.2                         | 16.4                 |
| Southern Norway                                                    | 1.9                                   |            | 0.1                         | 2.0                  |
| Mid-Norway                                                         | 1.8                                   |            |                             | 1.8                  |
| Northern Norway                                                    | 4.1                                   |            | 0.1                         | 4.2                  |
| Rest of world                                                      | 0.3                                   |            |                             | 0.3                  |
| <b>Total</b>                                                       | <b>76.4</b>                           | <b>0.0</b> | <b>1.1</b>                  | <b>77.5</b>          |

| (NOK million)                                                      | 2013                                  |             |                             | TOTAL<br>COMMITMENTS |
|--------------------------------------------------------------------|---------------------------------------|-------------|-----------------------------|----------------------|
|                                                                    | LOANS TO<br>AND DUE FROM<br>CUSTOMERS | GUARANTEES  | UNDRAWN<br>CREDIT<br>LIMITS |                      |
| Overdue 1 - 30 days                                                | 797.4                                 | 21.9        | 3.7                         | 822.9                |
| Overdue 31 - 60 days                                               | 163.9                                 |             | 0.7                         | 164.6                |
| Overdue 61 - 90 days                                               | 28.2                                  |             | 0.6                         | 28.8                 |
| Overdue more than 90 days                                          | 110.5                                 |             | 0.6                         | 111.1                |
| <b>Total</b>                                                       | <b>1 100.0</b>                        | <b>21.9</b> | <b>5.6</b>                  | <b>1 127.5</b>       |
| <b>Engagements overdue more than 90 days by geographical area:</b> |                                       |             |                             |                      |
| Eastern Norway                                                     | 85.0                                  |             | 0.5                         | 85.5                 |
| Western Norway                                                     | 21.0                                  |             | 0.1                         | 21.0                 |
| Southern Norway                                                    | 0.1                                   |             |                             | 0.2                  |
| Mid-Norway                                                         | 3.6                                   |             |                             | 3.6                  |
| Northern Norway                                                    | 0.7                                   |             |                             | 0.7                  |
| Rest of world                                                      | 0.2                                   |             |                             | 0.2                  |
| <b>Total</b>                                                       | <b>110.5</b>                          | <b>0.0</b>  | <b>0.6</b>                  | <b>111.1</b>         |

Only non-performing and loss-exposed loans are classified by geographical area in this overview.

The same definition is used for due commitments as the one in the capital requirements regulations, however the number of days in the definition equals the age distribution.

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

- when a credit facility has been overdrawn for more than 90 days
- when an ordinary mortgage has arrears older than 90 days
- when a credit card has arrears older than 90 days and the credit limit has been overdrawn.

If a repayment plan has been agreed with the customer and is being adhered to, the overdraft is not regarded as a non-performing loan.

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

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

## CREDIT RISK PER CUSTOMER GROUP

|                                   | 2014                                                                                       |                                                                      |                                                   |                                                           |                                                    |                           |                                                                                                   |
|-----------------------------------|--------------------------------------------------------------------------------------------|----------------------------------------------------------------------|---------------------------------------------------|-----------------------------------------------------------|----------------------------------------------------|---------------------------|---------------------------------------------------------------------------------------------------|
|                                   | NON-PER-<br>FORMING<br>AND<br>LOSS-EXPO-<br>SED LOANS<br>WITH<br>EVIDENCE OF<br>IMPAIRMENT | NON-PER-<br>FORMING<br>LOANS<br>WITHOUT<br>EVIDENCE OF<br>IMPAIRMENT | GROSS<br>DEFAULTED AND<br>LOSS-EXPO-<br>SED LOANS | TOTAL<br>PROVISIONS<br>FOR INDIVI-<br>DUAL LOAN<br>LOSSES | NET DEFAULT-<br>TED AND<br>LOSS-EXPO-<br>SED LOANS | TOTAL<br>VALUE<br>CHANGES | TOTAL VALUE<br>CHANGE<br>RECOGNISED<br>IN THE PRO-<br>FIT AND LOSS<br>ACCOUNT<br>DURING<br>PERIOD |
| (NOK million)                     |                                                                                            |                                                                      |                                                   |                                                           |                                                    |                           |                                                                                                   |
| Development of building projects  |                                                                                            |                                                                      |                                                   |                                                           |                                                    |                           |                                                                                                   |
| Sale and operation of real estate | 9.6                                                                                        |                                                                      | 9.6                                               | 9.5                                                       | 0.1                                                |                           | -41.5                                                                                             |
| Service providers                 |                                                                                            |                                                                      |                                                   |                                                           |                                                    |                           |                                                                                                   |
| Wage-earners                      | 64.4                                                                                       | 75.8                                                                 | 140.2                                             | 22.5                                                      | 117.7                                              |                           | -7.6                                                                                              |
| Other                             | 2.5                                                                                        | 0.6                                                                  | 3.1                                               | 0.8                                                       | 2.3                                                |                           | -0.7                                                                                              |
| <b>Total</b>                      | <b>76.5</b>                                                                                | <b>76.4</b>                                                          | <b>152.9</b>                                      | <b>32.9</b>                                               | <b>120.1</b>                                       | <b>0.0</b>                | <b>-49.8</b>                                                                                      |

|                                   | 2013                                                                                       |                                                                      |                                                   |                                                           |                                                    |                           |                                                                                                   |
|-----------------------------------|--------------------------------------------------------------------------------------------|----------------------------------------------------------------------|---------------------------------------------------|-----------------------------------------------------------|----------------------------------------------------|---------------------------|---------------------------------------------------------------------------------------------------|
|                                   | NON-PER-<br>FORMING<br>AND<br>LOSS-EXPO-<br>SED LOANS<br>WITH<br>EVIDENCE OF<br>IMPAIRMENT | NON-PER-<br>FORMING<br>LOANS<br>WITHOUT<br>EVIDENCE OF<br>IMPAIRMENT | GROSS<br>DEFAULTED AND<br>LOSS-EXPO-<br>SED LOANS | TOTAL<br>PROVISIONS<br>FOR INDIVI-<br>DUAL LOAN<br>LOSSES | NET DEFAULT-<br>TED AND<br>LOSS-EXPO-<br>SED LOANS | TOTAL<br>VALUE<br>CHANGES | TOTAL VALUE<br>CHANGE<br>RECOGNISED<br>IN THE PRO-<br>FIT AND LOSS<br>ACCOUNT<br>DURING<br>PERIOD |
| (NOK million)                     |                                                                                            |                                                                      |                                                   |                                                           |                                                    |                           |                                                                                                   |
| Development of building projects  |                                                                                            |                                                                      |                                                   |                                                           |                                                    |                           |                                                                                                   |
| Sale and operation of real estate | 287.3                                                                                      |                                                                      | 287.3                                             | 38.5                                                      | 248.8                                              |                           | -6.9                                                                                              |
| Service providers                 |                                                                                            | 2.4                                                                  | 2.4                                               |                                                           | 2.4                                                |                           |                                                                                                   |
| Wage-earners                      | 66.6                                                                                       | 108.2                                                                | 174.7                                             | 30.1                                                      | 144.6                                              |                           | -10.6                                                                                             |
| Other                             | 2.5                                                                                        | 0.5                                                                  | 3.1                                               | 1.6                                                       | 1.5                                                |                           | -17.3                                                                                             |
| <b>Total</b>                      | <b>356.4</b>                                                                               | <b>111.1</b>                                                         | <b>467.5</b>                                      | <b>70.2</b>                                               | <b>397.3</b>                                       | <b>0.0</b>                | <b>-34.8</b>                                                                                      |

## 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.

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

| (NOK million)                                                                     | LENDING TO CUSTOMERS |                | LIQUIDITY PORTFOLIO |                |
|-----------------------------------------------------------------------------------|----------------------|----------------|---------------------|----------------|
|                                                                                   | 2014                 | 2013           | 2014                | 2013           |
| Book value maximum exposure for credit risk                                       | 988.8                | 1 289.0        | 3 247.8             | 2 790.7        |
| Book value of related credit derivatives that reduce credit risk                  |                      |                |                     |                |
| Collateral                                                                        |                      |                |                     |                |
| <b>Net credit risk</b>                                                            | <b>988.8</b>         | <b>1 289.0</b> | <b>3 247.8</b>      | <b>2 790.7</b> |
| This year's change in fair value of financial assets due to change in credit risk |                      | -14.9          | 1.6                 | -10.2          |
| Accumulated change in fair value of financial assets due to change in credit risk | -14.9                | -14.9          | 7.9                 | 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.

Objective market prices are used for papers where these exist. Valuation techniques involving the use of interest rate curves from Reuters and credit spreads from external providers are used for the remaining papers.

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

| (NOK million)                                                                       | 2014 | 2013 |
|-------------------------------------------------------------------------------------|------|------|
| The year's change in fair value of liabilities due to changes in credit risk        | 0.4  | 1.0  |
| Difference between book value of liabilities and contractual amount due at maturity |      | 0.4  |
| Accumulated change in fair value of liabilities due to changes in credit risk       |      | 0.4  |
| Difference between book value of liabilities and contractual amount due at maturity |      | 0.4  |

## CREDIT RISK DERIVATIVES

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

The overview shows gross credit exposure, the bank has only collateral for credit risk against non-financial companies. Net credit exposure for 2014 is NOK 76.6 million.

## CREDIT RISK PER COUNTERPARTY

| (NOK million)                                                   | AAA<br>FAIR VALUE | AA<br>FAIR VALUE | A<br>FAIR VALUE | BBB<br>FAIR VALUE | NIG<br>FAIR VALUE | TOTAL 2014<br>FAIR VALUE | TOTAL 2013<br>FAIR VALUE |
|-----------------------------------------------------------------|-------------------|------------------|-----------------|-------------------|-------------------|--------------------------|--------------------------|
| Norway                                                          |                   | 45.9             | 253.7           | 435.1             |                   | 734.7                    | 681.6                    |
| Sweden                                                          |                   |                  | 6.7             |                   |                   | 6.7                      | 10.5                     |
| Denmark                                                         |                   |                  | 0.7             |                   |                   | 0.7                      | 1.1                      |
| <b>Total</b>                                                    |                   | <b>45.9</b>      | <b>261.1</b>    | <b>435.1</b>      | <b>0.0</b>        | <b>742.1</b>             | <b>693.2</b>             |
| Change in value:                                                |                   |                  |                 |                   |                   |                          |                          |
| Total change in value on the balance sheet                      |                   | 50.4             | 26.2            | 435.1             | 0.0               | 511.7                    | 693.2                    |
| Change in value recognised in the profit and loss during period |                   | 17.7             | -4.1            | 52.7              | 0.0               | 66.3                     | -311.8                   |

## 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 05 | Liquidity risk

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

### RISK MANAGEMENT

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

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

The Treasury function is responsible for the bank's liquidity management, and the Middle Office in Risk and Administration monitors and reports on the utilisation of limits pursuant to the liquidity 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 are included in the CRO's ongoing reporting to the board. The liquidity policy specifies which liquidity indicators are followed. The Middle Office in Risk and Administration performs checks on trades undertaken by Treasury to ensure conformance with the applicable policy rules.

## NON-DISCOUNTED CASH FLOWS - FINANCIAL LIABILITIES

| (NOK million)                           | 0 - 6 MONTHS    | 6 MONTHS -<br>12 MONTHS | 1 - 3 YEARS    | 3 - 5 YEARS    | MORE THAN<br>5 YEARS | TOTAL           | BOOK<br>VALUE   |
|-----------------------------------------|-----------------|-------------------------|----------------|----------------|----------------------|-----------------|-----------------|
| Liabilities to credit institutions      | 19.2            |                         |                |                |                      | 19.2            | 19.2            |
| Deposits from and due to customers      | 19 358.1        |                         |                |                |                      | 19 358.1        | 19 358.1        |
| Commercial papers and bonds issued      | 1 838.1         | 257.3                   | 6 612.4        | 2 793.5        |                      | 11 501.3        | 10 858.6        |
| Other liabilities                       | 140.0           |                         |                |                |                      | 140.0           | 140.0           |
| Subordinated loan capital               | 0.0             | 12.1                    | 191.3          | 368.9          | 11.7                 | 584.1           | 511.6           |
| Undrawn credit limits                   | 3 844.3         |                         |                |                |                      | 3 844.3         |                 |
| Lending commitments                     | 30.5            |                         |                |                |                      | 30.5            |                 |
| <b>Total financial liabilities 2014</b> | <b>25 230.2</b> | <b>269.4</b>            | <b>6 803.8</b> | <b>3 162.4</b> | <b>11.7</b>          | <b>35 477.5</b> | <b>30 887.5</b> |
| <b>Derivatives related to funding</b>   |                 |                         |                |                |                      |                 |                 |
| <b>31.12.2014</b>                       | <b>-48.3</b>    | <b>-27.3</b>            | <b>-47.2</b>   | <b>-33.4</b>   | <b>-24.4</b>         | <b>-180.6</b>   | <b>197.0</b>    |
| Total financial liabilities 2013        | 27 657.1        | 630.2                   | 6 497.2        | 4 690.1        | 1 639.8              | 41 114.4        | 36 002.9        |

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 2014 are used to calculate interest costs for lending with FRN conditions. The call date is used as the maturity date on borrowing which has a call date.

## SPECIFICATION OF SUBORDINATED LOAN CAPITAL

| (NOK million)                               |                     | NET<br>NOMINAL<br>VALUE | CURRENCY | INTEREST | CALL-DATE  | BOOK<br>VALUE |
|---------------------------------------------|---------------------|-------------------------|----------|----------|------------|---------------|
| ISIN CODE                                   | ISSUER              |                         |          |          |            |               |
| <b>Dated subordinated loan capital</b>      |                     |                         |          |          |            |               |
| NO0010641657                                | Storebrand Bank ASA | 150.0                   | NOK      | Floating | 12.04.2017 | 151.4         |
| NO0010714314                                | Storebrand Bank ASA | 125.0                   | NOK      | Floating | 09.07.2019 | 125.7         |
| <b>Other subordinated loan capital</b>      |                     |                         |          |          |            |               |
| NO00177116                                  | Storebrand Bank ASA | 9.3                     | NOK      | Fixed    | Perpetual  | 9.3           |
| <b>Tier 1 hybrid capital</b>                |                     |                         |          |          |            |               |
| NO0010683550                                | Storebrand Bank ASA | 150.0                   | NOK      | Floating | 20.06.2018 | 149.6         |
| NO0010714322                                | Storebrand Bank ASA | 75.0                    | NOK      | Floating | 09.07.2019 | 75.6          |
| <b>Total subordinated loan capital 2014</b> |                     |                         |          |          |            | <b>511.6</b>  |
| Total subordinated loan capital 2013        |                     |                         |          |          |            | 589.7         |

## SPECIFICATION OF LIABILITIES TO CREDIT INSTITUTIONS

|                                                                                          |             |                |
|------------------------------------------------------------------------------------------|-------------|----------------|
| (NOK million)                                                                            | 2014        | 2013           |
| <b>Total liabilities to credit institutions without fixed maturity at amortised cost</b> | <b>19.2</b> | <b>31.2</b>    |
| <b>Borrowings under the Norwegian Government's Swap scheme:</b>                          |             |                |
| Maturity 2014                                                                            | 0.0         | 996.6          |
| <b>Total liabilities to credit institutions with fixed maturity at fair value (FVO)</b>  | <b>0.0</b>  | <b>996.6</b>   |
| <b>Total liabilities to credit institutions</b>                                          | <b>19.2</b> | <b>1 027.8</b> |

## SPECIFICATION OF COMMERCIAL PAPERS AND BONDS ISSUED

| (NOK million)                                 |                            | NET     |          |          |            | BOOK<br>VALUE |
|-----------------------------------------------|----------------------------|---------|----------|----------|------------|---------------|
| ISIN CODE                                     | ISSUER                     | NOMINAL | CURRENCY | INTEREST | MATURITY   |               |
|                                               |                            | VALUE   |          |          |            |               |
| Bond loans                                    |                            |         |          |          |            |               |
| NO0010439821                                  | Storebrand Bank ASA        | 310.0   | NOK      | Fixed    | 04.06.2015 | 326.2         |
| NO0010513237                                  | Storebrand Bank ASA        | 300.0   | NOK      | Fixed    | 25.05.2016 | 322.7         |
| NO0010660806                                  | Storebrand Bank ASA        | 300.0   | NOK      | Fixed    | 08.10.2019 | 322.5         |
| NO0010635626                                  | Storebrand Bank ASA        | 191.0   | NOK      | Floating | 26.01.2015 | 192.1         |
| NO0010654510                                  | Storebrand Bank ASA        | 103.5   | NOK      | Floating | 06.07.2015 | 104.3         |
| NO0010641079                                  | Storebrand Bank ASA        | 800.0   | NOK      | Floating | 27.03.2017 | 801.1         |
| NO0010662752                                  | Storebrand Bank ASA        | 300.0   | NOK      | Floating | 13.11.2017 | 301.1         |
| NO0010670979                                  | Storebrand Bank ASA        | 306.0   | NOK      | Floating | 29.01.2016 | 307.3         |
| Total bond loans                              |                            |         |          |          |            | 2 677.2       |
| Covered bonds                                 |                            |         |          |          |            |               |
| NO0010428584                                  | Storebrand Boligkreditt AS | 746.5   | NOK      | Fixed    | 06.05.2015 | 784.4         |
| NO0010638307                                  | Storebrand Boligkreditt AS | 300.0   | NOK      | Floating | 17.06.2015 | 298.9         |
| NO0010575913                                  | Storebrand Boligkreditt AS | 646.5   | NOK      | Floating | 03.06.2016 | 312.9         |
| NO0010612294                                  | Storebrand Boligkreditt AS | 1 665.0 | NOK      | Floating | 15.06.2016 | 1 664.0       |
| NO0010635071                                  | Storebrand Boligkreditt AS | 2 575.0 | NOK      | Floating | 21.06.2017 | 2 586.3       |
| NO0010660822                                  | Storebrand Boligkreditt AS | 1 080.0 | NOK      | Floating | 20.06.2018 | 1 086.8       |
| NO0010548373                                  | Storebrand Boligkreditt AS | 1 250.0 | NOK      | Fixed    | 28.10.2019 | 1 448.0       |
| Total covered bonds                           |                            |         |          |          |            | 8 181.3       |
| Total commercial papers and bonds issued 2014 |                            |         |          |          |            | 10 858.6      |
| Total commercial papers and bonds issued 2013 |                            |         |          |          |            | 13 523.6      |

The loan agreements contain standard covenants.

Storebrand Bank ASA and Storebrand Boligkreditt AS were in compliance with all relevant covenants in 2014.

Under the loan programme in Storebrand Boligkreditt AS the company's overcollateralisation requirement was 109.5 percent fulfilled.

## Market risk

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

### RISK MANAGEMENT

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

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

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

### RISK CONTROL

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

For changes in market risk that occur during the first year, the effect on the result and equity will be as shown below based on the balance sheet as at 31 December 2014:

#### Effect on accounting income

| (NOK million)       | BELØP |
|---------------------|-------|
| Interest rate -1,0% | -17.4 |
| Interest rate +1,0% | 17.4  |

#### Effect on accounting result/equity <sup>1)</sup>

| (NOK million)       | BELØP |
|---------------------|-------|
| Interest rate -1,0% | -17.4 |
| Interest rate +1,0% | 17.4  |

1) Before taxes.

#### Financial interest rate risk

| (NOK million)       | BELØP |
|---------------------|-------|
| Interest rate -1,0% | 3.1   |
| Interest rate +1,0% | -3.1  |

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

See also note 27 regarding foreign exchange risk.

## Note 07 | Operational risk

### OPERASJONELL RISIKO

Operational risk is the risk of financial loss as a result of ineffective, insufficient or defective internal processes or systems, human error, external events or internal guidelines not being followed. Breach of laws and regulations can obstruct the bank group from achieving its objectives; this part of compliance risk is therefore included in the definition of operational risk.

#### RISK MANAGEMENT

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

#### RISK CONTROL

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

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

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

### COMPLIANCE RISIKO

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

#### RISK MANAGEMENT

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

#### RISK CONTROL

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

## Note 08 | Valuation of financial instruments

### SPECIFICATION OF FINANCIAL INSTRUMENTS AT AMORTISED COST

The fair value of lending to customers subject to variable interest rates is stated as 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 31 December 2014. 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.

|                                                                | LEVEL 1 | LEVEL 2     | LEVEL 3                   |            |            |                     |                     |
|----------------------------------------------------------------|---------|-------------|---------------------------|------------|------------|---------------------|---------------------|
|                                                                | QUOTED  | OBSERVABLE  | NON-                      | FAIR VALUE | FAIR VALUE | BOOK                | BOOK                |
| (NOK million)                                                  | PRICES  | ASSUMPTIONS | OBSERVABLE<br>ASSUMPTIONS | 31.12.2014 | 31.12.2013 | VALUE<br>31.12.2014 | VALUE<br>31.12.2013 |
| <b>Financial assets</b>                                        |         |             |                           |            |            |                     |                     |
| Bonds classified as Loans and receivables                      |         | 1 013.5     |                           | 1 013.5    | 1 546.1    | 1 006.7             | 1 541.8             |
| Loans to and deposits with credit institutions, amortised cost |         | 207.1       |                           | 207.1      | 152.5      | 207.1               | 152.5               |
| Lending to customers, amortised cost                           |         | 27 383.6    |                           | 27 383.6   | 32 281.8   | 27 423.6            | 32 344.9            |
| Total fair value 31.12.2013                                    |         | 33 980.3    |                           |            | 33 980.3   |                     |                     |
| <b>Financial liabilities</b>                                   |         |             |                           |            |            |                     |                     |
| Deposits from and due to credit institutions, amortised cost   |         | 19.2        |                           | 19.2       | 31.2       | 19.2                | 31.2                |
| Deposits from and due to customers, amortised cost             |         | 19 358.1    |                           | 19 358.1   | 20 728.1   | 19 358.1            | 20 728.1            |
| Commercial papers and bonds issued, amortised cost             |         | 11 024.7    |                           | 11 024.7   | 13 695.1   | 10 858.6            | 13 523.6            |
| Subordinated loan capital, amortised cost                      |         | 523.0       |                           | 523.0      | 596.9      | 511.6               | 589.7               |
| Total fair value at 31.12.2013                                 |         | 35 051.3    |                           |            | 35 051.3   |                     |                     |

## VALUATION OF FINANCIAL INSTRUMENTS AT FAIR VALUE

Storebrand Bank Group conducts a comprehensive process to ensure that financial instruments are valued as closely as possible to their market value. Publicly listed financial instruments are valued on the basis of the official closing price on stock exchanges, supplied by Reuters and Bloomberg. Bonds are generally valued based on prices collected from Reuters 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. The company has established valuation models that gather information from a wide range of well-informed sources with reference to minimize uncertainty related to the valuation.

Fixed-rate loans to customers, which are valued at fair value (FVO) for accounting purposes, have been moved from level 2 to level 3 in Q1 2013 as uncertainty related to the stipulation of the market's margin requirements for such loans is considered to have increased. The value of fixed-rate loans is determined by agreed cash flows discounted over the remaining fixed-rate period at a discount rate that is adjusted for an estimate of the market's margin requirements. No negative development in the borrower's ability to repay, or negative development in underlying collateral securities has been observed.

Sensitivity analysis of fixed-rate loans to customers:

| INCREASE/REDUCTION IN FAIR VALUE                  | CHANGE IN MARKET SPREAD |         |
|---------------------------------------------------|-------------------------|---------|
|                                                   | + 10 BP                 | - 10 BP |
| Change in fair value per 31.12.2014 (NOK Million) | -2.7                    | 2.7     |

#### 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 bank group did not have any investments that were classified at this level at year-end.

### SPECIFICATION OF FINANCIAL ASSETS AT FAIR VALUE

| (NOK million)                             | QUOTED PRICES | OBSERVABLE<br>ASSUMPTIONS | NON-<br>OBSERVABLE<br>ASSUMPTIONS | BOOK VALUE | BOOK VALUE |
|-------------------------------------------|---------------|---------------------------|-----------------------------------|------------|------------|
|                                           |               |                           |                                   | 31.12.2014 | 31.12.2013 |
| Equities and units                        |               | 2.0                       |                                   | 2.0        | 1.7        |
| Total Equities and units 31.12.2013       |               | 1.7                       |                                   |            |            |
| Lending to customers                      |               |                           | 988.8                             | 988.8      | 1 289.0    |
| Total lending to customers 31.12.2013     |               |                           | 1 289.0                           |            |            |
| Sovereign and Government Guaranteed bonds |               | 1 000.7                   |                                   | 1 000.7    | 100.3      |
| Credit bonds                              |               | 0.0                       |                                   | 0.0        | 534.6      |
| Mortgage and asset backed bonds           |               | 2 247.1                   |                                   | 2 247.1    | 2 155.8    |
| Total bonds                               | 0.0           | 3 247.8                   | 0.0                               | 3 247.8    |            |
| Total bonds 31.12.2013                    |               | 2 790.7                   |                                   |            |            |
| Interest rate derivatives                 |               | 0.0                       |                                   | 0.0        | 0.0        |
| Currency derivatives                      |               | 197.0                     |                                   | 197.0      | 282.6      |
| Total derivatives                         |               | 0.0                       |                                   | 0.0        | -0.4       |
| Derivatives with a positive fair value    | 0.0           | 197.0                     | 0.0                               | 197.0      | 282.2      |
| Derivatives with a negative fair value    |               | 742.1                     |                                   | 742.1      | 693.2      |
| Total derivatives 31.12.2013              |               | -545.1                    |                                   | -545.1     | -411.0     |
| Sum derivatives 31.12.2013                |               | 282.2                     |                                   |            |            |

### SPECIFICATION OF FINANCIAL LIABILITIES AT FAIR VALUE

|                                                     |       |     |       |
|-----------------------------------------------------|-------|-----|-------|
| Liabilities to credit institutions                  | 0.0   | 0.0 | 996.6 |
| Total liabilities to credit institutions 31.12.2013 | 996.6 |     |       |

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

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

| (NOK million)                                                         | LENDING<br>TO CUSTOMERS |
|-----------------------------------------------------------------------|-------------------------|
| Book value 01.01.2014                                                 | 1 289.0                 |
| Net gains/losses on financial instruments                             | 19.8                    |
| Supply / disposal                                                     | 27.9                    |
| Sales / due settlements                                               | -348.0                  |
| Transferred from observable assumptions to non-observable assumptions |                         |
| Translation differences                                               |                         |
| Other                                                                 |                         |
| <b>Book value 31.12.2014</b>                                          | <b>988.8</b>            |

## Note 09 | Segment

### ANALYSIS OF PROFIT AND LOSS ACCOUNT BY SEGMENT:

| (NOK million)                                                            | CORPORATE    |               | RETAIL        |               | TREASURY/OTHER |              | TOTAL         |               |
|--------------------------------------------------------------------------|--------------|---------------|---------------|---------------|----------------|--------------|---------------|---------------|
|                                                                          | 2014         | 2013          | 2014          | 2013          | 2014           | 2013         | 2014          | 2013          |
| <b>Profit and loss items:</b>                                            |              |               |               |               |                |              |               |               |
| Net external interest income                                             | 131.6        | 199.4         | 343.2         | 340.0         | -12.9          | 7.4          | 461.8         | 546.7         |
| Net internal interest income                                             |              |               |               |               |                |              |               |               |
| <b>Net interest income</b>                                               | <b>131.6</b> | <b>199.4</b>  | <b>343.2</b>  | <b>340.0</b>  | <b>-12.9</b>   | <b>7.4</b>   | <b>461.8</b>  | <b>546.7</b>  |
| Net external fee and commission income                                   | 9.1          | 12.8          | 54.6          | 57.1          | -6.9           | 0.4          | 56.7          | 70.2          |
| Net internal fee and commission income                                   |              |               |               |               |                |              |               |               |
| <b>Net fee and commission income</b>                                     | <b>9.1</b>   | <b>12.8</b>   | <b>54.6</b>   | <b>57.1</b>   | <b>-6.9</b>    | <b>0.4</b>   | <b>56.7</b>   | <b>70.2</b>   |
| Other external operating income                                          | 2.9          | 20.4          | 2.4           | -12.5         | 2.3            | -3.6         | 7.5           | 4.3           |
| Other internal operating income                                          |              |               |               |               |                |              |               |               |
| <b>Total other operating income</b>                                      | <b>2.9</b>   | <b>20.4</b>   | <b>2.4</b>    | <b>-12.5</b>  | <b>2.3</b>     | <b>-3.6</b>  | <b>7.5</b>    | <b>4.3</b>    |
| Operating costs                                                          | -62.9        | -126.2        | -173.7        | -221.0        | -23.4          | -27.7        | -260.0        | -374.8        |
| <b>Total operating costs</b>                                             | <b>-62.9</b> | <b>-126.2</b> | <b>-173.7</b> | <b>-221.0</b> | <b>-23.4</b>   | <b>-27.7</b> | <b>-260.0</b> | <b>-374.8</b> |
| <b>Operating profit before loan losses</b>                               | <b>80.6</b>  | <b>106.5</b>  | <b>226.5</b>  | <b>163.5</b>  | <b>-41.0</b>   | <b>-23.5</b> | <b>266.0</b>  | <b>246.5</b>  |
| Loan losses                                                              | -75.5        | -3.9          | 1.3           | -7.2          | 0.0            | 0.0          | -74.2         | -11.1         |
| <b>Ordinary profit from continuing operations</b>                        | <b>5.0</b>   | <b>102.6</b>  | <b>227.8</b>  | <b>156.3</b>  | <b>-41.0</b>   | <b>-23.5</b> | <b>191.8</b>  | <b>235.3</b>  |
| <b>Ordinary profit from businesses sold/<br/>discontinued operations</b> | <b>0.0</b>   | <b>0.0</b>    | <b>0.0</b>    | <b>0.0</b>    | <b>-1.0</b>    | <b>-3.8</b>  | <b>-1.0</b>   | <b>-3.8</b>   |

## ANALYSIS OF PROFIT AND LOSS ACCOUNT BY SEGMENT:

|                                               | CORPORATE      |                | RETAIL          |                 | TREASURY/OTHER |                | TOTAL           |                 |
|-----------------------------------------------|----------------|----------------|-----------------|-----------------|----------------|----------------|-----------------|-----------------|
| (NOK million)                                 | 2014           | 2013           | 2014            | 2013            | 2014           | 2013           | 2014            | 2013            |
| <b>Balance sheet items:</b>                   |                |                |                 |                 |                |                |                 |                 |
| Gross lending                                 | 4 515.4        | 9 809.6        | 23 893.9        | 23 905.6        | 56.6           | 31.6           | 28 465.9        | 33 746.8        |
| Loan loss provisions                          | -27.5          | -90.4          | -26.1           | -22.6           | 0.0            | 0.1            | -53.6           | -112.9          |
| <b>Net customer lending</b>                   | <b>4 487.9</b> | <b>9 719.2</b> | <b>23 867.8</b> | <b>23 883.0</b> | <b>56.6</b>    | <b>31.7</b>    | <b>28 412.3</b> | <b>33 633.9</b> |
| Other assets                                  | 1 753.4        |                |                 |                 | 3 836.6        | 5 422.2        | 5 590.1         | 5 422.2         |
| <b>Total assets</b>                           | <b>6 241.3</b> | <b>9 719.2</b> | <b>23 867.8</b> | <b>23 883.0</b> | <b>3 893.3</b> | <b>5 453.9</b> | <b>34 002.4</b> | <b>39 056.1</b> |
| Deposits from and due to customers            | 5 709.3        | 8 186.3        | 13 656.8        | 12 542.7        | -8.0           | -0.9           | 19 358.1        | 20 728.1        |
| Other liabilities                             | 0.0            | 456.9          | 8 994.3         | 10 275.9        | 3 123.3        | 5 029.7        | 12 117.6        | 15 762.5        |
| Equity                                        | 532.0          | 1 076.0        | 1 216.7         | 1 064.4         | 778.1          | 425.1          | 2 526.7         | 2 565.5         |
| <b>Total liabilities and equity</b>           | <b>6 241.3</b> | <b>9 719.2</b> | <b>23 867.8</b> | <b>23 883.0</b> | <b>3 893.3</b> | <b>5 453.9</b> | <b>34 002.4</b> | <b>39 056.1</b> |
| Key figures:                                  |                |                |                 |                 |                |                |                 |                 |
| Cost/income ratio                             | 44 %           | 54 %           | 43 %            | 57 %            |                |                | 49 %            | 60 %            |
| Deposits from customers as % of gross lending | 126 %          | 83 %           | 57 %            | 52 %            |                |                | 68 %            | 61 %            |
| Total level of provisioning                   | 104 %          | 29 %           | 21 %            | 15 %            |                |                | 35 %            | 24 %            |

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

## DESCRIPTION OF THE SEGMENTS:

### Corporate market:

The segment includes corporate customers' deposits and loans, mainly property owners and developers, as well as commercial real estate agency for corporate customers (Hadrian Eiendom AS).

In April 2013, Storebrand decided to wind up the corporate market at the bank. This market is no longer a prioritised part of Storebrand's core activities. The winding up of the operation will be gradual and controlled, with existing customers being well looked after. 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 loan losses line, reflecting the accounting treatment internally. The reclassification is presented under the "Treasury/other" segment. All capital market business for customers within the bank's corporate market segment are presented under the "Corporate market" segment. The subsidiary Hadrian Eiendom AS was previously included in this segment. Hadrian Eiendom AS was sold in the fourth quarter of 2014.

### Retail market:

Deposits from and loans to retail market customers, including credit cards. Loans comprise primarily home mortgages. The segment includes loans in Storebrand Boligkreditt AS. All capital market business for customers within the bank's retail market segment are presented under the "Retail market" segment. The bank's entire residential real estate agency business is being wound up, and the results are presented on the line for discontinued operations.

The allocation of income and expenses that are not directly attributable has been made on the basis of assumed resource use. The effects of financial risk management and the liquidity portfolio have not been allocated to the business areas and are reported under "Treasury/other".

## Net income from financial instruments

(NOK million)

|                                                                                                                               | 2014           | 2013            |
|-------------------------------------------------------------------------------------------------------------------------------|----------------|-----------------|
| <b>Net interest income</b>                                                                                                    |                |                 |
| Interest and other income on loans to and deposits with credit institutions                                                   | 5.8            | 17.7            |
| Interest and other income on loans to and due from customers                                                                  | 1 232.7        | 1 442.6         |
| Interest on commercial paper, bonds and other interest-bearing securities                                                     | 82.4           | 80.8            |
| Interest on commercial paper, bonds and other interest-bearing securities                                                     | 7.3            | 7.5             |
| <b>Total interest income *)</b>                                                                                               | <b>1 328.3</b> | <b>1 548.6</b>  |
| Interest and other expenses on debt to credit institutions                                                                    | -7.8           | -34.2           |
| Interest and other expenses on deposits from and due to customers                                                             | -508.1         | -551.6          |
| Interest and other expenses on securities issued                                                                              | -301.8         | -373.2          |
| Interest and expenses on subordinated loan capital                                                                            | -31.2          | -26.3           |
| Other interest expenses and related expenses                                                                                  | -17.6          | -16.7           |
| <b>Total interest expenses **)</b>                                                                                            | <b>-866.5</b>  | <b>-1 001.9</b> |
| <b>Net interest income</b>                                                                                                    | <b>461.8</b>   | <b>546.7</b>    |
| *) Of which total interest income on financial assets that are not at fair value through the profit and loss account          | 1 147.5        | 1 351.9         |
| ***) Of which total interest expenses on financial liabilities that are not at fair value through the profit and loss account | -861.9         | -972.5          |
| <b>Interest expense and changes in value of issued funding at FVO:</b>                                                        |                |                 |
| Interest expense issued funding at FVO                                                                                        | -4.3           | -28.3           |
| Changes in value of issued funding at FVO                                                                                     | 0.4            | 1.0             |
| <b>Net expense issued funding at FVO</b>                                                                                      | <b>-3.9</b>    | <b>-27.3</b>    |

|                                                                                           |              |              |
|-------------------------------------------------------------------------------------------|--------------|--------------|
| <b>Net income and gains from financial assets and liabilities at fair value:</b>          | 2014         | 2013         |
| <b>Equity instruments</b>                                                                 |              |              |
| Dividends received from equity investments                                                |              |              |
| 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                                                                  | 0.2          | -0.1         |
| <b>Commercial paper and bonds</b>                                                         |              |              |
| Realised gain/loss on commercial papers and bonds                                         | 9.7          | 5.8          |
| Unrealised gain/loss on commercial papers and bonds                                       | 1.6          | -10.1        |
| Total gain/loss on commercial papers and bonds                                            | 11.3         | -4.3         |
| <b>Lending to customers</b>                                                               |              |              |
| Unrealised gain/loss on lending to customers, FVO                                         | 19.6         | -18.6        |
| Total gain/loss on lending to customers, FVO                                              | 19.6         | -18.6        |
| <b>Liabilities to credit institutions and other funding</b>                               |              |              |
| Realised gain/loss on liabilities to credit institutions and other funding, FVO           |              | -1.0         |
| Unrealised gain/loss on liabilities to credit institutions and other funding, FVO         | 0.4          | 1.0          |
| Total gain/loss on liabilities to credit institutions and other funding, FVO              | 0.4          | 0.0          |
| <b>Total gain/loss on liabilities to credit institutions and other funding, FVO</b>       |              |              |
| Realised gain/loss on financial derivatives, held for trading                             | 23.3         | 10.5         |
| Unrealised gain/loss on financial derivatives, held for trading                           | -71.5        | -3.2         |
| Total financial derivatives and foreign exchange, held for trading                        | -48.2        | 7.3          |
| <b>Net income and gains from financial assets and liabilities at fair value</b>           | <b>-16.7</b> | <b>-15.7</b> |
| <b>Fair value hedging</b>                                                                 |              |              |
| Realised gain/loss on derivatives and bonds issued, fair value hedging                    | 24.9         | 4.3          |
| Unrealised gain/loss on derivatives and bonds issued, fair value hedging                  | 1.5          | -3.4         |
| <b>Net gain/loss on fair value hedging</b>                                                | <b>26.4</b>  | <b>0.9</b>   |
| <b>Net gain/loss on fair value hedging</b>                                                |              |              |
| Realised gain/loss on commercial papers and bonds at amortised cost                       | 5.8          | 2.7          |
| Total gain/loss on commercial papers and bonds at amortised cost                          | 5.8          | 2.7          |
| <b>Bonds issued</b>                                                                       |              |              |
| Realised gain/loss on bonds issued at amortised cost                                      | -8.2         | -4.0         |
| Total gain/loss on bonds issued at amortised cost                                         | -8.2         | -4.0         |
| <b>Net income and gains from financial assets and liabilities at amortised cost</b>       | <b>-2.4</b>  | <b>-1.2</b>  |
| <b>Net income and gains from financial assets and liabilities</b>                         | <b>7.3</b>   | <b>-16.0</b> |
| Net gain/loss on financial assets at fair value through the profit and loss account:      |              |              |
| Financial assets designated at fair value upon initial recognition                        | 38.2         | -31.6        |
| Financial assets classified as held for trading                                           | -15.0        | -10.6        |
| Changes in fair value of assets due to changes in credit risk                             | -7.0         | -8.7         |
| Net gain/loss on financial liabilities at fair value through the profit and loss account: |              |              |
| Financial liabilities designated at fair value upon initial recognition                   | 0.4          | 0.0          |
| Financial liabilities classified as held for trading                                      |              |              |

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

**Note 11** | Net commission income

| (NOK million)                                                                                                                                                    | 2014         | 2013         |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|--------------|
| Fees related to banking operations                                                                                                                               | 43.3         | 53.1         |
| Commissions from saving products                                                                                                                                 | 21.9         | 23.9         |
| Commissions from stockbroking                                                                                                                                    | 6.4          | 5.0          |
| <b>Total fees and commissions receivable *)</b>                                                                                                                  | <b>71.6</b>  | <b>82.0</b>  |
| Fees and commissions payable relating to banking operations                                                                                                      | -10.4        | -9.1         |
| Commissions payable on saving products                                                                                                                           | -4.1         | -2.6         |
| Other fees and commissions payable                                                                                                                               | -0.4         | -0.1         |
| <b>Total fees and commissions payable **)</b>                                                                                                                    | <b>-14.9</b> | <b>-11.8</b> |
| <b>Net commission income</b>                                                                                                                                     | <b>56.7</b>  | <b>70.2</b>  |
| *) 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    | 49.8         | 58.1         |
| ***) 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 | -10.4        | -9.1         |

**Note 12** | Other income

| (NOK million)                                                            | 2014       | 2013        |
|--------------------------------------------------------------------------|------------|-------------|
| Income from real estate broking corporate                                |            | 15.5        |
| Gain on sale and winding -up of associated companies and group companies |            | 4.7         |
| Other income                                                             | 0.2        | 0.1         |
| <b>Total other income</b>                                                | <b>0.2</b> | <b>20.3</b> |

**Note 13** | Remuneration paid to auditors

**Remuneration excluding value added tax:**

| (NOK 1000)                                        | 2014         | 2013         |
|---------------------------------------------------|--------------|--------------|
| Statutory audit                                   | 986          | 1 026        |
| Other reporting duties                            | 297          | 288          |
| Taxation advice                                   |              | 10           |
| Other non-audit services                          | 30           | 12           |
| <b>Total</b>                                      | <b>1 314</b> | <b>1 336</b> |
| Of which remuneration to Deloitte AS (excl. VAT): |              |              |
| Statutory audit                                   | 986          | 1 026        |
| Other reporting duties                            | 297          | 288          |
| Taxation advice                                   |              | 10           |
| Other non-audit services                          | 30           | 12           |
| <b>Total</b>                                      | <b>1 314</b> | <b>1 336</b> |

## Note 14 | Operating expenses

| (NOK million)                                                        | 2014          | 2013          |
|----------------------------------------------------------------------|---------------|---------------|
| Ordinary wages and salaries                                          | -98.0         | -95.7         |
| Employer's social security contributions                             | -11.1         | -12.2         |
| Other staff expenses                                                 | -6.6          | -22.6         |
| Pension cost (see note 15) <sup>1)</sup>                             | 42.6          | 2.9           |
| <b>Total staff expenses</b>                                          | <b>-73.1</b>  | <b>-127.6</b> |
| IT costs <sup>2)</sup>                                               | -49.4         | -50.2         |
| Printing, postage etc.                                               | -2.0          | -2.3          |
| Travel, entertainment, courses, meetings                             | -1.3          | -1.9          |
| Other sales and marketing costs                                      | -1.4          | -1.3          |
| <b>Total general administration expenses</b>                         | <b>-54.2</b>  | <b>-55.6</b>  |
| Depreciation fixed assets and intangible assets (see note 30 and 31) | -38.7         | -52.5         |
| Contract personnel (see note 13)                                     | -10.3         | -10.7         |
| Operating expenses on rented premises (see note 32)                  | -10.1         | -12.4         |
| Inter-company charges for services <sup>2)</sup>                     | -56.1         | -90.0         |
| Other operating expenses                                             | -17.6         | -26.1         |
| <b>Total other operating expenses</b>                                | <b>-132.7</b> | <b>-191.6</b> |
| <b>Total operating expenses</b>                                      | <b>-260.0</b> | <b>-374.8</b> |

1) Pension cost is positive due to recognition of an income related to the change in pension scheme of NOK 44.5 million (see note 15).

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

## Note 15 | Pensions

Storebrand Group has country-specific pension schemes.

On 28 October 2014 the Board of Directors of Storebrand ASA decided to change the pension scheme for its own employees from a defined-benefit to a defined-contribution plan with effect from 1 January 2015. Up until 31 December 2014, Storebrand in Norway has had both a defined-contribution and a defined-benefit scheme. The defined-benefit scheme was closed to new members from 1 January 2011, and a defined-contribution scheme was established from the same point in time. In connection with the transition to a defined-contribution pension the employees will be issued with a traditional paid-up policy for the rights accrued in the guaranteed pension scheme. This has been taken into account in the pension liabilities at 31 December 2014. There are certain obligations related to people on sick leave and partially disabled employees for whom the defined-benefit scheme will continue to apply for a period.

According to IAS 19 assets and liabilities linked to the defined-benefit scheme shall be derecognised when a non-reversible decision has been made to discontinue a defined-benefit scheme (and it is not replaced by a similar scheme). The assumptions used in the calculations must be updated and the effects of this must be recognised in total comprehensive income. Effects that were recognised in total comprehensive income in previous periods shall not be reclassified to profit or loss (IAS 19.122). Gains and losses on derecognition are recognised through profit or loss.

For the uninsured insurance liabilities for salaries over 12 G, employees have been offered cash release of the accrued rights, payable at the beginning of 2015, with the exception of executive management employees, who will receive payments spread over five years. These uninsured insurance liabilities were included in the statement of financial position at 31 December 2014. There are also defined-benefit liabilities in the statement of financial position related to direct pensions for certain former employees and former board members.

The new defined-contribution scheme that comes into effect from 1 January 2015 has the following components and premiums:

- Saving starts from the first krone of salary
- Savings rate of 7 per cent of salary from 0 to 12 G (the National Insurance basic amount "G" is NOK 88,370 at 31 December 2014)
- In addition 13 per cent of salary between 7.1 and 12 G is saved
- Savings rate for salary over 12 G is 20 per cent

For the defined-contribution scheme up until 31 December 2014 the saving rates were 5 per cent of salary between 1 and 6 G, 8 per cent of salary between 6 and 12 G, plus a defined-contribution scheme funded through operations that amounts to 20 per cent of the contribution basis for salaries above 12 G per year.

From 1 January 2013 Storebrand has been a member of the AFP contractual early retirement pension scheme. The private AFP pension scheme shall be accounted for as a defined-benefit multi-employer scheme and is financed through annual premiums that are set at 1 per cent of salary between 1 and 7.1 G. There is no reliable information available for recognition of the new liability in the statement of financial position. Storebrand employees in Norway who were born before 1 January 1956 can choose between drawing a contractual early retirement pension (AFP) or retiring at the age of 65 and receiving a direct pension from the company until they reach the age of 67. Payment of AFP is lifelong, and employees can choose to receive an AFP pension from the age of 62 and still continue to work. Storebrand's direct pension scheme with payment between the age of 65 and 67 has been discontinued for other employees.

All members of the pension schemes have associated survivor's and disability cover.

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

| (NOK million)                                                                | 2014        | 2013        |
|------------------------------------------------------------------------------|-------------|-------------|
| Present value of insured pension liabilities                                 | 35.4        | 119.2       |
| Fair value of pension assets                                                 | -33.5       | -109.3      |
| Net pension liabilities/assets insured scheme                                | 1.9         | 9.9         |
| Present value of unsecured liabilities                                       | 28.9        | 47.8        |
| <b>Net pension liabilities recognised in statement of financial position</b> | <b>30.8</b> | <b>57.8</b> |

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

#### BOOKED IN STATEMENT OF FINANCIAL POSITION

| (NOK million)       | 2014 | 2013 |
|---------------------|------|------|
| Pension assets      |      |      |
| Pension liabilities | 30.8 | 57.8 |

#### CHANGES IN THE NET DEFINED BENEFIT PENSION LIABILITIES IN THE PERIOD

| (NOK million)                                | 2014        | 2013         |
|----------------------------------------------|-------------|--------------|
| Net pension liabilities 01.01                | 167.1       | 174.7        |
| Pensions earned in the period                | 8.8         | 11.5         |
| Pension cost recognised in period            | 7.0         | 6.9          |
| Estimate deviations                          | 29.2        | 0.8          |
| Pensions paid                                | -6.8        | -6.6         |
| Payroll tax of employer contribution, assets | -1.6        | -1.2         |
| Changes to pension scheme                    | -139.3      | -19.0        |
| <b>Net pension liabilities 31.12</b>         | <b>64.3</b> | <b>167.1</b> |

## CHANGES IN THE FAIR VALUE OF PENSION ASSETS

| (NOK million)                                                | 2014         | 2013       |
|--------------------------------------------------------------|--------------|------------|
| Pension assets at fair value 01.01                           | 109.3        | 103.5      |
| Expected return                                              | 3.6          | 4.0        |
| Estimate deviation                                           | -5.9         | -4.9       |
| Gain/loss on insurance reductions                            | 0.0          | 0.0        |
| Premiums paid                                                | 11.5         | 8.6        |
| Pensions paid                                                | -2.4         | -1.9       |
| <b>Changes to pension scheme</b>                             | <b>-82.6</b> | <b>0.0</b> |
| Net pension assets 31.12                                     | 33.5         | 109.3      |
| Expected premium payments (pension assets) in 2015           | 1.7          |            |
| Expected premium payments (contributions) in 2015            | 8.2          |            |
| Expected AFP early retirement scheme payments in 2015        | 1.6          |            |
| Expected payments from operations (uninsured scheme) in 2015 | 2.0          |            |

## PENSION ASSETS ARE BASED ON THE FINANCIAL ASSETS HELD BY STOREBRAND LIFE INSURANCE/SPP COMPOSED AT 31.12:

| (NOK million)                                                                                                       | 2014         | 2013         |
|---------------------------------------------------------------------------------------------------------------------|--------------|--------------|
| Real estate                                                                                                         | 10 %         | 12 %         |
| Bonds at amortised cost                                                                                             | 40 %         | 48 %         |
| Mortgage loans and other loans                                                                                      |              | 2 %          |
| Equities and units                                                                                                  | 15 %         | 16 %         |
| Bonds                                                                                                               | 28 %         | 20 %         |
| Certificates                                                                                                        | 8 %          | 2 %          |
| Other short-term financial assets                                                                                   |              |              |
| <b>Total</b>                                                                                                        | <b>100 %</b> | <b>100 %</b> |
| The table shows the percentage asset allocation of pension assets at year-end managed by Storebrand Life Insurance. |              |              |
| Realised return on assets                                                                                           | 5.4 %        | 3.3 %        |

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

| (NOK million)                                                               | 2014         | 2013        |
|-----------------------------------------------------------------------------|--------------|-------------|
| Current service cost                                                        | 8.8          | 11.5        |
| Net interest cost/expected return                                           | 3.4          | 2.8         |
| Changes to pension scheme                                                   | -56.7        | -19.0       |
| <b>Total for defined benefit schemes</b>                                    | <b>-44.5</b> | <b>-4.7</b> |
| The period's payment to contribution scheme                                 | 1.0          | 1.4         |
| The period's payment to contribution scheme                                 | 0.9          | 0.4         |
| <b>Net pension cost recognised in profit and loss account in the period</b> | <b>-42.6</b> | <b>-2.9</b> |

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

## OTHER COMPREHENSIVE INCOME (OCI) IN THE PERIOD

| (NOK million)                                                   | 2014        |
|-----------------------------------------------------------------|-------------|
| Actuarial loss (gain) - change in discount rate                 | 28.8        |
| Actuarial loss (gain) - change in other financial assumptions   | -3.3        |
| Actuarial loss (gain) - change in mortality table               |             |
| Actuarial loss (gain) - change in other demographic assumptions |             |
| Actuarial loss (gain) - experience DBO                          | 3.6         |
| Loss (gain) - experience Assets                                 | 4.8         |
| Investment management cost                                      | 1.1         |
| Asset ceiling - asset adjustment                                |             |
| <b>Remeasurements loss (gain) in the period</b>                 | <b>35.1</b> |

| <b>Main assumptions used when calculating net pension liability 31.12</b> | 31.12.2014 | 31.12.2013 |
|---------------------------------------------------------------------------|------------|------------|
| Discount rate <sup>1)</sup>                                               | 3.0 %      | 4.0 %      |
| Expected return                                                           | 3.0 %      | 4.0 %      |
| Expected earnings growth                                                  | 3.0 %      | 3.3 %      |
| Expected annual increase in social security pensions                      | 3.0 %      | 3.5 %      |
| Expected annual increase in pensions payment                              | 0.1 %      | 0.1 %      |
| Disability table                                                          | KU         | KU         |
| Mortality table                                                           | K2013BE    | K2013BE    |

1) A discount rate of 2.5 per cent p.a. has been used for portions of the pension liabilities for the Norwegian companies

### 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, real wage growth and adjustment of the basic amount are subject to a particularly high degree of uncertainty.

IAS 19.78 states that high-quality corporate bond rates shall be used as the discount rate. In countries where there is no deep market for such bonds, the government bond rates shall be used.

Storebrand has applied the covered bond rate at 31 December 2014 as the discount rate. Based on the market and volume development observed, the Norwegian covered bond market must be perceived as a deep market in relation to the provisions in IAS 19, in the opinion of Storebrand.

In 2013 Storebrand (Norway) amended the pension rules in the collective schemes for employees and former employees of the company. The change entailed that pensions in payment no longer have a provision concerning annual adjustment by a minimum of 80 per cent of the change in the consumer price index.

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. With effect from 2014 a new mortality basis, K2013, has been introduced for group pension insurance in life insurance companies and pension funds. Storebrand has used the mortality table K2013BE (best estimate) in the actuarial calculations at 31 December 2014.

The average employee turnover rate is 2–3 per cent for the entire workforce as a whole, and falling turnover with increasing age is assumed.

The actuarial assumptions in Sweden follow the industry's mutual mortality table DUS06 adjusted for corporate differences. The average employee turnover rate is estimated to be 4 per cent p.a.

## SENSITIVITY ANALYSIS PENSION CALCULATIONS

The following estimates are based on facts and circumstances as of 31 December 2014 and are calculated for each individual when all other assumptions are kept constant.

| (NOK million)                  | DISCOUNT RATE |        | G-GROWTH |        |
|--------------------------------|---------------|--------|----------|--------|
|                                | 0.5 %         | -0.5 % | 0.5 %    | -0.5 % |
| Pension liabilities            |               |        |          |        |
| The period's net pension costs | -8 %          | 9 %    | 4 %      | -4 %   |

Storebrand's risk associated with the pension scheme relates to the changes in the financial and actuarial assumptions that must be used in the calculations and the actual return on the pension funds. The pension liabilities are particularly sensitive to changes in the discount rate. A reduction of the discount rate will in isolation entail an increase in pension liabilities.

For the Norwegian companies that have converted to defined contribution pensions as of 1 January 2015, the sensitivity has been estimated at +/- 0.5 per cent of the pension liabilities.

## Note 16 | Loan losses

| (NOK million)                                                                               | 2014         | 2013         |
|---------------------------------------------------------------------------------------------|--------------|--------------|
| Change in loan loss provisions on individual loans for the period                           | 49.8         | 34.7         |
| Change in loan loss provisions on groups of loans for the period                            | 9.5          | 8.9          |
| Other corrections to loan loss provisions                                                   | 4.5          | 5.2          |
| Realised losses in period on commitments specifically provided for previously               | -137.9       | -78.3        |
| Realised losses on commitments not specifically provided for previously                     | -1.2         | -2.9         |
| Recoveries on previously realised losses                                                    | 1.0          | 21.2         |
| <b>Loan losses for the period</b>                                                           | <b>-74.2</b> | <b>-11.1</b> |
| Interest recognised to the profit and loss account on loans subject to loan loss provisions | 10.0         | 4.8          |

## Note 17 | Tax

### TAX CHARGE FOR THE YEAR

| (NOK million)                              | 2014         | 2013         |
|--------------------------------------------|--------------|--------------|
| Tax payable for the period                 | -56.8        | -70.5        |
| Changes in deferred tax/deferred tax asset | 3.3          | 1.4          |
| <b>Total tax cost</b>                      | <b>-53.5</b> | <b>-69.1</b> |

### TAX PAYABLE IN THE BALANCE SHEET

| (NOK million)                                     | 2014         | 2013         |
|---------------------------------------------------|--------------|--------------|
| Tax payable                                       | -57.1        | -70.5        |
| - tax effect of group contribution paid           | 0.0          | 0.0          |
| <b>Tax payable in the balance sheet (note 39)</b> | <b>-57.1</b> | <b>-70.5</b> |

## RECONCILIATION OF EXPECTED AND ACTUAL TAX CHARGE

| (NOK million)                                                     | 2014         | 2013         |
|-------------------------------------------------------------------|--------------|--------------|
| Ordinary pre-tax profit                                           | 191.8        | 235.3        |
| Expected tax on income at nominal rate                            | -51.8        | -65.9        |
| Tax effect of:                                                    |              |              |
| Realised shares                                                   | 0.1          | 1.3          |
| Permanent differences                                             | -1.6         | -3.4         |
| Change in deferred tax assets not recognised in the balance sheet | -0.2         | 0.3          |
| Change in tax rules                                               |              | -1.0         |
| Changes earlier years                                             | 0.0          | -0.5         |
| <b>Tax charge</b>                                                 | <b>-53.5</b> | <b>-69.1</b> |
| Effective tax rate                                                | 28%          | 29%          |

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

| (NOK million)                                            | 2014         | 2013         |
|----------------------------------------------------------|--------------|--------------|
| Tax increasing timing differences                        |              |              |
| Fixed assets                                             |              | 18.4         |
| Financial instruments                                    |              | 18.4         |
| Gains/losses account                                     | 0.1          | 0.1          |
| Other                                                    | 0.4          | 0.6          |
| <b>Total tax increasing timing differences</b>           | <b>0.5</b>   | <b>37.5</b>  |
| Tax reducing timing differences                          |              |              |
| Pensions                                                 |              | -57.8        |
| Financial instruments                                    | -20.5        |              |
| Fixed assets                                             | -18.2        | -7.7         |
| Provisions                                               | -57.6        | -20.1        |
| Other                                                    |              |              |
| <b>Total tax reducing timing differences</b>             | <b>-96.3</b> | <b>-85.6</b> |
| Losses/allowances carried forward                        | -0.5         | -0.1         |
| Net base for deferred tax/tax assets                     | -96.3        | -48.2        |
| Write-down of deferred tax asset                         | 0.9          | 0.0          |
| Net base for deferred tax and deferred tax asset         | -95.4        | -48.2        |
| <b>Net deferred asset/liability in the balance sheet</b> | <b>25.8</b>  | <b>13.0</b>  |

## ANALYSIS OF TAX PAYABLE AND DEFERRED TAX APPLIED DIRECTLY TO EQUITY:

| (NOK million)                  | 2014       | 2013       |
|--------------------------------|------------|------------|
| Pension experience adjustments | 9.5        | 2.1        |
| <b>Total</b>                   | <b>9.5</b> | <b>2.1</b> |

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<br>RECEIVABLES | FAIR VALUE,<br>TRADING | FAIR VALUE,<br>FVO | LIABILITIES AT<br>AMORTISED<br>COST | TOTAL BOOK<br>VALUE |
|------------------------------------------------|--------------------------|------------------------|--------------------|-------------------------------------|---------------------|
| <b>Financial assets</b>                        |                          |                        |                    |                                     |                     |
| Cash and deposits with central banks           | 181.0                    |                        |                    |                                     | 181.0               |
| Loans to and deposits with credit institutions | 207.1                    |                        |                    |                                     | 207.1               |
| Equity instruments                             |                          |                        | 2.0                |                                     | 2.0                 |
| Bonds and other fixed-income securities        | 1 006.7                  |                        | 3 247.8            |                                     | 4 254.5             |
| Derivatives                                    |                          | 742.1                  |                    |                                     | 742.1               |
| Lending to customers                           | 27 423.6                 |                        | 988.8              |                                     | 28 412.3            |
| Other current assets                           | 62.3                     |                        |                    |                                     | 62.3                |
| <b>Total financial assets 2014</b>             | <b>28 880.7</b>          | <b>742.1</b>           | <b>4 238.6</b>     | <b>0.0</b>                          | <b>33 861.3</b>     |
| Total financial assets 2013                    | 34 159.5                 | 693.2                  | 4 081.4            | 0.0                                 | 38 934.2            |
| <b>Financial liabilities</b>                   |                          |                        |                    |                                     |                     |
| Deposits from and due to credit institutions   |                          |                        |                    | 19.2                                | 19.2                |
| Deposits from and due to customers             |                          |                        |                    | 19 358.1                            | 19 358.1            |
| Commercial papers and bonds issued             |                          |                        |                    | 10 858.6                            | 10 858.6            |
| Derivatives                                    |                          | 545.1                  |                    |                                     | 545.1               |
| Other liabilities                              |                          |                        |                    | 140.0                               | 140.0               |
| Subordinated loan capital                      |                          |                        |                    | 511.6                               | 511.6               |
| <b>Total financial assets 2014</b>             | <b>0.0</b>               | <b>545.1</b>           | <b>0.0</b>         | <b>30 887.5</b>                     | <b>31 432.6</b>     |
| Total financial assets 2013                    | 0.0                      | 411.0                  | 996.6              | 35 006.3                            | 36 413.9            |

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

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 2014. The shortfall is calculated using a discounted difference between the agreed margin and the current market price over the remaining term to maturity. Fair value is also adjusted for individual loan loss provisions. The fair values of lending, liabilities to financial institutions and securities issued are based on valuation techniques. The valuation techniques use interest rate curves and credit spreads from external providers with exception of lending which are assessed to spreads on new loans correspondingly.

| (NOK million)                                                  | 2014       |            | 2013       |            |
|----------------------------------------------------------------|------------|------------|------------|------------|
|                                                                | BOOK VALUE | FAIR VALUE | BOOK VALUE | FAIR VALUE |
| <b>Assets</b>                                                  |            |            |            |            |
| Loans and receivables:                                         |            |            |            |            |
| Bonds, amortised cost                                          | 1 006.7    | 1 013.5    | 1 541.8    | 1 546.1    |
| Loans to and deposits with credit institutions, amortised cost | 207.1      | 207.1      | 152.5      | 152.5      |
| Lending to customers, amortised cost                           | 27 423.6   | 27 383.6   | 32 344.9   | 32 281.8   |
| Other current assets                                           | 62.3       | 62.3       | 100.6      | 100.6      |
| <b>Liabilities</b>                                             |            |            |            |            |
| Deposits from and due to credit institutions, amortised cost   | 19.2       | 19.2       | 31.2       | 31.2       |
| Deposits from and due to customers, amortised cost             | 19 358.1   | 19 358.1   | 20 728.1   | 20 728.1   |
| Commercial papers and bonds issued, amortised cost             | 10 858.6   | 11 024.7   | 13 523.6   | 13 695.1   |
| Other liabilities                                              | 140.0      | 140.0      | 133.6      | 133.6      |
| Subordinated loan capital, amortised cost                      | 511.6      | 523.0      | 589.7      | 596.9      |

**Note 20** | Cash and deposits with central banks

| (NOK million)                                                        | 2014<br>BOOK VALUE | 2013<br>BOOK VALUE |
|----------------------------------------------------------------------|--------------------|--------------------|
| Cash                                                                 |                    | 2.0                |
| Deposits with central banks at amortised cost, loans and receivables | 181.0              | 17.8               |
| <b>Total cash and deposits with central banks</b>                    | <b>181.0</b>       | <b>19.8</b>        |

**Note 21** | Loans to and deposits with credit institutions

| (NOK million)                                                                                 | 2014<br>BOOK VALUE | 2013<br>BOOK VALUE |
|-----------------------------------------------------------------------------------------------|--------------------|--------------------|
| Total loans to and deposits with credit institutions without fixed maturity at amortised cost | 207.1              | 152.5              |
| <b>Total loans to and deposits with credit institutions at amortised cost</b>                 | <b>207.1</b>       | <b>152.5</b>       |

**Note 22** | Shares and other equity instruments

| (NOK million)                           | OWNERSHIP<br>INTEREST | 2014<br>FAIR VALUE | 2013<br>FAIR VALUE |
|-----------------------------------------|-----------------------|--------------------|--------------------|
| Storebrand Institusjonelle Investor ASA | 5.15%                 | 0.7                | 0.8                |
| Visa Inc. A-aksjer                      |                       | 0.9                | 0.8                |
| Other                                   |                       | 0.4                | 0.2                |
| <b>Total</b>                            |                       | <b>2.0</b>         | <b>1.7</b>         |
| Of which                                |                       |                    |                    |
| Listed shares                           |                       |                    |                    |
| Unlisted shares                         |                       | 2.0                | 1.7                |

**Note 23** | Bonds and other fixed-income securities at fair value through the profit and loss account

| (NOK million)                                                                                          | 2014<br>FAIR VALUE | 2013<br>FAIR VALUE |
|--------------------------------------------------------------------------------------------------------|--------------------|--------------------|
| Sovereign and Government Guaranteed bonds                                                              | 100.4              | 100.3              |
| Credit bonds                                                                                           | 900.3              | 534.6              |
| Mortgage and asset backed bonds                                                                        | 2 247.1            | 2 155.8            |
| <b>Total bonds and other fixed-income securities at fair value through the profit and loss account</b> | <b>3 247.8</b>     | <b>2 790.7</b>     |
| Modified duration                                                                                      | 0.19               | 0.17               |
| Average effective yield per 31.12.                                                                     | 1.53 %             | 1.82 %             |

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

## Note 24 | Bonds at amortised cost - Loans and receivables

| (NOK million)                                  | 2014           |                | 2013           |                |
|------------------------------------------------|----------------|----------------|----------------|----------------|
|                                                | BOOK VALUE     | FAIR VALUE     | BOOK VALUE     | FAIR VALUE     |
| Public issuers and Government Guaranteed Bonds | 626.7          | 628.4          | 727.1          | 727.5          |
| Credit bonds                                   | -              | -              | -              | -              |
| Mortgage and asset backed bonds                | 380.0          | 385.1          | 814.8          | 818.7          |
| <b>Total bonds at amortised cost</b>           | <b>1 006.7</b> | <b>1 013.5</b> | <b>1 541.8</b> | <b>1 546.1</b> |
| Modified duration                              |                | 0.13           |                | 0.13           |
| Average effective yield per 31.12.             |                | 1.50 %         |                | 1.89 %         |

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 25 | Transferred financial assets (swap scheme)

| (NOK million)                                                    | 2014       | 2013       |
|------------------------------------------------------------------|------------|------------|
|                                                                  | BOOK VALUE | BOOK VALUE |
| <b>Covered bonds:</b>                                            |            |            |
| Covered bonds in Storebrand Bank ASA <sup>1)</sup> (see note 23) | 0.0        | 2 759.5    |
| Swap scheme (see note 18)                                        | 0.0        | 996.6      |

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

Transferred financial assets consisted of swap agreements with the state through the Ministry of Finance concerning the posting of financial collateral (see note 41). The swap agreements which were entered into through auctions that were administered by Norges Bank are redeemed in 2014.

## Note 26 | Financial derivatives

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

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

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

| (NOK million)                       | GROSS<br>NOM.<br>VOLUME <sup>1)</sup> | GROSS RE-<br>COGNISED<br>FINANCIAL<br>ASSETS | GROSS RE-<br>COGNISED<br>DEBT | NET<br>FINANCIAL<br>ASSETS /<br>DEBT IN<br>THE<br>BALANCE<br>SHEET | AMOUNTS THAT CAN BE,<br>BUT ARE NOT PRESENTED<br>NET IN THE BALANCE<br>SHEET |            | NET<br>AMOUNT |
|-------------------------------------|---------------------------------------|----------------------------------------------|-------------------------------|--------------------------------------------------------------------|------------------------------------------------------------------------------|------------|---------------|
|                                     |                                       |                                              |                               |                                                                    | FIN. ASSETS                                                                  | FIN. DEBT  |               |
| Interest derivatives <sup>2)</sup>  | 15 682.3                              | 742.1                                        | 545.1                         | 0.0                                                                |                                                                              |            | 197.0         |
| Currency derivatives                | 53.2                                  |                                              |                               |                                                                    |                                                                              |            |               |
| <b>Total derivatives 31.12.2014</b> | <b>15 735.4</b>                       | <b>742.1</b>                                 | <b>545.1</b>                  | <b>0.0</b>                                                         | <b>0.0</b>                                                                   | <b>0.0</b> | <b>197.0</b>  |
| Total derivatives 31.12.2013        | 19 701.6                              | 693.2                                        | 411.0                         | 0.0                                                                | 0.0                                                                          | 0.0        | 282.2         |

1) Values as at 31.12:

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

#### INVESTMENTS SUBJECT TO NETTING AGREEMENTS /CSA

| (NOK million)                | RECOGNISED<br>ASSETS | RECOGNISED<br>LIABILITIES | NET ASSETS   | SECURITY      |                     | NET EXPOSURE |
|------------------------------|----------------------|---------------------------|--------------|---------------|---------------------|--------------|
|                              |                      |                           |              | CASH<br>(+/-) | SECURITIES<br>(+/-) |              |
| Total                        | 735.3                | 545.1                     | 190.3        |               |                     | 190.3        |
| <b>Total counter-parties</b> | <b>735.3</b>         | <b>545.1</b>              | <b>190.3</b> | <b>0.0</b>    | <b>0.0</b>          | <b>190.3</b> |

## Note 27 Foreign exchange risk

#### FINANCIAL ASSETS AND LIABILITIES IN FOREIGN CURRENCY

| (NOK million)                            | STATEMENT OF FINANCIAL<br>POSITION ITEMS |             | CURRENCY<br>FORWARDS<br>NET SALE | NET POSITION |             |
|------------------------------------------|------------------------------------------|-------------|----------------------------------|--------------|-------------|
|                                          | ASSETS                                   | LIABILITIES |                                  | IN CURRENCY  | IN NOK      |
| CHF                                      | 1.5                                      | 1.4         |                                  | 0.0          | 0.1         |
| DKK                                      | 0.5                                      | 0.6         |                                  | -0.1         | -0.1        |
| EUR                                      | 5.0                                      | 28.0        | 22.6                             | 0.0          | -0.4        |
| GBP                                      | 4.1                                      | 4.2         |                                  | 0.0          | -0.1        |
| JPY                                      |                                          |             |                                  | 0.1          | 0.0         |
| SEK                                      | 7.1                                      | 7.4         | 0.3                              | -0.1         | -0.1        |
| USD                                      | 2.5                                      | 32.7        | 30.3                             | 0.0          | 0.1         |
| Andre                                    |                                          | 0.2         |                                  | -0.2         | -0.2        |
| <b>Total net currency positions 2014</b> |                                          |             |                                  |              | <b>-0.7</b> |
| Total net currency positions 2013        |                                          |             |                                  |              | -1.9        |

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 28 | Loan portfolio and guarantees

| (NOK million)                                          | 2014<br>BOOK VALUE | 2013<br>BOOK VALUE |
|--------------------------------------------------------|--------------------|--------------------|
| Lending to customers at amortised cost                 | 27 477.2           | 32 457.7           |
| Lending to customers at fair value                     | 988.8              | 1 289.0            |
| <b>Total gross lending to customers</b>                | <b>28 466.0</b>    | <b>33 746.8</b>    |
| Loan loss provisions on individual loans (see note 29) | -32.9              | -82.7              |
| Loan loss provisions on groups of loans (see note 29)  | -20.7              | -30.2              |
| <b>Net lending to customers</b>                        | <b>28 412.3</b>    | <b>33 633.9</b>    |

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

## Note 29 | Loan loss provisions

| (NOK million)                                                             | 2014<br>BOOK VALUE | 2013<br>BOOK VALUE |
|---------------------------------------------------------------------------|--------------------|--------------------|
| Loan loss provisions on individual loans 01.01                            | 82.7               | 117.3              |
| Losses realised in the period on individual loans previously written down | -137.9             | -78.3              |
| Loan loss provisions on individual loans for the period                   | 93.6               | 52.9               |
| Reversals of loan loss provisions on individual loans for the period      | -4.7               | -9.3               |
| Other corrections to loan loss provisions                                 | -0.8               | 0.0                |
| <b>Loan loss provisions on individual loans at 31.12</b>                  | <b>32.9</b>        | <b>82.7</b>        |
| Loan loss provisions on groups of loans and guarantees 01.01              | 30.2               | 39.1               |
| Grouped loan loss provisions for the period                               | -9.5               | -8.9               |
| <b>Loan loss provisions on groups of loans and guarantees etc. 31.12</b>  | <b>20.7</b>        | <b>30.2</b>        |
| <b>Total loan loss provisions (see note 28)</b>                           | <b>53.6</b>        | <b>112.9</b>       |

The bank has NOK 0,1 million in individual loss provision for guarantees as of 31.12.2014. The provision has not been changed from 2013. See also note 38.

## Intangible assets and goodwill

| (NOK million)                                                | BRAND<br>NAME | IT-<br>SYSTEMS | CUSTOMER<br>LISTS | GOODWILL   | 2014<br>BOOK VALUE | 2013<br>BOOK VALUE |
|--------------------------------------------------------------|---------------|----------------|-------------------|------------|--------------------|--------------------|
| Acquisition cost at 01.01                                    | 30.7          | 196.0          | 1.1               | 19.3       | 247.0              | 204.3              |
| Additions in the period:                                     |               |                |                   |            |                    |                    |
| Purchased separately                                         |               | 53.3           |                   |            | 53.3               | 42.8               |
| Purchased through merger, acquisition<br>or similar          |               |                |                   |            | 0.0                | 0.0                |
| Disposals in the period                                      | -30.7         | -76.2          |                   | -19.3      | -126.1             | 0.0                |
| <b>Acquisition cost at 31.12</b>                             | <b>0.0</b>    | <b>173.1</b>   | <b>1.1</b>        | <b>0.0</b> | <b>174.2</b>       | <b>247.0</b>       |
| Accumulated depreciation and write-downs<br>at 01.01         | 12.3          | 120.6          | 1.1               | 14.0       | 147.9              | 97.9               |
| Depreciation in the period (see note 14)                     | 4.6           | 20.0           |                   |            | 24.6               | 39.2               |
| Disposals in the period                                      | -24.1         | -76.2          |                   | -19.2      | -119.5             | 0.0                |
| Write-downs in the period (see note 14)                      | 7.3           |                |                   | 5.2        | 12                 | 10.8               |
| Other changes                                                |               |                |                   |            | 0.0                | 0.0                |
| <b>Accumulated depreciation and<br/>write-downs at 31.12</b> | <b>0.0</b>    | <b>64.4</b>    | <b>1.1</b>        | <b>0.0</b> | <b>65.5</b>        | <b>147.9</b>       |
| <b>Book value at 31.12</b>                                   | <b>0.0</b>    | <b>108.7</b>   | <b>0.0</b>        | <b>0.0</b> | <b>108.7</b>       | <b>99.1</b>        |

Intangible assets are depreciated on a linear basis over periods from four months to eight years. Hadrian Eiendom AS was sold in 2014. The residual value of the brand name regarding Hadrian Eiendom AS is disposed in 2014.

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 lifetime are reviewed annually.

### ANALYSIS OF GOODWILL BY BUSINESS ACQUISITION

| (NOK million)      | ACQUISITION<br>COST<br>01.01 | ACCUMULATED<br>DEPRECIATION<br>01.01.. | BOOK VALUE<br>01.01. | ADDITIONS /<br>DISPOSALS | WRITE-<br>DOWNS | BOOK VALUE<br>31.12. |
|--------------------|------------------------------|----------------------------------------|----------------------|--------------------------|-----------------|----------------------|
| Hadrian Eiendom AS | 16.1                         | -10.8                                  | 5.2                  | 0.0                      | -5.2            | 0.0                  |
| <b>Total</b>       | <b>16.1</b>                  | <b>-10.8</b>                           | <b>5.2</b>           | <b>0.0</b>               | <b>-5.2</b>     | <b>0.0</b>           |

Hadrian Eiendom AS was sold in 2014.

## Note 31 | Fixed assets

| (NOK million)                                    | FIXTURES & FITTINGS | IT         | REAL ESTATE <sup>1)</sup> | 2014 BOOK VALUE | 2013 BOOK VALUE |
|--------------------------------------------------|---------------------|------------|---------------------------|-----------------|-----------------|
| Book value at 01.01                              | 4.6                 | 0.0        | 5.0                       | 9.5             | 8.5             |
| Additions                                        |                     |            |                           | 0.0             | 3.0             |
| Disposals                                        | -0.3                |            | -1.0                      | -1.4            | 0.0             |
| Depreciation (see note 14)                       | -1.3                |            | -0.3                      | -1.5            | -2.0            |
| Write-downs in the period (se note 14)           |                     |            |                           | 0.0             | 0.0             |
| <b>Book value at 31.12</b>                       | <b>3.0</b>          | <b>0.0</b> | <b>3.6</b>                | <b>6.6</b>      | <b>9.5</b>      |
| Opening acquisition cost                         | 11.8                | 6.8        | 5.7                       | 24.3            | 24.3            |
| Closing acquisition cost                         | 10.2                | 6.8        | 5.9                       | 22.8            | 27.3            |
| Opening accumulated depreciation and write-downs | 7.2                 | 6.8        | 3.8                       | 17.8            | 15.8            |
| Closing accumulated depreciation and write-downs | 7.2                 | 6.8        | 2.3                       | 16.2            | 17.8            |

|                                        |                  |                  |                  |
|----------------------------------------|------------------|------------------|------------------|
| <b>For each class of fixed assets:</b> | Acquisition cost | Acquisition cost | Acquisition cost |
| Method for measuring cost price        |                  |                  |                  |
| 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 32 | 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 |
|-------------------------------------|--------------------------------|-----------------------------------|---------------------------------|
| Lease agreements less than 1 year   |                                |                                   |                                 |
| Lease agreements between 1 -5 years | 12.1                           | 46.3                              |                                 |
| Lease agreements more than 5 years  | 24.0                           | 96.0                              | 120.0                           |
| <b>Total</b>                        | <b>36.1</b>                    | <b>142.3</b>                      | <b>120.0</b>                    |

Of which future lease income

### Amount through the profit and loss account

| (NOK million)                                                    | 2014 | 2013 |
|------------------------------------------------------------------|------|------|
| Lease payments through the profit and loss account (see note 14) | 15.7 | 11.0 |

Operational leases are primarily lease for Storebrand's head office in Lysaker.

Costs are included in the item "General administration 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.

## Note 33 | Other current assets

| (NOK million)                                                                  | 2014<br>BOOK VALUE | 2013<br>BOOK VALUE |
|--------------------------------------------------------------------------------|--------------------|--------------------|
| Interest accrued                                                               | 52.6               | 85.8               |
| Other accrued income                                                           | 9.5                | 11.9               |
| Balances held for customers and liability to customers, real estate broking 1) |                    | 2.8                |
| Other assets                                                                   | 0.2                |                    |
| <b>Total other current assets</b>                                              | <b>62.3</b>        | <b>100.6</b>       |

1) Balances held for customers and liability to customers are related to Hadrian Eiendom AS, which has a licence to operate in real estate broking.

## Note 34 | Deposits from customers

| (NOK million)                                               | 2014<br>BOOK VALUE | 2013<br>BOOK VALUE |
|-------------------------------------------------------------|--------------------|--------------------|
| Deposits from customers without agreed maturity             | 19 158.0           | 20 359.8           |
| Term loans and deposits from customers with agreed maturity | 200.1              | 368.3              |
| <b>Total deposits from customers</b>                        | <b>19 358.1</b>    | <b>20 728.1</b>    |

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)                             | 2014<br>BOOK VALUE | 2013<br>BOOK VALUE |
|-------------------------------------------|--------------------|--------------------|
| <b>Sector and industry classification</b> |                    |                    |
| Development of building projects          | 166.0              | 230.5              |
| Sale and operation of real estate         | 1 878.6            | 2 772.9            |
| Service providers                         | 1 879.4            | 2 255.2            |
| Wage-earners                              | 13 391.8           | 12 391.3           |
| Other                                     | 2 042.3            | 3 078.1            |
| <b>Total</b>                              | <b>19 358.1</b>    | <b>20 728.1</b>    |
| <b>Geographic distribution</b>            |                    |                    |
| Eastern Norway                            | 14 807.0           | 15 867.5           |
| Western Norway                            | 2 440.5            | 2 761.8            |
| Southern Norway                           | 381.4              | 353.8              |
| Mid-Norway                                | 563.8              | 557.5              |
| Northern Norway                           | 750.8              | 700.7              |
| Rest of world                             | 414.6              | 486.7              |
| <b>Total</b>                              | <b>19 358.1</b>    | <b>20 728.1</b>    |

## Note 35 | Hedge accounting

Storebrand uses fair value hedging for interest risk. 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. Hedging effectiveness when the hedge is created measures the relationship between changes in the hedged value of the interest rate hedging instrument and the item hedged in the event of a 2-percentage point interest rate shock. Subsequently, hedging effectiveness is measured on the basis of the simple Dollar Offset method for both prospective and retrospective calculations. Hedging is expected to be highly efficient in the period.

| (NOK million)                         | 2014                          |                             |             | 2013                          |                             |             |
|---------------------------------------|-------------------------------|-----------------------------|-------------|-------------------------------|-----------------------------|-------------|
|                                       | CONTRACT/<br>NOMINAL<br>VALUE | FAIR VALUE <sup>1)</sup>    |             | CONTRACT/<br>NOMINAL<br>VALUE | FAIR VALUE <sup>1)</sup>    |             |
|                                       |                               | ASSETS                      | LIABILITIES |                               | ASSETS                      | LIABILITIES |
| Interest rate swaps                   | 2 906.5                       | 288.0                       |             | 4 117.0                       | 300.6                       |             |
| Total interest rate derivatives       | 2 906.5                       | 288.0                       | 0.0         | 4 117.0                       | 300.6                       | 0.0         |
| Total derivatives                     | 2 906.5                       | 288.0                       | 0.0         | 4 117.0                       | 300.6                       | 0.0         |
|                                       |                               |                             |             |                               |                             |             |
|                                       |                               |                             |             |                               |                             |             |
|                                       |                               |                             |             |                               |                             |             |
|                                       | CONTRACT/<br>NOMINAL<br>VALUE | HEDGING VALUE <sup>1)</sup> |             | CONTRACT/<br>NOMINAL<br>VALUE | HEDGING VALUE <sup>1)</sup> |             |
|                                       |                               | ASSETS                      | LIABILITIES |                               | ASSETS                      | LIABILITIES |
| Total underlying items                | 2 906.5                       | 0.0                         | 3 203.8     | 4 117.0                       |                             | 4 434.6     |
| Hedging effectiveness - prospective   |                               |                             | 89 %        |                               |                             | 95 %        |
| Hedging effectiveness - retrospective |                               |                             | 99 %        |                               |                             | 99 %        |

Gain/loss on fair value hedging: <sup>2)</sup>

| (NOK million)          | 2014<br>GAIN / LOSS | 2013<br>GAIN / LOSS |
|------------------------|---------------------|---------------------|
| On hedging instruments | 29.2                | -102.4              |
| On items hedged        | -27.8               | 99.0                |

1) Book value at 31.12.

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

## Note 36 | Bonds and commercial papers issued

| (NOK million)                                   | 2014<br>BOOK VALUE | 2013<br>BOOK VALUE |
|-------------------------------------------------|--------------------|--------------------|
| Commercial papers                               |                    |                    |
| Bond loans                                      | 10 858.6           | 13 523.6           |
| <b>Total bonds and commercial papers issued</b> | <b>10 858.6</b>    | <b>13 523.6</b>    |

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

## Note 37 | Subordinated loan capital

| (NOK million)                          | 2014<br>BOOK VALUE | 2013<br>BOOK VALUE |
|----------------------------------------|--------------------|--------------------|
| Dated subordinated loan capital        | 277.4              | 151.3              |
| Other subordinated loan capital        | 9.3                | 9.3                |
| Tier 1 hybrid capital                  | 224.9              | 429.2              |
| <b>Total subordinated loan capital</b> | <b>511.6</b>       | <b>589.7</b>       |

| (NOK million)                                                      | 2014  | 2013  |
|--------------------------------------------------------------------|-------|-------|
| Subordinated loan capital included in capital adequacy calculation | 511.6 | 589.7 |
| <b>Interest expense</b>                                            |       |       |
| Interest expense booked in respect of subordinated loan capital    | 31.4  | 26.3  |

All subordinated loans are denominated in NOK.  
See also note 5 for analysis of subordinated loan capital and Tier 1 hybrid capital.

## Note 38 | Provisions

| (NOK million)                                  | PROVISIONS FOR RESTRUCTURING |             |
|------------------------------------------------|------------------------------|-------------|
|                                                | 2014                         | 2013        |
| Provisions 1 January                           | 18.3                         | 17.7        |
| Provisions during the period                   | 0.0                          | 12.9        |
| Provisions used during the period              | -6.2                         | -12.3       |
| <b>Total provisions 31 December</b>            | <b>12.1</b>                  | <b>18.3</b> |
| Classified as:                                 |                              |             |
| Provision for accrued expenses and liabilities | 12.1                         | 18.3        |

The line "Allocations for costs accrued and liabilities" in the statement of financial position also includes an individual write-down of guarantees of NOK 0.1 million (see also note 29).

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

## Note 39 | Other liabilities

| (NOK million)                            | 2014<br>BOOK VALUE | 2013<br>BOOK VALUE |
|------------------------------------------|--------------------|--------------------|
| Money transfers                          | 20.6               | 8.0                |
| Accrued interest expenses financial debt |                    | 1.3                |
| Accrued expenses and prepaid income      | 47.7               | 35.5               |
| Accounts payable                         | 2.7                | 5.6                |
| Tax payable (see note 17)                | 57.1               | 70.5               |
| Other debt                               | 12.0               | 12.5               |
| <b>Total other liabilities</b>           | <b>140.0</b>       | <b>133.6</b>       |

## Note 40 | Off balance sheet liabilities and contingent liabilities

| (NOK million)                       | 2014           | 2013           |
|-------------------------------------|----------------|----------------|
| Guarantees                          | 89.6           | 241.6          |
| Undrawn credit limits               | 3 783.7        | 4 060.2        |
| Lending commitments                 | 30.5           | 77.4           |
| <b>Total contingent liabilities</b> | <b>3 903.8</b> | <b>4 379.2</b> |

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

## Note 41 | Collateral

### COLLATERAL PLEDGED AND RECEIVED

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 bonds for government papers (see table below).

### COLLATERAL AND SECURITY PLEDGED

| (NOK million)                                                                       | 2014         | 2013           |
|-------------------------------------------------------------------------------------|--------------|----------------|
| Booked value of bonds pledged as collateral for the bank's lending from Norges Bank | 650.6        | 1 498.5        |
| Booked value of bonds pledged as collateral for swap scheme                         |              |                |
| Booked value of securities pledged as collateral in other financial institutions    |              |                |
| <b>Total</b>                                                                        | <b>650.6</b> | <b>1 498.5</b> |

Securities pledged as collateral are linked to lending access in Norges Bank for which, pursuant to regulations, the loans must be fully guaranteed with collateral in interest-bearing securities and/or the bank's deposits in Norges bank. Storebrand Bank ASA has not any F-loan in Norges Bank as per 31.12.2014.

## LOAN SECURITY AT STOREBRAND BOLIGKREDITT AS

Of total loans of NOK 28.4 billion in the Bank Group, NOK 14.3 billion has been mortgaged in connection with the issuing of covered bonds (covered bond rate) in Storebrand Boligkreditt AS. Loans in Storebrand Boligkreditt AS are security for covered bonds (covered bond rate) issued in the company and these assets are therefore mortgaged through the bondholder's preferential right to the security holding in the company. Storebrand Boligkreditt AS has over-collateralisation (OC) of 35 per cent, however committed OC is 9.5 per cent. Storebrand Boligkreditt AS therefore has security that is NOK 2.8 billion more than what is committed in the loan programme. Storebrand Bank ASA considers that the risk linked to the transfer level of home loans to Storebrand Boligkreditt AS is low.

## Capital adequacy

Note  
42

### NET PRIMARY CAPITAL

| (NOK million)                                  | 2014           | 2013           |
|------------------------------------------------|----------------|----------------|
| Share capital                                  | 960.6          | 960.6          |
| Other equity                                   | 1 566.1        | 1 604.9        |
| <b>Total equity</b>                            | <b>2 526.7</b> | <b>2 565.5</b> |
| Deductions:                                    |                |                |
| Intangible assets                              | -108.7         | -99.1          |
| Deferred tax asset                             | -25.8          | -13.0          |
| Provision for group contribution               | -400.0         | -150.0         |
| <b>Core capital exc. Hybrid Tier 1 capital</b> | <b>1 992.3</b> | <b>2 303.4</b> |
| Additional Tier 1 capital:                     |                |                |
| Capital instruments eligible as AT1 capital    | 225.0          | 426.8          |
| Addition                                       |                |                |
| <b>Core capital</b>                            | <b>2 217.3</b> | <b>2 730.1</b> |
| Supplementary capital                          | 283.9          | 158.8          |
| Tier 2 capital                                 |                |                |
| Tier 2 capital deductions                      |                |                |
| <b>Net primary capital</b>                     | <b>2 501.2</b> | <b>2 888.9</b> |

## MINIMUM CAPITAL REQUIREMENT

| (NOK million)                                      | 2014           | 2013           |
|----------------------------------------------------|----------------|----------------|
| Credit risk                                        | 1 209.5        | 1 613.4        |
| Of which:                                          |                |                |
| Local and regional authorities                     | 14.4           | 8.6            |
| Institutions                                       | 12.7           | 9.9            |
| Corporates *                                       | 2.7            | 773.9          |
| Loans secured in residential real estate *         | 1 050.9        | 687.4          |
| Retail market                                      | 88.6           | 51.5           |
| Loans past-due                                     | 10.7           | 40.1           |
| Covered bonds                                      | 21.0           | 23.8           |
| Other                                              | 8.6            | 18.3           |
| <b>Total minimum requirement for credit risk</b>   | <b>1 209.5</b> | <b>1 613.4</b> |
| Settlement risk                                    |                |                |
| <b>Total minimum requirement for market risk</b>   | <b>0.0</b>     | <b>0.0</b>     |
| Operational risk                                   | 89.5           | 89.5           |
| CVA risk                                           | 38.6           |                |
| Deductions                                         |                |                |
| Loan loss provisions on groups of loans            | -1.7           | -2.4           |
| <b>Minimum requirement for net primary capital</b> | <b>1 336.0</b> | <b>1 700.5</b> |

\* According to CRD IV, exposures secured in commercial real estate or residential real estate are to be classified as exposures to immovable property. This change has come into effect as of 30 September 2014.

## CAPITAL ADEQUACY

|                                                | 2014   | 2013   |
|------------------------------------------------|--------|--------|
| Capital ratio                                  | 15.0 % | 13.6 % |
| Core (tier 1) capital ratio                    | 13.3 % | 12.8 % |
| Core capital ratio excl. Hybrid Tier 1 capital | 11.9 % | 10.8 % |

The standard method is used for credit risk and market risk, and the basic method for operational risk. New capital requirements came into force from 1 July 2013. The overall requirements for core tier 1 capital and the capital base are 9 and 12.5 per cent respectively as of 1 July 2013, and 10 and 13.5 per cent respectively as of 1 July 2014. The introduction of a counter-cyclical capital buffer of 1 per cent core tier 1 capital should be expected from 30 June 2015. Regulation on own funds requirements for credit valuation adjustment risk (CVA-charge) has entered into force on September 30th, 2014. Minimum capital requirements for the 4th quarter 2014 are inclusive of CVA-charge.

## BASIS OF CALCULATION (RISK-WEIGHTED VOLUME)

| (NOK million)                                      | 2014            | 2013            |
|----------------------------------------------------|-----------------|-----------------|
| Credit risk                                        | 15 119.2        | 20 168.1        |
| Of which:                                          |                 |                 |
| Local and regional authorities                     | 180.1           | 106.9           |
| Public sector owned corporates                     |                 |                 |
| Institutions                                       | 158.7           | 123.1           |
| Corporates                                         | 33.5            | 9 674.1         |
| Loans secured in residential real estate           | 13 136.4        | 8 593.0         |
| Retail market                                      | 1 107.1         | 644.0           |
| Loans past-due                                     | 133.2           | 501.0           |
| Covered bonds                                      | 262.7           | 297.3           |
| Other                                              | 107.5           | 228.6           |
| <b>Total minimum requirement for credit risk</b>   | <b>15 119.2</b> | <b>20 168.1</b> |
| Settlement risk                                    | 0.0             | 0.0             |
| <b>Total minimum requirement for market risk</b>   | <b>0.0</b>      | <b>0.0</b>      |
| Operational risk                                   | 1 118.8         | 1 118.8         |
| CVA risk                                           | 482.2           | 0.0             |
| Deductions:                                        |                 |                 |
| Loan loss provisions on groups of loans            | -20.7           | -30.2           |
| <b>Minimum requirement for net primary capital</b> | <b>16 699.4</b> | <b>21 256.7</b> |

## Note 43 | Changes in the Group's composition

Storebrand Bank ASA decided to wind up ownership of Ring Eiendomsmegling AS and subsidiaries in December 2011. The result, assets and liabilities for Ring Eiendomsmegling AS have been classified as sold / wound up business in the bank's consolidated financial statements. See note 45 Businesses sold and discontinued operations.

Hadrian Eiendom AS was sold in 2014 to the chief executive officer and former owners of the company for NOK 14.5 million. Realised loss on the sale of Hadrian is NOK 10.5 million.

Bjørndalen Panorama AS and Filipstad Tomteselskap AS merged in 2014 with continuity for accounting and tax purposes. Bjørndalen Panorama AS is the acquiring company.

#### TRANSACTIONS WITH GROUP COMPANIES

| (NOK million)      | 2014<br>OTHER GROUP<br>COMPANIES <sup>1)</sup> | 2013<br>OTHER GROUP<br>COMPANIES <sup>1)</sup> |
|--------------------|------------------------------------------------|------------------------------------------------|
| Interest income    |                                                |                                                |
| Interest expense   |                                                |                                                |
| Services sold      | 4.2                                            | 3.6                                            |
| Services purchased | 55.4                                           | 89.1                                           |
| Due from           | 0.7                                            | 0.8                                            |
| Liabilities to     | 1.9                                            | 6.7                                            |

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

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

#### 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 Storebrand 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 9.5 million as revenue in the accounts for 2015 and the bank has a receivable due from the company of NOK 1.4 million as of 31.12.2014. 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 based on 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 Storebrand 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 2014 and the bank has a receivable due from the company of NOK 3.3 million as of 31.12.2014. The fees paid to the bank are based on the arm's length principle.

Storebrand Bank ASA conducts transactions with related parties as part of its normal business activities. These transactions take place on commercial terms. The terms for transactions with senior employees and related parties are stipulated in note 44 for Storebrand Bank ASA.

#### LOANS TO EMPLOYEES:

| (NOK million)                                                        | 2014    | 2013    |
|----------------------------------------------------------------------|---------|---------|
| Loans to employees of Storebrand Bank ASA                            | 191.2   | 66.9    |
| Loans to employees of Storebrand group including Storebrand Bank ASA | 2 713.8 | 2 665.5 |

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:

|                                                                               | 2014 | 2013 |
|-------------------------------------------------------------------------------|------|------|
| Number of employees at 31 December <sup>1)</sup>                              | 110  | 112  |
| Number of employees expressed as full-time equivalent positions <sup>1)</sup> | 109  | 110  |

1) Includes employees and person-years in Storebrand Bank ASA for 2014 and Storebrand Bank ASA and Hadrian Eiendom AS for 2013.

## Sold operations or discontinued operations

Storebrand Bank ASA has decided to withdraw from estate agency and Ring Eiendomsmegling AS and its subsidiaries will be wind-up. Due to the decision to 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)                   | 2014        | 2013        |
|---------------------------------|-------------|-------------|
| Net interest income             | 0.0         | -0.1        |
| Other income                    | 0.5         | -0.3        |
| Staff expenses                  |             | 0.2         |
| General administration expenses | -0.2        | -0.5        |
| Other operating costs           | -1.2        | -3.0        |
| Total operating costs           | -1.4        | -3.3        |
| <b>Profit before tax</b>        | <b>-0.9</b> | <b>-3.8</b> |
| Tax                             | 0.0         | 0.0         |
| <b>Profit for the year</b>      | <b>-1.0</b> | <b>-3.8</b> |

### BALANCE SHEET ITEMS

| (NOK million)            | 2014       | 2013       |
|--------------------------|------------|------------|
| Other current assets     | 0.0        | 0.3        |
| <b>Total assets</b>      | <b>0.0</b> | <b>0.3</b> |
| Total other liabilities  | 0.1        | 0.5        |
| <b>Total liabilities</b> | <b>0.1</b> | <b>0.5</b> |

Ring Eiendomsmegling AS has not any balances held for customers at 31.12.2014.

## CASH FLOW ANALYSIS

| (NOK million)                                          | 2014        | 2013        |
|--------------------------------------------------------|-------------|-------------|
| Receipts of operating income from franchises and other | 0.5         | 0.6         |
| Net receipts/payments of tax                           | 0.1         |             |
| Payments of operating costs                            | -1.4        | -5.2        |
| Net receipts/payments on other operating activities    | -0.4        | 3.6         |
| <b>Net cash flow from operating activities</b>         | <b>-1.3</b> | <b>-1.1</b> |
| Net payments on purchase/sale of fixed assets etc.     |             |             |
| <b>Net cash flow from investment activities</b>        | <b>0.0</b>  | <b>0.0</b>  |
| Net receipts related to merger                         |             | 17.7        |
| Payments of debt                                       |             | -7.6        |
| Net receipts - minority interests                      |             | -0.9        |
| Net receipts/payments of group contribution            | 2.0         |             |
| <b>Net cash flow from financing activities</b>         | <b>2.0</b>  | <b>9.2</b>  |
| <b>Net cash flow in the period</b>                     | <b>0.7</b>  | <b>8.1</b>  |
| Net cash flow in the period                            | 0.7         | 8.1         |
| Cash and bank deposits at the start of the period      | 6.1         | -1.9        |
| <b>Cash and bank deposits at the end of the period</b> | <b>6.9</b>  | <b>6.1</b>  |

# Storebrand Bank ASA

## Profit and loss account

### 1 January - 31 December

| (NOK million)                                   | NOTE           | 2014          | 2013          |
|-------------------------------------------------|----------------|---------------|---------------|
| Interest income                                 |                | 899.2         | 1 073.3       |
| Interest expense                                |                | -671.8        | -782.6        |
| <b>Net interest income</b>                      | 10             | <b>227.4</b>  | <b>290.7</b>  |
| Fee and commission income from banking services |                | 83.8          | 95.1          |
| Fee and commission expense for banking services |                | -14.9         | -11.8         |
| <b>Net fee and commission income</b>            | 11             | <b>68.9</b>   | <b>83.3</b>   |
| Net gains on financial instruments              | 10             | 12.7          | -13.6         |
| Other income                                    | 12             | 214.1         | 211.6         |
| <b>Total other operating income</b>             |                | <b>226.7</b>  | <b>198.0</b>  |
| Staff expenses                                  | 14, 15         | -73.0         | -118.0        |
| General administration expenses                 | 14             | -53.7         | -54.8         |
| Other operating costs                           | 13, 14, 31, 32 | -113.7        | -168.4        |
| <b>Total operating costs</b>                    |                | <b>-240.3</b> | <b>-341.2</b> |
| Operating profit before loan losses             |                | 282.6         | 230.8         |
| Loan losses for the period                      | 16             | -74.6         | -9.1          |
| <b>Profit before tax</b>                        |                | <b>208.0</b>  | <b>221.7</b>  |
| Tax                                             | 17             | -59.3         | -70.9         |
| <b>Profit for the year</b>                      |                | <b>148.8</b>  | <b>150.8</b>  |
| Transfers and allocations:                      |                |               |               |
| Transferred to/from other equity                |                | 251.2         | 30.6          |
| Provision for group contribution                |                | -400.0        | -181.4        |
| <b>Total transfers and allocations</b>          |                | <b>-148.8</b> | <b>-150.8</b> |

## Statement of comprehensive income

| (NOK million)                                                          | NOTE | 2014         | 2013         |
|------------------------------------------------------------------------|------|--------------|--------------|
| Profit for the year                                                    |      | 148.8        | 150.8        |
| <b>Other result elements not to be classified to profit/loss</b>       |      |              |              |
| Pension experience adjustments                                         | 15   | -35.1        | -5.7         |
| Tax on pension experience adjustments                                  | 17   | 9.5          | 2.1          |
| <b>Total other result elements not to be classified to profit/loss</b> |      | <b>-25.6</b> | <b>-3.5</b>  |
| <b>Total comprehensive income for the period</b>                       |      | <b>123.2</b> | <b>147.2</b> |

# Storebrand Bank ASA

## Statement of financial position - balance sheet

31 December

### ASSETS

| (NOK million)                                                                  | NOTE                | 2014            | 2013            |
|--------------------------------------------------------------------------------|---------------------|-----------------|-----------------|
| Cash and deposits with central banks                                           | 4, 18, 20           | 181.0           | 19.8            |
| Loans to and deposits with credit institutions                                 | 4, 8, 18, 19, 21    | 2 848.2         | 2 198.9         |
| Financial assets designated at fair value through the profit and loss account: |                     |                 |                 |
| Equity instruments                                                             | 8, 18, 22           | 2.0             | 1.7             |
| Bonds and other fixed-income securities                                        | 4, 8, 18, 24, 26    | 6 181.7         | 5 550.2         |
| Derivatives                                                                    | 4, 5, 8, 18, 27, 36 | 511.7           | 445.5           |
| Bonds at amortised cost                                                        | 4, 18, 19, 25       | 1 006.7         | 1 541.8         |
| Other current assets                                                           | 18, 19, 34          | 1 155.0         | 1 223.3         |
| Gross lending, amortised cost                                                  | 4, 8, 18, 19, 29    | 13 169.6        | 17 643.3        |
| Gross lending, FVO                                                             | 8, 19               | 988.8           | 1 289.0         |
| Loan loss provisions                                                           | 4, 29               | -51.0           | -109.8          |
| Net lending to customers                                                       | 4, 18, 29           | 14 107.4        | 18 822.5        |
| Tangible assets                                                                | 32                  | 3.6             | 6.2             |
| Intangible assets and goodwill                                                 | 31                  | 108.7           | 75.4            |
| Deferred tax assets                                                            | 17                  | 25.2            | 18.2            |
| <b>Total assets</b>                                                            |                     | <b>26 131.3</b> | <b>29 903.6</b> |

# Storebrand Bank ASA

## Statement of financial position - balance sheet

### 31 December

#### LIABILITIES AND EQUITY

| (NOK million)                                  | NOTE              | 2014            | 2013            |
|------------------------------------------------|-------------------|-----------------|-----------------|
| Liabilities to credit institutions             | 5, 8, 18, 19, 26  | 325.9           | 1 329.5         |
| Deposits from and due to customers             | 5, 18, 19, 35     | 19 366.1        | 20 749.0        |
| Other financial liabilities:                   |                   |                 |                 |
| Derivatives                                    | 8, 18, 27         | 545.1           | 411.0           |
| Commercial paper and bonds issued              | 5, 18, 19, 36, 37 | 2 677.2         | 4 050.8         |
| Other liabilities                              | 5, 18, 19, 40     | 568.2           | 326.1           |
| Provision for accrued expenses and liabilities | 39                | 12.2            | 18.4            |
| Pension liabilities                            | 15                | 30.8            | 57.8            |
| Subordinated loan capital                      | 5, 18, 19, 38     | 511.6           | 589.7           |
| <b>Total liabilities</b>                       |                   | <b>24 037.1</b> | <b>27 532.4</b> |
| Share capital                                  |                   | 960.6           | 960.6           |
| Share premium                                  |                   | 156.0           | 156.0           |
| Other paid-in share capital                    |                   | 571.8           | 571.8           |
| Retained earnings                              |                   | 405.7           | 682.8           |
| <b>Total equity</b>                            |                   | <b>2 094.1</b>  | <b>2 371.2</b>  |
| <b>Total liabilities and equity</b>            |                   | <b>26 131.3</b> | <b>29 903.6</b> |

Lysaker, 10 February 2015  
The Board of Directors of Storebrand Bank ASA

Translation - *not to be signed*

**Heidi Skaaret**  
Chairman of the Board

**Geir Holmgren**  
Deputy Chairman

**Leif Helmich Pedersen**  
Board Member

**Inger Roll-Matthiesen**  
Board Member

**Ranveig S. Ofstad**  
Board Member

**Truls Nergaard**  
CEO

# Storebrand Bank ASA

## Reconciliation of equity

| (NOK million)                                                          | PAID-IN EQUITY |               |                      | OTHER EQUITY         |              |                    | TOTAL EQUITY   |
|------------------------------------------------------------------------|----------------|---------------|----------------------|----------------------|--------------|--------------------|----------------|
|                                                                        | SHARE CAPITAL  | SHARE PREMIUM | OTHER PAID-IN EQUITY | TOTAL PAID-IN EQUITY | OTHER EQUITY | TOTAL OTHER EQUITY |                |
| Equity at 31.12.2012                                                   | 960.6          | 156.0         | 540.5                | 1 657.0              | 717.5        | 717.6              | 2 374.6        |
| Profit for the period                                                  |                |               |                      |                      | 150.8        | 150.8              | 150.8          |
| Pension experience adjustments (see note 15)                           |                |               |                      |                      | -3.5         | -3.5               | -3.5           |
| <b>Total other result elements not to be classified to profit/loss</b> | <b>0.0</b>     | <b>0.0</b>    | <b>0.0</b>           | <b>0.0</b>           | <b>-3.5</b>  | <b>-3.5</b>        | <b>-3.5</b>    |
| <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>147.2</b> | <b>147.2</b>       | <b>147.2</b>   |
| <b>Equity transactions with owners:</b>                                |                |               |                      |                      |              |                    |                |
| Group contribution paid (see note 17)                                  |                |               |                      |                      | -181.4       | -181.4             | -181.4         |
| Receipts of group contribution                                         |                |               | 31.4                 | 31.4                 |              | 0.0                | 31.4           |
| Change in group contribution paid for 2012                             |                |               |                      |                      | -0.6         | -0.6               | -0.6           |
| <b>Equity at 31.12.2013</b>                                            | <b>960.6</b>   | <b>156.0</b>  | <b>571.8</b>         | <b>1 688.4</b>       | <b>682.8</b> | <b>682.8</b>       | <b>2 371.2</b> |
| Profit for the period                                                  |                |               |                      |                      | 148.8        | 148.8              | 148.8          |
| Pension experience adjustments (see note 15)                           |                |               |                      |                      | -25.6        | -25.6              | -25.6          |
| <b>Total other result elements not to be classified to profit/loss</b> | <b>0.0</b>     | <b>0.0</b>    | <b>0.0</b>           | <b>0.0</b>           | <b>-25.6</b> | <b>-25.6</b>       | <b>-25.6</b>   |
| <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>123.2</b> | <b>123.2</b>       | <b>123.2</b>   |
| <b>Egenkapitaltransaksjoner med eiere:</b>                             |                |               |                      |                      |              |                    |                |
| Change in group contribution paid for 2013                             |                |               |                      |                      | 0.7          | 0.7                | 0.7            |
| Change in group contribution received for 2014                         |                |               |                      |                      | -0.9         | -0.9               | -0.9           |
| Group contribution paid                                                |                |               |                      |                      | -400.0       | -400.0             | -400.0         |
| <b>Equity at 31.12.2014</b>                                            | <b>960.6</b>   | <b>156.0</b>  | <b>571.8</b>         | <b>1 688.4</b>       | <b>405.7</b> | <b>405.7</b>       | <b>2 094.1</b> |

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 reserve and other equity is evaluated and managed together. The share premium and other equity may be used in accordance with the provisions of the Public Limited Liabilities Company Act.

Storebrand Bank 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.

For further information on the group's fulfilment of the capital requirements, see note 43.

# Storebrand Bank ASA

## Cash flow statement

### 1 January - 31 December

| (NOK million)                                                 | NOTE | 2014            | 2013            |
|---------------------------------------------------------------|------|-----------------|-----------------|
| <b>Cash flow from operations</b>                              |      |                 |                 |
| Receipts of interest, commissions and fees from customers     |      | 730.5           | 1 029.0         |
| Payments of interest, commissions and fees to customers       |      | -523.3          | -556.1          |
| Net disbursement/payments on customer loans                   |      | 4 797.0         | -798.7          |
| Net receipts/payments of deposits from banking customers      |      | -1 382.9        | 799.9           |
| Net receipts/payments - securities at fair value              |      | 36.8            | -396.9          |
| Payments of operating costs                                   |      | -228.9          | -297.5          |
| <b>Net cash flow from operating activities</b>                |      | <b>3 429.1</b>  | <b>-220.3</b>   |
| <b>Cash flow from investment activities</b>                   |      |                 |                 |
| Net receipts on sale of subsidiaries and associated companies | 23   | 14.5            | 0.1             |
| Net payments on purchase/capitalisation of subsidiaries       | 23   | 0.0             | -175.0          |
| Net payments on purchase/sale of fixed assets etc.            | 31   | -51.1           | -42.8           |
| <b>Net cash flow from investment activities</b>               |      | <b>-36.6</b>    | <b>-217.6</b>   |
| <b>Cash flow from financing activities</b>                    |      |                 |                 |
| Payments - repayments of loans and issuing of bond debt       |      | -1 371.9        | -1 106.5        |
| Receipts - new loans and issuing of bond debt                 |      |                 | 500.4           |
| Payments - interest on loans                                  |      | -124.2          | -183.1          |
| Receipts - subordinated loan capital                          |      | 200.0           | 150.0           |
| Payments - repayments of subordinated loan capital            |      | -275.8          |                 |
| Payments - interest on subordinated loan capital              |      | -31.2           | -26.3           |
| Net receipts/payments of liabilities to credit institutions   |      | -997.4          | -1 466.4        |
| Receipts - group contribution                                 |      | 279.1           | 252.8           |
| Payments - group contribution / dividends                     |      | -260.6          | -236.3          |
| <b>Net cash flow from financing activities</b>                |      | <b>-2 582.0</b> | <b>-2 115.4</b> |
| <b>Net cash flow in the period</b>                            |      | <b>810.5</b>    | <b>-2 553.3</b> |
| Net cash flow in the period                                   |      | 810.5           | -2 553.3        |
| Cash and bank deposits at the start of the period             |      | 2 218.7         | 4 772.1         |
| <b>Cash and bank deposits at the end of the period</b>        |      | <b>3 029.2</b>  | <b>2 218.7</b>  |
| Cash and deposits with central banks                          | 20   | 181.0           | 19.8            |
| Loans to and deposits with credit institutions                | 21   | 2 848.2         | 2 198.9         |
| <b>Total cash and bank deposits in the balance sheet</b>      |      | <b>3 029.2</b>  | <b>2 218.7</b>  |

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

#### OPERATIONAL ACTIVITIES

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

#### INVESTMENT ACTIVITIES

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

#### FINANCING ACTIVITIES

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

#### CASH/CASH EQUIVALENTS

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

# Notes

## Storebrand Bank ASA

### Note 01 | Company information and accounting policies

#### 1. COMPANY INFORMATION

Storebrand Bank ASA is a Norwegian public limited company with bonds listed on Oslo Børs. The financial statements for 2014 were approved by the Board of Directors on 10 February 2015.

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 FOR PREPARATION OF THE FINANCIAL STATEMENTS

The accounting policies applied in the group 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

There are new and amended accounting standards that came into effect on 1 January 2014, but which have not had any significant effect on the financial statements.

##### NEW STANDARDS AND CHANGES IN STANDARDS THAT HAVE NOT COME INTO EFFECT

IFRS 9 Financial Instruments will be an important standard for Storebrand Bank's financial statements. Among other things, the standard deals with classification of financial instruments (use of fair value and amortised cost) and rules for writing down financial instruments. No implementation date has been decided. No new accounting standards that will have a significant impact on Storebrand Bank's financial statements are expected to be implemented in 2015.

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

The assets side of Storebrand Bank'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. INCOME RECOGNITION

##### NET INTEREST INCOME - BANKING

Interest income is recognised in profit or loss using the effective interest method.

##### INCOME FROM PROPERTIES AND FINANCIAL ASSETS

Income from properties and financial assets is described in section 7.

## OTHER INCOME

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

## 6. INTANGIBLE ASSETS

Intangible assets with limited useful economic lives are 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.

## 7. FINANCIAL INSTRUMENTS

### 7-1. 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. Normal purchases and sales of financial assets are recorded on the transaction date and financial liabilities are recorded on settlement 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/liability if it is not a financial asset/liability at fair value in profit or loss.

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, loans and receivables as well as financial liabilities not at fair value in profit or loss are measured at amortised cost using the effective interest method. The calculation of the effective interest rate involves estimating all cash flows and all of the 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 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 on each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

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

The amount of the loss is recognised in profit or loss.

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

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

**Financial assets are classified into one of the following categories:**

- Financial assets held for trading
- Financial assets at fair value through profit or loss in accordance with the fair value option (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, is part of a portfolio of identified financial instruments that are managed together and there is evidence of a recent actual pattern of short-term profit-taking, or
- it is a derivative that is not designated and effective as a hedging instrument.

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

Financial assets held for trading are measured at fair value at the reporting date, with all changes in their fair value recognised in profit or loss.

### **At fair value through profit or loss in accordance with the fair value option (FVO)**

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

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

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

### **Loans and receivables**

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

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

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

## **7-3. DERIVATIVES**

### **Definition of a derivative**

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

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

### **Accounting treatment of derivatives that are not hedging**

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

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

## **7-4. HEDGE ACCOUNTING**

### **Fair value hedging**

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

## 7-5. FINANCIAL LIABILITIES

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

## 8. PENSION LIABILITIES FOR OWN EMPLOYEES

Storebrand Bank has offered a defined-contribution scheme to its employees since 01.01.2011. Most of the other employees have had a defined-benefit pension. In the fourth quarter of 2014 it was decided to discontinue the defined-benefit scheme for most employees with effect from 31 December of 2014 and replace it with a defined-contribution scheme. Storebrand is a member of the Norwegian contractual early retirement (AFP) pension scheme. The Norwegian AFP scheme is regarded as a defined-benefit scheme, but there is insufficient quantitative information to be able to estimate reliable accounting obligations and costs.

### 8-1. 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. 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 in Norway is managed by Storebrand Livsforsikring AS. Employees who resign before reaching retirement age or leave the scheme will be issued ordinary paid-up policies.

### 8-2. DEFINED-CONTRIBUTION SCHEME

The defined-contribution pension scheme involves the Group in paying an annual contribution to the employees' collective pension savings. The future pension will depend 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.

## 9. TANGIBLE FIXED ASSETS

The Group's tangible fixed assets consist of machines, inventory and IT systems. Equipment and fittings are valued at acquisition cost less accumulated depreciation and any write-downs.

The write-down 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. Properties are split into components if different parts have different useful economic lives. The depreciation period and method of depreciation are evaluated separately for each component.

The value of a tangible fixed asset is tested when there are indications that its value has been impaired. Any 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 costs of sale and the value in use. On each reporting date a determination is made as to whether to reverse previous impairment losses on non-financial assets.

## 10. TAX

The tax expense in the income statement comprises current tax and changes to deferred tax and is based on the accounting standard IAS 12 Income Taxes. Tax is recognised in the income statement, except to the extent that it relates to items recognised 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 carryforwards, deductible temporary differences and taxable temporary differences.

## 11. 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.

## 12. LEASING

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

## 13. STATEMENT OF CASH FLOWS

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

## 14. 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 02

### Important 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.

### LOAN WRITE-DOWNS

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

### INDIVIDUAL WRITE-DOWNS

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

### GROUP WRITE-DOWNS

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

- i) If risk classifications significantly change in a negative direction, then group write-downs have to be made based on the portfolio's probable future cash flow. Such assessments are made at an account level and the customer's current classification is assessed in relation to the classification when the individual commitment was granted. It is the negative changes in classification from the date the commitments were established to the current classification that determine whether or not a commitment falls into a group that is the subject of write-downs. These write-downs are based on the write-down rates that are set on the basis of the bank's best judgement and the assumption that there will be a delay between when the loss incident occurs and when it is discovered.
- ii) Group write-downs based on macro factors are made in light of objective macroeconomic events. Examples of such events include higher unemployment, higher interest rates, poorer economic cycle forecasts, falling house prices, etc. Group write-downs are calculated by multiplying the total commitment amount for a group of commitments that are assumed to be affected by such macroeconomic incidents by a write-down rate for macro factors.

#### **BONDS AT AMORTISED COST**

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

#### **FINANCIAL INSTRUMENTS AT FAIR VALUE**

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

In 2013, there was growing uncertainty regarding the pricing of fixed-rate loans recorded at fair value, as there is a great variation in the interest rate terms offered by banks, while the demand for fixed-rate loans has decreased. As a result, it has been more difficult to find observable conditions. The bank reclassified fixed-rate loans from level 2 to level 3 in the first quarter of 2013 in terms of the valuation hierarchy.

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

#### **OTHER INTANGIBLE ASSETS WITH UNDEFINED USEFUL ECONOMIC LIVES**

Other intangible assets with undefined useful economic lives are tested annually for impairment. 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.

#### **PENSIONS FOR OWN EMPLOYEES**

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 Group has both secured and unsecured pension schemes (pension over operations). There will be uncertainty associated with these estimates.

#### **CONTINGENT LIABILITIES**

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

## Note 03 | Risk management

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

### ORGANISATION OF RISK MANAGEMENT

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

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

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

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

Level 2 managers with personnel responsibility must submit an annual confirmation that documents how risk management has functioned during the period.

### INDEPENDENT CONTROL FUNCTIONS

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

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

## Note 04 | Credit risk

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

### RISK MANAGEMENT

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

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

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

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

## RISK CONTROL

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

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

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

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

## ANALYSIS OF CREDIT RISK BY TYPE OF FINANCIAL INSTRUMENT

The maximum credit exposure is the sum of gross loans, guarantees, amounts drawn from credit lines and undrawn amounts of credit lines. Maximum credit exposure has increased from the end of 2013 due to an increase in the amount of loans and an increase in the liquidity portfolio.

| (NOK million)                                                                   | MAKSIMAL KREDITTEKSPONERING |                 |
|---------------------------------------------------------------------------------|-----------------------------|-----------------|
|                                                                                 | 2014                        | 2013            |
| Liquidity portfolio                                                             | 7 195.2                     | 7 096.4         |
| Total loans to and deposits with credit institutions and central bank           | 3 029.2                     | 2 218.7         |
| Total commitments customers <sup>1)</sup>                                       | 16 279.9                    | 21 428.6        |
| Interest rate swaps                                                             | 511.7                       | 445.4           |
| Forward foreign exchange contracts                                              |                             | 0.1             |
| <b>Total</b>                                                                    | <b>27 016.0</b>             | <b>31 189.3</b> |
| 1) Of which net loans to and amounts due from customers measured at fair value: | 988.8                       | 1 289.0         |

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 drawing facility and guarantees.

## CREDIT RISK LIQUIDITY PORTFOLIO

### Interest-bearing securities at fair value Credit risk per counterparty

| Short-term holdings of interest-bearing securities<br>Issuer category<br>(NOK million) | AAA            | AA             | A             | BBB           | NIG           | TOTAL<br>2014  | TOTAL<br>2013  |
|----------------------------------------------------------------------------------------|----------------|----------------|---------------|---------------|---------------|----------------|----------------|
|                                                                                        | FAIR<br>VALUE  | FAIR<br>VALUE  | FAIR<br>VALUE | FAIR<br>VALUE | FAIR<br>VALUE | FAIR<br>VALUE  | FAIR<br>VALUE  |
| Sovereign and Government Guaranteed bonds                                              | 100.4          |                |               |               |               | 100.4          | 100.3          |
| Credit bonds                                                                           |                | 900.3          |               |               |               | 900.3          | 534.6          |
| Mortgage and asset backed bonds                                                        | 5 045.9        | 135.1          |               |               |               | 5 181.1        | 4 915.3        |
| <b>Total</b>                                                                           | <b>5 146.3</b> | <b>1 035.4</b> | <b>0.0</b>    | <b>0.0</b>    | <b>0.0</b>    | <b>6 181.7</b> | <b>5 550.2</b> |
| Rating classes are based on Standard & Pools.                                          |                |                |               |               |               |                |                |
| Change in value:                                                                       |                |                |               |               |               |                |                |
| Total change in value on the balance sheet                                             | 23.9           | 3.3            |               |               |               | 27.2           | 20.6           |
| Change in value recognised in the profit and loss during period                        | 4.2            | 2.5            |               |               |               | 6.6            | -13.2          |

**Interest-bearing securities at amortised cost**  
**Credit risk per counterparty**

|                                                    | AAA          | AA          | A          | BBB        | NIG        | TOTAL<br>2014  | TOTAL<br>2013  |
|----------------------------------------------------|--------------|-------------|------------|------------|------------|----------------|----------------|
| Short-term holdings of interest-bearing securities | FAIR         | FAIR        | FAIR       | FAIR       | FAIR       | FAIR           | FAIR           |
| Issuer category<br>(NOK million)                   | VALUE        | VALUE       | VALUE      | VALUE      | VALUE      | VALUE          | VALUE          |
| Public issuers and Government Guaranteed Bonds     | 628.4        |             |            |            |            | 628.4          | 727.5          |
| Credit bonds                                       |              |             |            |            |            | 0.0            | 0.0            |
| Mortgage and asset backed bonds                    | 354.7        | 30.4        |            |            |            | 385.1          | 818.7          |
| <b>Total</b>                                       | <b>983.1</b> | <b>30.4</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>1 013.5</b> | <b>1 546.1</b> |

Rating classes are based on Standard & Pooers.

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

|                                                                              | AAA            | AA          | A           | BBB        | NIG        | TOTAL<br>2014  | TOTAL<br>2013  |
|------------------------------------------------------------------------------|----------------|-------------|-------------|------------|------------|----------------|----------------|
| (NOK million)                                                                | FAIR           | FAIR        | FAIR        | FAIR       | FAIR       | FAIR           | FAIR           |
|                                                                              | VALUE          | VALUE       | VALUE       | VALUE      | VALUE      | VALUE          | VALUE          |
| Norway                                                                       | 181.0          |             |             |            |            | 181.0          | 19.8           |
| <b>Total deposits with central bank</b>                                      | <b>181.0</b>   | <b>0.0</b>  | <b>0.0</b>  | <b>0.0</b> | <b>0.0</b> | <b>181.0</b>   | <b>19.8</b>    |
| Norway                                                                       | 2 747.0        | 46.9        |             |            |            | 2 793.9        | 2 155.2        |
| Denmark                                                                      |                |             | 54.3        |            |            | 54.3           | 43.7           |
| <b>Total loans to and deposits with credit institutions</b>                  | <b>2 747.0</b> | <b>46.9</b> | <b>54.3</b> | <b>0.0</b> | <b>0.0</b> | <b>2 848.2</b> | <b>2 198.9</b> |
| <b>Total loans to and deposits with credit institutions and central bank</b> | <b>2 928.0</b> | <b>46.9</b> | <b>54.3</b> | <b>0.0</b> | <b>0.0</b> | <b>3 029.2</b> | <b>2 218.7</b> |

**CREDIT EXPOSURE FOR LENDING ACTIVITIES**

**CORPORATE MARKET**

Gross lending in the corporate market represents about NOK 4.5 billion. There is also about NOK 108 million in unused credit facilities and about NOK 90 million in guarantees. In addition, loans of nearly NOK 4.7 billion are under management, which are syndicated to Storebrand Livsforsikring AS.

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

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

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

A scorecard has been drawn up for projects in both IGE and development properties. Development properties are further split into three scorecards to identify different characteristics in this type of project. The scorecard for IGE and construction loans for rental includes the property's location, tenant risk, development and zoning risk in the property assessment, at the same time that the downside risk is assessed, as well as the strength of the cash flow. The scorecard for construction loans for rental assesses cost risk, conversion risk and execution risk in the risk dimension project risk, but tenant risk and location are part of the property assessment. Downside risk and the strength of the cash flow are also assessed. The scorecard for construction loans for sale assesses cost risk

and execution risk in the risk dimension project risk and the sales buffer residual risk, quality of advance sales and location in the risk dimension sales risk. The scorecard for loans for plots assesses liquidity risk, loan-to-value ratio and sensitivity of construction costs in the risk dimension financial risk, and the project complexity and the builder's experience/competence in the risk dimension execution risk. Political risk is another dimension that is assessed. A simple debtor scorecard has also been developed, where qualitative assessments are made in the risk dimensions business risk, financial risk, and ownership. The cash flow assessment is given greatest emphasis for IGE. The most important risk dimension for construction loans is project risk. Accordingly, financial risk is the most important risk dimension for loans for plots.

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

Based on the Corporate Market expert model, about 71 per cent of loans are for IGE. About 20 per cent are for development properties. 9 per cent are outside the area of validity of the model, and represent loans for different purposes. The Corporate Market portfolio is generally secured on commercial property. A bare 4 per cent of the portfolio has other security than commercial property or is unsecured (credit card and credit accounts).

A debenture loan of just over NOK 31 million kroner was granted at the end of 2014, but the funds have not been disbursed.

About 37 % of the portfolio relates to Group debtors with total loans of over NOK 200 million. The definition of a Group debtor is given in the regulations relating to large loans. 31 % of the portfolio relates to Group debtors with total loans under NOK 50 million. 32 % of the loans have been made to customers with consolidated exposure of between NOK 50 million and NOK 200 million. The bank has 6 group debtors (with 12 debtors in total) with total loans exceeding NOK 200 million, and 16 group debtors (with 40 debtors in total) with total borrowings of between NOK 50 million and NOK 200 million.

The bank's exposure is secured by pledged assets in Oslo, equivalent to almost 65 %. A further 27% 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, Kristiansand and Stavanger. Assets pledged are valued at their realisable values in addition to separate assessments based on return considerations.

At the end of 2014, about 64 per cent of the amount granted was linked to loans in risk classes A to D, while about 9 per cent was in risk classes G to J. The loans must be classified both on establishment and when there are changes in the loans. In addition, corporate market customers are to be reclassified annually or as necessary. The classifications thereby provide an overview of the risk exposure in the portfolio at all times. The bank measures the Corporate Market portfolio's distribution into risk classes on a quarterly basis.

Of loans that are not non-performing or in arrears, about 82 % of the loans have a loan to value ratio of under 80%. Approximately 85 % of the loans have a loan to value ratio within 90%. The remaining healthy loans have a loan to value ratio of under 100% for the most part.

The volume of non-performing loans without impairment at the end of 2014 covers two loans to the same customer, and represents just under NOK 0.14 million. The risk of loss linked to these loans is considered very low.

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

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

## **RETAIL MARKET**

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

Storebrand Bank has developed internal models for classifying home loans. The models estimate a loan's Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD). PD estimates are based on a logistical regression model where late payment notices, reminders, overdrafts and information about assets are key explanatory variables when predicting defaults. When estimating the LGD, the loan-to-value ratio is the most important explanatory variable. Mortgage loans are classified according to the bank's master scale, consisting of 11 risk classes from A to K, with A indicating the lowest default probability and K containing non-performing loans. The classification of home loans is automatically updated on a monthly basis. At the end of 2014, about 64 per cent of the EAD was linked to home loans in risk class A, while less than 4 per cent of the EAD was in risk classes G to J. The models

must be validated at least once a year, with the models' accuracy compared to actual outcomes.

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

In the retail market, most of the loans are secured by way of home mortgages. Approximately NOK 9.5 billion has been lent in home loans, with a further NOK 0.9 billion in undrawn credit facilities. Total commitments in housing are therefore about NOK 10.4 billion. The weighted average loan-to-value ratio is approximately 60 per cent for home loans (loan-to-value ratio is calculated based on amounts drawn in the case of flexible secured loans). Approximately 83 per cent of loans have a loan-to-value ratio lower than 80 per cent and approximately 95 per cent are lower than 90 per cent. Approximately 43 % of the loans have a loan to value ratio within 60 %. The portfolio is considered to have a low credit risk.

There is largely good security on non-performing loans that are not impaired for retail market customers. The average loan to value ratio for these loans is 55 %. Housing loans that are part of the volume of non-performing loans total NOK 31.5 million. All home loans in default have a loan-to-value ratio lower than 80%. 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 191 million has been drawn, and approximately NOK 816 million is available as unused credit facilities. For credit accounts about NOK 80 million has been drawn, and approximately NOK 300 million is available as unused credit facilities.

## COMMITMENTS PER CUSTOMER GROUP

| (NOK million)                                | 2014                                  |             |                             | TOTAL<br>COMMITMENTS |
|----------------------------------------------|---------------------------------------|-------------|-----------------------------|----------------------|
|                                              | LOANS TO<br>AND DUE FROM<br>CUSTOMERS | GUARANTEES  | UNDRAWN<br>CREDIT<br>LIMITS |                      |
| Development of building projects             | 249.9                                 | 2.9         | 13.2                        | 266.0                |
| Sale and operation of real estate            | 2 755.1                               | 85.6        | 35.5                        | 2 876.2              |
| Service providers                            | 1 146.2                               |             | 24.2                        | 1 170.4              |
| Wage-earners                                 | 9 928.9                               | 0.6         | 1 999.2                     | 11 928.6             |
| Other                                        | 78.4                                  | 0.5         | 10.8                        | 89.7                 |
| <b>Total</b>                                 | <b>14 158.4</b>                       | <b>89.6</b> | <b>2 082.9</b>              | <b>16 330.9</b>      |
| Loan loss provisions on individual loans     | -31.9                                 |             |                             | -31.9                |
| Loan loss provisions on groups of loans      | -19.1                                 |             |                             | -19.1                |
| <b>Total loans to and due from customers</b> | <b>14 107.4</b>                       | <b>89.6</b> | <b>2 082.9</b>              | <b>16 279.9</b>      |

## COMMITMENTS PER CUSTOMER GROUP

| (NOK million)                                | 2013                                  |                          |                             | TOTAL<br>COMMITMENTS |
|----------------------------------------------|---------------------------------------|--------------------------|-----------------------------|----------------------|
|                                              | LOANS TO<br>AND DUE FROM<br>CUSTOMERS | GUARANTEES <sup>1)</sup> | UNDRAWN<br>CREDIT<br>LIMITS |                      |
| Development of building projects             | 1 378.8                               | 32.8                     | 61.7                        | 1 473.3              |
| Sale and operation of real estate            | 5 817.9                               | 181.1                    | 237.0                       | 6 236.0              |
| Service providers                            | 2 006.7                               | 32.0                     | 89.2                        | 2 127.9              |
| Wage-earners                                 | 9 460.2                               | 0.1                      | 1 924.0                     | 11 384.3             |
| Other                                        | 268.8                                 | 31.4                     | 16.7                        | 316.9                |
| <b>Total</b>                                 | <b>18 932.4</b>                       | <b>277.4</b>             | <b>2 328.7</b>              | <b>21 538.4</b>      |
| Loan loss provisions on individual loans     | -80.3                                 |                          |                             | -80.3                |
| Loan loss provisions on groups of loans      | -29.5                                 |                          |                             | -29.5                |
| <b>Total loans to and due from customers</b> | <b>18 822.5</b>                       | <b>277.4</b>             | <b>2 328.7</b>              | <b>21 428.6</b>      |

1) Guarantees include NOK 43 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 ENGAGEMENT PER CUSTOMER GROUP

| (NOK million)                     | 2014                                                         |                                 |                                            | TOTAL<br>AVERAGE<br>ENGAGEMENT |
|-----------------------------------|--------------------------------------------------------------|---------------------------------|--------------------------------------------|--------------------------------|
|                                   | AVERAGE VOLUME<br>LOANS<br>TO AND DEPOSITS<br>FROM CUSTOMERS | AVERAGE<br>VOLUME<br>GUARANTEES | AVERAGE VOLUME<br>UNDRAWN<br>CREDIT LIMITS |                                |
| Development of building projects  | 814.3                                                        | 17.8                            | 37.5                                       | 869.7                          |
| Sale and operation of real estate | 4 286.5                                                      | 133.3                           | 136.3                                      | 4 556.1                        |
| Service providers                 | 1 576.4                                                      | 16.0                            | 56.7                                       | 1 649.1                        |
| Wage-earners                      | 9 694.5                                                      | 0.3                             | 1 961.6                                    | 11 656.5                       |
| Other                             | 173.6                                                        | 16.0                            | 13.8                                       | 203.3                          |
| <b>Total</b>                      | <b>16 545.4</b>                                              | <b>183.5</b>                    | <b>2 205.8</b>                             | <b>18 934.7</b>                |

| (NOK million)                     | 2013                                                         |                                 |                                            | TOTAL<br>AVERAGE<br>ENGAGEMENT |
|-----------------------------------|--------------------------------------------------------------|---------------------------------|--------------------------------------------|--------------------------------|
|                                   | AVERAGE VOLUME<br>LOANS<br>TO AND DEPOSITS<br>FROM CUSTOMERS | AVERAGE<br>VOLUME<br>GUARANTEES | AVERAGE VOLUME<br>UNDRAWN<br>CREDIT LIMITS |                                |
| Development of building projects  | 1 437.4                                                      | 38.9                            | 274.2                                      | 1 750.5                        |
| Sale and operation of real estate | 6 699.4                                                      | 188.1                           | 230.6                                      | 7 118.1                        |
| Service providers                 | 1 969.6                                                      | 17.4                            | 46.6                                       | 2 033.6                        |
| Wage-earners                      | 8 144.2                                                      | 0.2                             | 1 791.9                                    | 9 936.4                        |
| Other                             | 291.1                                                        | 32.1                            | 15.1                                       | 338.3                          |
| <b>Total</b>                      | <b>18 541.7</b>                                              | <b>276.6</b>                    | <b>2 358.4</b>                             | <b>21 176.8</b>                |

## COMMITMENTS PER GEOGRAPHICAL AREA

2014

| (NOK million)   | LOANS TO<br>AND DUE<br>FROM<br>CUSTOMERS | GUARANTEES  | UNDRAWN<br>CREDIT<br>LIMITS | TOTAL<br>COMMIT-<br>MENTS | NON-PER-<br>FORMING<br>LOANS<br>WITHOUT<br>EVIDENCE<br>OF IMPAIR-<br>MENT | NON-PER-<br>FORMING<br>AND<br>LOSS-EXPOSED<br>LOANS WITH<br>EVIDENCE<br>OF IMPAIR-<br>MENT | GROSS<br>DEFAULTED<br>AND LOSS-<br>EXPOSED<br>LOANS | PROVISIONS<br>FOR<br>INDIVIDUAL<br>LOAN<br>LOSSES | NET<br>DEFAULTED<br>AND LOSS-<br>EXPOSED<br>LOANS |
|-----------------|------------------------------------------|-------------|-----------------------------|---------------------------|---------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|-----------------------------------------------------|---------------------------------------------------|---------------------------------------------------|
| Eastern Norway  | 11 791.9                                 | 88.8        | 1 621.6                     | 13 502.3                  | 25.3                                                                      | 58.1                                                                                       | 83.4                                                | 29.5                                              | 53.8                                              |
| Western Norway  | 1 559.3                                  | 0.8         | 322.1                       | 1 882.3                   | 7.5                                                                       | 1.7                                                                                        | 9.2                                                 | 1.1                                               | 8.1                                               |
| Southern Norway | 143.2                                    |             | 32.3                        | 175.5                     | 1.9                                                                       | 1.9                                                                                        | 3.9                                                 |                                                   | 3.8                                               |
| Mid-Norway      | 391.4                                    |             | 54.2                        | 445.6                     | 1.8                                                                       | 1.8                                                                                        | 3.6                                                 | 0.9                                               | 2.7                                               |
| Northern Norway | 206.1                                    |             | 44.3                        | 250.3                     | 4.1                                                                       | 0.4                                                                                        | 4.5                                                 | 0.3                                               | 4.2                                               |
| Rest of world   | 66.5                                     |             | 8.4                         | 74.9                      | 0.2                                                                       | 0.1                                                                                        | 0.3                                                 |                                                   | 0.3                                               |
| <b>Total</b>    | <b>14 158.4</b>                          | <b>89.6</b> | <b>2 082.9</b>              | <b>16 330.9</b>           | <b>40.8</b>                                                               | <b>64.0</b>                                                                                | <b>104.8</b>                                        | <b>31.9</b>                                       | <b>73.0</b>                                       |

2013

| (NOK million)   | LOANS TO<br>AND DUE<br>FROM<br>CUSTOMERS | GUARANTEES   | UNDRAWN<br>CREDIT<br>LIMITS | TOTAL<br>COMMIT-<br>MENTS | NON-PER-<br>FORMING<br>LOANS<br>WITHOUT<br>EVIDENCE<br>OF IMPAIR-<br>MENT | NON-PER-<br>FORMING<br>AND<br>LOSS-EXPOSED<br>LOANS WITH<br>EVIDENCE<br>OF IMPAIR-<br>MENT | GROSS<br>DEFAULTED<br>AND LOSS-<br>EXPOSED<br>LOANS | PROVISIONS<br>FOR<br>INDIVIDUAL<br>LOAN<br>LOSSES | NET<br>DEFAULTED<br>AND LOSS-<br>EXPOSED<br>LOANS |
|-----------------|------------------------------------------|--------------|-----------------------------|---------------------------|---------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|-----------------------------------------------------|---------------------------------------------------|---------------------------------------------------|
| Eastern Norway  | 16 337.1                                 | 269.8        | 1 873.6                     | 18 480.5                  | 38.2                                                                      | 338.6                                                                                      | 376.8                                               | 64.4                                              | 312.4                                             |
| Western Norway  | 1 642.0                                  | 7.3          | 313.6                       | 1 962.9                   | 13.7                                                                      | 3.1                                                                                        | 16.8                                                | 2.3                                               | 14.5                                              |
| Southern Norway | 105.3                                    |              | 30.6                        | 135.9                     | 0.2                                                                       | 1.9                                                                                        | 2.1                                                 | 0.2                                               | 1.8                                               |
| Mid-Norway      | 574.2                                    |              | 55.6                        | 629.8                     | 1.3                                                                       |                                                                                            | 1.3                                                 |                                                   | 1.3                                               |
| Northern Norway | 173.3                                    | 0.3          | 40.0                        | 213.6                     | 0.5                                                                       | 1.8                                                                                        | 2.3                                                 | 1.0                                               | 1.4                                               |
| Rest of world   | 100.5                                    |              | 15.3                        | 115.7                     | 0.2                                                                       |                                                                                            | 0.2                                                 |                                                   | 0.1                                               |
| <b>Total</b>    | <b>18 932.4</b>                          | <b>277.4</b> | <b>2 328.7</b>              | <b>21 538.4</b>           | <b>54.0</b>                                                               | <b>345.4</b>                                                                               | <b>399.4</b>                                        | <b>67.8</b>                                       | <b>331.6</b>                                      |

## TOTAL ENGAGEMENT AMOUNT BY REMAINING TERM TO MATURITY

| (NOK million)     | 2014                                  |             |                             | TOTAL<br>COMMITMENTS |
|-------------------|---------------------------------------|-------------|-----------------------------|----------------------|
|                   | LOANS TO<br>AND DUE FROM<br>CUSTOMERS | GUARANTEES  | UNDRAWN<br>CREDIT<br>LIMITS |                      |
| Up to 1 month     | 13.6                                  |             |                             | 13.6                 |
| 1 - 3 months      | 268.6                                 | 1.4         | 34.2                        | 304.2                |
| 3 months - 1 year | 1 257.2                               | 38.7        | 23.0                        | 1 318.9              |
| 1 - 5 years       | 2 079.2                               | 47.3        | 302.5                       | 2 429.0              |
| More than 5 years | 10 539.8                              | 2.2         | 1 723.3                     | 12 265.3             |
| <b>Total</b>      | <b>14 158.4</b>                       | <b>89.6</b> | <b>2 082.9</b>              | <b>16 330.9</b>      |

| (NOK million)     | 2013                                  |              |                             | TOTAL<br>COMMITMENTS |
|-------------------|---------------------------------------|--------------|-----------------------------|----------------------|
|                   | LOANS TO<br>AND DUE FROM<br>CUSTOMERS | GUARANTEES   | UNDRAWN<br>CREDIT<br>LIMITS |                      |
| Up to 1 month     | 4.5                                   |              | 4.0                         | 8.5                  |
| 1 - 3 months      | 534.7                                 |              | 15.3                        | 550.0                |
| 3 months - 1 year | 862.9                                 | 29.6         | 203.2                       | 1 095.6              |
| 1 - 5 years       | 6 180.2                               | 182.5        | 960.0                       | 7 322.7              |
| More than 5 years | 11 350.1                              | 65.3         | 1 146.2                     | 12 561.7             |
| <b>Total</b>      | <b>18 932.4</b>                       | <b>277.4</b> | <b>2 328.7</b>              | <b>21 538.4</b>      |

## AGE DISTRIBUTION OF OVERDUE ENGAGEMENTS WITHOUT IMPAIRMENT

| (NOK million)                                                      | 2014                                  |            |                             | TOTAL<br>COMMITMENTS |
|--------------------------------------------------------------------|---------------------------------------|------------|-----------------------------|----------------------|
|                                                                    | LOANS TO<br>AND DUE FROM<br>CUSTOMERS | GUARANTEES | UNDRAWN<br>CREDIT<br>LIMITS |                      |
| Overdue 1 - 30 days                                                | 735.3                                 |            | 1.4                         | 736.7                |
| Overdue 31 - 60 days                                               | 88.5                                  |            | 0.4                         | 88.9                 |
| Overdue 61 - 90 days                                               | 30.7                                  |            | 0.2                         | 31.0                 |
| Overdue more than 90 days                                          | 40.8                                  |            | 0.9                         | 41.7                 |
| <b>Total</b>                                                       | <b>895.5</b>                          | <b>0.0</b> | <b>2.9</b>                  | <b>898.3</b>         |
| <b>Engagements overdue more than 90 days by geographical area:</b> |                                       |            |                             |                      |
| Eastern Norway                                                     | 25.3                                  |            | 0.6                         | 25.9                 |
| Western Norway                                                     | 7.5                                   |            | 0.1                         | 7.6                  |
| Southern Norway                                                    | 1.9                                   |            | 0.1                         | 2.0                  |
| Mid-Norway                                                         | 1.8                                   |            |                             | 1.8                  |
| Northern Norway                                                    | 4.1                                   |            | 0.1                         | 4.2                  |
| Rest of world                                                      | 0.2                                   |            |                             | 0.2                  |
| <b>Total</b>                                                       | <b>40.8</b>                           | <b>0.0</b> | <b>0.9</b>                  | <b>41.7</b>          |

## AGE DISTRIBUTION OF OVERDUE ENGAGEMENTS WITHOUT IMPAIRMENT

| (NOK million)                                                      | 2013                                  |             |                             | TOTAL<br>COMMITMENTS |
|--------------------------------------------------------------------|---------------------------------------|-------------|-----------------------------|----------------------|
|                                                                    | LOANS TO<br>AND DUE FROM<br>CUSTOMERS | GUARANTEES  | UNDRAWN<br>CREDIT<br>LIMITS |                      |
| Overdue 1 - 30 days                                                | 644.4                                 | 21.9        | 1.8                         | 668.1                |
| Overdue 31 - 60 days                                               | 131.1                                 |             | 0.2                         | 131.3                |
| Overdue 61- 90 days                                                | 20.9                                  |             | 0.6                         | 21.4                 |
| Overdue more than 90 days                                          | 53.5                                  |             | 0.5                         | 54.0                 |
| <b>Total</b>                                                       | <b>849.9</b>                          | <b>21.9</b> | <b>3.1</b>                  | <b>874.9</b>         |
| <b>Engagements overdue more than 90 days by geographical area:</b> |                                       |             |                             |                      |
| Eastern Norway                                                     | 37.8                                  |             | 0.4                         | 38.2                 |
| Western Norway                                                     | 13.7                                  |             | 0.1                         | 13.7                 |
| Southern Norway                                                    | 0.1                                   |             |                             | 0.2                  |
| Mid-Norway                                                         | 1.3                                   |             |                             | 1.3                  |
| Northern Norway                                                    | 0.5                                   |             |                             | 0.5                  |
| Rest of world                                                      | 0.2                                   |             |                             | 0.2                  |
| <b>Total</b>                                                       | <b>53.5</b>                           | <b>0.0</b>  | <b>0.5</b>                  | <b>54.0</b>          |

Only non-performing and loss-exposed loans are classified by geographical area in this overview.

The same definition is used for due commitments as the one in the capital requirements regulations, however the number of days in the definition equals the age distribution.

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

- when a credit facility has been overdrawn for more than 90 days
- when an ordinary mortgage has arrears older than 90 days
- when a credit card has arrears older than 90 days and the credit limit has been overdrawn.

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

## CREDIT RISK PER CUSTOMER GROUP

| (NOK million)                     | 2014                                                                                  |                                                                     |                                                 |                                                         | TOTAL VALUE<br>CHANGES | TOTAL VALUE<br>CHANGE<br>RECOGNISED<br>IN THE PROFIT<br>AND LOSS<br>ACCOUNT<br>DURING<br>PERIOD |
|-----------------------------------|---------------------------------------------------------------------------------------|---------------------------------------------------------------------|-------------------------------------------------|---------------------------------------------------------|------------------------|-------------------------------------------------------------------------------------------------|
|                                   | NON-<br>PERFORMING<br>AND LOSS-<br>EXPOSED<br>LOANS WITH<br>EVIDENCE OF<br>IMPAIRMENT | NON-<br>PERFORMING<br>LOANS<br>WITHOUT<br>EVIDENCE OF<br>IMPAIRMENT | GROSS<br>DEFAULTED AND<br>LOSS-EXPOSED<br>LOANS | TOTAL<br>PROVISIONS<br>FOR<br>INDIVIDUAL<br>LOAN LOSSES |                        |                                                                                                 |
| Development of building projects  |                                                                                       |                                                                     |                                                 |                                                         |                        | 0.0                                                                                             |
| Sale and operation of real estate | 9.6                                                                                   |                                                                     | 9.6                                             | 9.5                                                     | 0.1                    | -41.5                                                                                           |
| Service providers                 |                                                                                       |                                                                     |                                                 |                                                         |                        | 0.0                                                                                             |
| Wage-earners                      | 51.9                                                                                  | 40.3                                                                | 92.2                                            | 21.5                                                    | 70.7                   | -6.2                                                                                            |
| Other                             | 2.5                                                                                   | 0.5                                                                 | 3.0                                             | 0.8                                                     | 2.2                    | -0.7                                                                                            |
| <b>Total</b>                      | <b>64.0</b>                                                                           | <b>40.8</b>                                                         | <b>104.8</b>                                    | <b>31.9</b>                                             | <b>73.0</b>            | <b>-48.5</b>                                                                                    |

## CREDIT RISK PER CUSTOMER GROUP

| (NOK million)                     | 2013                                                                                  |                                                                     |                                                 |                                                         | TOTAL VALUE<br>CHANGES | TOTAL VALUE<br>CHANGE<br>RECOGNISED<br>IN THE PROFIT<br>AND LOSS<br>ACCOUNT<br>DURING<br>PERIOD |
|-----------------------------------|---------------------------------------------------------------------------------------|---------------------------------------------------------------------|-------------------------------------------------|---------------------------------------------------------|------------------------|-------------------------------------------------------------------------------------------------|
|                                   | NON-<br>PERFORMING<br>AND LOSS-<br>EXPOSED<br>LOANS WITH<br>EVIDENCE OF<br>IMPAIRMENT | NON-<br>PERFORMING<br>LOANS<br>WITHOUT<br>EVIDENCE OF<br>IMPAIRMENT | GROSS<br>DEFAULTED AND<br>LOSS-EXPOSED<br>LOANS | TOTAL<br>PROVISIONS<br>FOR<br>INDIVIDUAL<br>LOAN LOSSES |                        |                                                                                                 |
| Development of building projects  |                                                                                       |                                                                     |                                                 |                                                         |                        |                                                                                                 |
| Sale and operation of real estate | 287.3                                                                                 |                                                                     | 287.3                                           | 38.5                                                    | 248.8                  | -6.9                                                                                            |
| Service providers                 |                                                                                       | 0.1                                                                 | 0.1                                             |                                                         | 0.1                    | 0.0                                                                                             |
| Wage-earners                      | 55.6                                                                                  | 53.4                                                                | 109.0                                           | 27.8                                                    | 81.2                   | -10.8                                                                                           |
| Other                             | 2.5                                                                                   | 0.5                                                                 | 3.1                                             | 1.6                                                     | 1.5                    | -17.3                                                                                           |
| <b>Total</b>                      | <b>345.4</b>                                                                          | <b>54.0</b>                                                         | <b>399.4</b>                                    | <b>67.8</b>                                             | <b>331.6</b>           | <b>0.0</b>                                                                                      |

## REPOSSESSED ASSETS

In the event of non-performing loans Storebrand Bank ASA will sell the collateral or repossessed assets if this is most appropriate. The bank has not any repossessed assets at the end of 2014.

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

| (NOK million)                                                                     | LENDING TO CUSTOMERS |               | LIQUIDITY PORTFOLIO |                |
|-----------------------------------------------------------------------------------|----------------------|---------------|---------------------|----------------|
|                                                                                   | 2014                 | 2013          | 2014                | 2013           |
| Book value maximum exposure for credit risk                                       | 988.8                | 1 289.0       | 6 181.7             | 5 550.2        |
| Book value of related credit derivatives that reduce credit risk                  |                      |               |                     |                |
| Collateral                                                                        |                      |               |                     |                |
| <b>Net credit risk</b>                                                            | <b>988.8</b>         | <b>1289.0</b> | <b>6 181.7</b>      | <b>5 550.2</b> |
| This year's change in fair value of financial assets due to change in credit risk | 0.0                  | -14.9         | -3.4                | -13.3          |
| Accumulated change in fair value of financial assets due to change in credit risk | -14.9                | -14.9         | 17.2                | 20.6           |
| This year's change in value of related credit derivatives                         | 0.0                  | 0.0           | 0.0                 | 0.0            |
| Accumulated change in value of related credit derivatives                         | 0.0                  | 0.0           | 0.0                 | 0.0            |

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

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

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

| (NOK million)                                                                       | 2014 | 2013 |
|-------------------------------------------------------------------------------------|------|------|
| The year's change in fair value of liabilities due to changes in credit risk        | 0.4  | 1.0  |
| Difference between book value of liabilities and contractual amount due at maturity | 0.0  | 0.4  |
| Accumulated change in fair value of liabilities due to changes in credit risk       | 0.0  | 0.4  |
| Difference between book value of liabilities and contractual amount due at maturity | 0.0  | 0.4  |

## CREDIT RISK DERIVATES

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

The overview shows gross credit exposure, the bank has only collateral for credit risk against non-financial companies. Net credit exposure for 2014 is NOK 76.6 million.

| Credit risk per counterparty                                    | AAA<br>FAIR<br>VALUE | AA<br>FAIR<br>VALUE | A<br>FAIR<br>VALUE | BBB<br>FAIR<br>VALUE | NIG<br>FAIR<br>VALUE | TOTAL<br>2014<br>FAIR<br>VALUE | TOTAL<br>2013<br>FAIR<br>VALUE |
|-----------------------------------------------------------------|----------------------|---------------------|--------------------|----------------------|----------------------|--------------------------------|--------------------------------|
| (NOK million)                                                   |                      |                     |                    |                      |                      |                                |                                |
| Norway                                                          |                      | 50.4                | 18.8               | 435.1                |                      | 504.4                          | 433.9                          |
| Sweden                                                          |                      |                     | 6.7                |                      |                      | 6.7                            | 10.5                           |
| Denmark                                                         |                      |                     | 0.7                |                      |                      | 0.7                            | 1.1                            |
| <b>Total</b>                                                    | <b>0.0</b>           | <b>50.4</b>         | <b>26.2</b>        | <b>435.1</b>         | <b>0.0</b>           | <b>511.7</b>                   | <b>445.5</b>                   |
| Rating classes are based on Standard & Poors                    |                      |                     |                    |                      |                      |                                |                                |
| Change in value:                                                |                      |                     |                    |                      |                      |                                |                                |
| Total change in value on the balance sheet                      | 0.0                  | 50.4                | 26.2               | 435.1                | 0.0                  | 511.7                          | 445.5                          |
| Change in value recognised in the profit and loss during period | 0.0                  | 17.7                | -4.1               | 52.7                 | 0.0                  | 66.3                           | -214.5                         |

## 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 05 | Liquidity risk

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

### RISK MANAGEMENT

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

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

The Treasury function is responsible for the bank's liquidity management, and the Middle Office in Risk and Administration monitors and reports on the utilisation of limits pursuant to the liquidity 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 are included in the CRO's ongoing reporting to the board. The liquidity policy specifies which liquidity indicators are followed. The Middle Office in Risk and Administration performs checks on trades undertaken by Treasury to ensure conformance with the applicable policy rules.

## NON-DISCOUNTED CASH FLOWS - FINANCIAL LIABILITIES

| (NOK million)                                    | 0 - 6<br>MONTHS | 6 MONTHS -<br>12 MONTHS | 1 - 3 YEARS    | 3 - 5 YEARS  | MORE THAN<br>5 YEARS | TOTAL           | BOOK<br>VALUE   |
|--------------------------------------------------|-----------------|-------------------------|----------------|--------------|----------------------|-----------------|-----------------|
| Liabilities to credit institutions               | 325.9           |                         |                |              |                      | 325.9           | 325.9           |
| Deposits from and due to customers               | 19 366.1        |                         |                |              |                      | 19 366.1        | 19 366.1        |
| Commercial papers and bonds issued               | 683.7           | 137.1                   | 1 798.4        | 326.7        |                      | 2 945.9         | 2 677.2         |
| Other liabilities                                | 568.2           |                         |                |              |                      | 568.2           | 568.2           |
| Subordinated loan capital                        | 0.0             | 12.1                    | 191.3          | 368.9        | 11.7                 | 584.1           | 511.6           |
| Undrawn credit limits                            | 3 844.3         |                         |                |              |                      | 3 844.3         |                 |
| Lending commitments                              | 30.5            |                         |                |              |                      | 30.5            |                 |
| <b>Total financial liabilities 2014</b>          | <b>24 818.7</b> | <b>149.3</b>            | <b>1 989.7</b> | <b>695.6</b> | <b>11.7</b>          | <b>27 665.0</b> | <b>23 449.1</b> |
| <b>Derivatives related to funding 31.12.2014</b> | <b>-24.0</b>    | <b>-3.0</b>             | <b>-22.9</b>   | <b>-9.1</b>  | <b>0.0</b>           | <b>-58.9</b>    | <b>-33.4</b>    |
| Total financial liabilities 2013                 | 32 470.9        | 504.2                   | 2 058.0        | 1 452.3      | 326.6                | 36 812.1        | 27 045.3        |

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 2014 are used to calculate interest costs for lending with FRN conditions. The call date is used as the maturity date on borrowing which has a call date. Undrawn credit limits includes NOK 1.762 millions related to Storebrand Boligkreditt AS.

## SPECIFICATION OF SUBORDINATED LOAN CAPITAL

| (NOK million)                               |                     |       | NET<br>NOMINAL<br>VALUE | CURRENCY | INTEREST   | CALL-DATE | BOOK<br>VALUE |
|---------------------------------------------|---------------------|-------|-------------------------|----------|------------|-----------|---------------|
| ISIN CODE                                   | ISSUER              |       |                         |          |            |           |               |
| <b>Dated subordinated loan capital</b>      |                     |       |                         |          |            |           |               |
| NO0010641657                                | Storebrand Bank ASA | 150.0 | NOK                     | Floating | 12.04.2017 |           | 151.4         |
| NO0010714314                                | Storebrand Bank ASA | 125.0 | NOK                     | Floating | 09.07.2019 |           | 125.7         |
| <b>Other subordinated loan capital</b>      |                     |       |                         |          |            |           |               |
| NO00177116                                  | Storebrand Bank ASA | 9.3   | NOK                     | Fixed    | Perpetual  |           | 9.3           |
| <b>Tier 1 hybrid capital</b>                |                     |       |                         |          |            |           |               |
| NO0010683550                                | Storebrand Bank ASA | 150.0 | NOK                     | Floating | 20.06.2018 |           | 149.6         |
| NO0010714322                                | Storebrand Bank ASA | 75.0  | NOK                     | Floating | 09.07.2019 |           | 75.6          |
| <b>Total subordinated loan capital 2014</b> |                     |       |                         |          |            |           | <b>511.6</b>  |
| Total subordinated loan capital 2013        |                     |       |                         |          |            |           | 589.7         |

## SPECIFICATION OF LIABILITIES TO CREDIT INSTITUTIONS

| (NOK million)                                                                            | 2014         | 2013           |
|------------------------------------------------------------------------------------------|--------------|----------------|
| <b>Total liabilities to credit institutions without fixed maturity at amortised cost</b> | <b>325.9</b> | <b>332.9</b>   |
| <b>Borrowings under the Norwegian Government's Swap scheme:</b>                          |              |                |
| Maturity 2014                                                                            |              | 996.6          |
| <b>Total liabilities to credit institutions with fixed maturity at fair value (FVO)</b>  | <b>0.0</b>   | <b>996.6</b>   |
| <b>Total liabilities to credit institutions</b>                                          | <b>325.9</b> | <b>1 329.5</b> |

## SPECIFICATION OF COMMERCIAL PAPERS AND BONDS ISSUED

| (NOK million)                                        |                     | NET<br>NOMINAL |          |          |            |  | BOOK<br>VALUE  |
|------------------------------------------------------|---------------------|----------------|----------|----------|------------|--|----------------|
| ISIN CODE                                            | ISSUER              | VALUE          | CURRENCY | INTEREST | CALL-DATE  |  |                |
| <b>Bond loans</b>                                    |                     |                |          |          |            |  |                |
| NO0010439821                                         | Storebrand Bank ASA | 310.0          | NOK      | Fixed    | 04.06.2015 |  | 326.2          |
| NO0010513237                                         | Storebrand Bank ASA | 300.0          | NOK      | Fixed    | 25.05.2016 |  | 322.7          |
| NO0010660806                                         | Storebrand Bank ASA | 300.0          | NOK      | Fixed    | 08.10.2019 |  | 322.5          |
| NO0010635626                                         | Storebrand Bank ASA | 191.0          | NOK      | Floating | 26.01.2015 |  | 192.1          |
| NO0010654510                                         | Storebrand Bank ASA | 103.5          | NOK      | Floating | 06.07.2015 |  | 104.3          |
| NO0010641079                                         | Storebrand Bank ASA | 800.0          | NOK      | Floating | 27.03.2017 |  | 801.1          |
| NO0010662752                                         | Storebrand Bank ASA | 300.0          | NOK      | Floating | 13.11.2017 |  | 301.1          |
| NO0010670979                                         | Storebrand Bank ASA | 306.0          | NOK      | Floating | 29.01.2016 |  | 307.3          |
| <b>Total commercial papers and bonds issued 2014</b> |                     |                |          |          |            |  | <b>2 677.2</b> |
| Total commercial papers and bonds issued 2013        |                     |                |          |          |            |  | 4 050.8        |

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

## Market risk

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

### RISK MANAGEMENT

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

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

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

### RISK CONTROL

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

For changes in market risk that occur during the first year, the effect on the result and equity will be as shown below based on the balance sheet as at 31 December 2014:

#### Effect on accounting income

(NOK million)

|                     | AMOUNT |
|---------------------|--------|
| Interest rate -1,0% | 2.9    |
| Interest rate +1,0% | -2.9   |

#### Effect on accounting result/equity <sup>1)</sup>

(NOK million)

|                     | AMOUNT |
|---------------------|--------|
| Interest rate -1,0% | 2.9    |
| Interest rate +1,0% | -2.9   |

#### Financial interest rate risk

(NOK million)

|                     | AMOUNT |
|---------------------|--------|
| Interest rate -1,0% | 4.7    |
| Interest rate +1,0% | -4.7   |

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

See also note 28 regarding foreign exchange risk.

## OPERATIONAL RISK

Operational risk is the risk of financial loss as a result of ineffective, insufficient or defective internal processes or systems, human error, external events or internal guidelines not being followed. Breach of laws and regulations can obstruct the bank from achieving its objectives; this part of compliance risk is therefore included in the definition of operational risk.

### RISK MANAGEMENT

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

### RISK CONTROL

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

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

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

## COMPLIANCE RISK

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

### RISK MANAGEMENT

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

### RISK CONTROL

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

## Valuation of financial instruments at fair value

Storebrand Bank Group conducts a comprehensive process to ensure that financial instruments are valued as closely as possible to their market value. Publicly listed financial instruments are valued on the basis of the official closing price on stock exchanges, supplied by Reuters and Bloomberg. Bonds are generally valued based on prices collected from Reuters 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. The company has established valuation models that gather information from a wide range of well-informed sources with reference to minimize uncertainty related to the valuation.

Fixed-rate loans to customers, which are valued at fair value (FVO) for accounting purposes, have been moved from level 2 to level 3 in Q1 2013 as uncertainty related to the stipulation of the market's margin requirements for such loans is considered to have increased. The value of fixed-rate loans is determined by agreed cash flows discounted over the remaining fixed-rate period at a discount rate that is adjusted for an estimate of the market's margin requirements. No negative development in the borrower's ability to repay, or negative development in underlying collateral securities has been observed.

Sensitivity analysis of fixed-rate loans to customers:

| INCREASE/REDUCTION IN FAIR VALUE                  | CHANGE IN MARKET SPREAD |         |
|---------------------------------------------------|-------------------------|---------|
|                                                   | + 10 bp                 | - 10 bp |
| Change in fair value per 31.12.2014 (NOK Million) | -2.7                    | 2.7     |

### 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 bank group did not have any investments that were classified at this level at year-end.

## SPECIFICATION OF FINANCIAL INSTRUMENTS AT AMORTISED COST

|                                                                | LEVEL 1 | LEVEL 2     | LEVEL 3        |            |            |            |            |
|----------------------------------------------------------------|---------|-------------|----------------|------------|------------|------------|------------|
|                                                                | QUOTED  | OBSERVABLE  | NON-OBSERVABLE | FAIR VALUE | BOOK VALUE | FAIR VALUE | BOOK VALUE |
| (NOK million)                                                  | PRICES  | ASSUMPTIONS | ASSUMPTIONS    | 31.12.2014 | 31.12.2013 | 31.12.2014 | 31.12.2013 |
| <b>Financial assets</b>                                        |         |             |                |            |            |            |            |
| Bonds classified as Loans and receivables                      |         | 1 013.5     |                | 1 013.5    | 1 546.1    | 1 006.7    | 1 541.8    |
| Loans to and deposits with credit institutions, amortised cost |         | 2 848.2     |                | 2 848.2    | 2 198.9    | 2 848.2    | 2 198.9    |
| Lending to customers, amortised cost                           |         | 13 078.6    |                | 13 078.6   | 17 470.4   | 13 118.6   | 17 533.5   |
| Total fair value 31.12.2013                                    |         | 21 215.4    |                |            |            |            |            |
| <b>Financial liabilities</b>                                   |         |             |                |            |            |            |            |
| Deposits from and due to credit institutions, amortised cost   |         | 325.9       |                | 325.9      | 332.9      | 325.9      | 332.9      |
| Deposits from and due to customers, amortised cost             |         | 19 366.1    |                | 19 366.1   | 20 749.0   | 19 366.1   | 20 749.0   |
| Commercial papers and bonds issued, amortised cost             |         | 2 738.9     |                | 2 738.9    | 4 128.4    | 2 677.2    | 4 050.8    |
| Subordinated loan capital, amortised cost                      |         | 523.0       |                | 523.0      | 596.9      | 511.6      | 589.7      |
| Total fair value at 31.12.2013                                 |         | 25 807.2    |                |            |            |            |            |

## SPECIFICATION OF FINANCIAL INSTRUMENTS AT FAIR VALUE

|                                                     | QUOTED | OBSERVABLE  | NON-OBSERVABLE | BOOK       | BOOK       |
|-----------------------------------------------------|--------|-------------|----------------|------------|------------|
| (NOK million)                                       | PRICES | ASSUMPTIONS | ASSUMPTIONS    | VALUE      | VALUE      |
|                                                     |        |             |                | 31.12.2014 | 31.12.2013 |
| <b>Equities and units</b>                           |        | 2.0         |                | 2.0        | 1.7        |
| Total Equities and units 31.12.2013                 |        | 1.7         |                |            |            |
| Lending to customers                                |        |             | 988.8          | 988.8      | 1 289.0    |
| Total lending to customers 31.12.2013               |        |             | 1 289.0        |            |            |
| Sovereign and Government Guaranteed bonds           |        | 1 000.7     |                | 1 000.7    | 100.3      |
| Credit bonds                                        |        |             |                | 0.0        | 534.6      |
| Mortgage and asset backed bonds                     |        | 5 181.1     |                | 5 181.1    | 4 915.3    |
| Total bonds                                         | 0.0    | 6 181.7     | 0.0            | 6 181.7    |            |
| Total bonds 31.12.2013                              |        | 5 550.2     |                |            | 5 550.2    |
| Aksjederivater                                      |        |             |                | 0.0        | 0.0        |
| Interest rate derivatives                           |        | -33.4       |                | -33.4      | 34.9       |
| Currency derivatives                                |        | 0.0         |                | 0.0        | -0.4       |
| Kredittderivater                                    |        |             |                | 0.0        | 0.0        |
| Total derivatives                                   | 0.0    | -33.4       | 0.0            | -33.4      | 34.5       |
| Derivatives with a positive fair value              |        | 511.7       |                | 511.7      | 445.5      |
| Derivatives with a negative fair value              |        | -545.1      |                | -545.1     | -411.0     |
| Total derivatives 31.12.2013                        |        | 34.5        |                |            |            |
| Liabilities to credit institutions                  |        | 0.0         |                | 0.0        | 996.6      |
| Total liabilities to credit institutions 31.12.2013 |        | 996.6       |                |            |            |

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

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

| (NOK million)                                                         | LENDING<br>TO CUSTOMERS |
|-----------------------------------------------------------------------|-------------------------|
| Book value 01.01.2014                                                 | 1 289.0                 |
| Net gains/losses on financial instruments                             | 19.8                    |
| Supply / disposal                                                     | 27.9                    |
| Sales / due settlements                                               | -348.0                  |
| Transferred from observable assumptions to non-observable assumptions |                         |
| Translation differences                                               |                         |
| Other                                                                 |                         |
| <b>Book value 31.12.2014</b>                                          | <b>988.8</b>            |

## Note 09 | 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

### NET INTEREST INCOME

| (NOK million)                                                                                                                | 2014          | 2013           |
|------------------------------------------------------------------------------------------------------------------------------|---------------|----------------|
| Interest and other income on loans to and deposits with credit institutions                                                  | 68.2          | 113.9          |
| Interest and other income on loans to and due from customers                                                                 | 681.2         | 808.0          |
| Interest on commercial paper, bonds and other interest-bearing securities                                                    | 142.4         | 143.9          |
| Other interest income and related income                                                                                     | 7.3           | 7.5            |
| <b>Total interest income *)</b>                                                                                              | <b>899.2</b>  | <b>1 073.3</b> |
| Interest and other expenses on debt to credit institutions                                                                   | -12.8         | -39.2          |
| Interest and other expenses on deposits from and due to customers                                                            | -508.4        | -553.1         |
| Interest and other expenses on securities issued                                                                             | -101.9        | -147.4         |
| Interest and expenses on subordinated loan capital                                                                           | -31.2         | -26.3          |
| Other interest expenses and related expenses                                                                                 | -17.6         | -16.7          |
| <b>Total interest expenses **)</b>                                                                                           | <b>-671.8</b> | <b>-782.6</b>  |
| <b>Net interest income</b>                                                                                                   | <b>227.4</b>  | <b>290.7</b>   |
| *) Of which total interest income on financial assets that are not at fair value through the profit and loss account         |               |                |
|                                                                                                                              | 711.3         | 878.1          |
| **) Of which total interest expenses on financial liabilities that are not at fair value through the profit and loss account |               |                |
|                                                                                                                              | -667.5        | -754.3         |

### INTEREST EXPENSE AND CHANGES IN VALUE OF ISSUED FUNDING AT FVO:

| (NOK million)                             | 2014        | 2013         |
|-------------------------------------------|-------------|--------------|
| Interest expense issued funding at FVO    | -4.3        | -28.3        |
| Changes in value of issued funding at FVO | 0.4         | 1.0          |
| <b>Net expense issued funding at FVO</b>  | <b>-3.9</b> | <b>-27.2</b> |

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

| (NOK million)                                                                             | 2014         | 2013         |
|-------------------------------------------------------------------------------------------|--------------|--------------|
| <b>Equity instruments</b>                                                                 |              |              |
| Dividends received from equity investments                                                |              |              |
| 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                                                                  | 0.2          | -0.1         |
| <b>Commercial paper and bonds</b>                                                         |              |              |
| Realised gain/loss on commercial papers and bonds                                         | 18.5         | 5.8          |
| Unrealised gain/loss on commercial papers and bonds                                       | -3.4         | -13.2        |
| Total gain/loss on commercial papers and bonds                                            | 15.2         | -7.4         |
| <b>Lending to customers</b>                                                               |              |              |
| Unrealised gain/loss on lending to customers, FVO                                         | 19.6         | -18.6        |
| Total gain/loss on lending to customers, FVO                                              | 19.6         | -18.6        |
| <b>Liabilities to credit institutions and other funding</b>                               |              |              |
| Realised gain/loss on liabilities to credit institutions and other funding, FVO           |              | -1.0         |
| Unrealised gain/loss on liabilities to credit institutions and other funding, FVO         | 0.4          | 1.0          |
| Total gain/loss on liabilities to credit institutions and other funding, FVO              | 0.4          | 0.0          |
| <b>Financial derivatives and foreign exchange</b>                                         |              |              |
| Realised gain/loss on financial derivatives, held for trading                             | 23.3         | 10.5         |
| Unrealised gain/loss on financial derivatives, held for trading                           | -71.5        | -3.2         |
| Total financial derivatives and foreign exchange, held for trading                        | -48.2        | 7.3          |
| <b>Net income and gains from financial assets and liabilities at fair value</b>           | <b>-12.8</b> | <b>-18.8</b> |
| <b>Fair value hedging</b>                                                                 |              |              |
| Realised gain/loss on derivatives and bonds issued, fair value hedging                    | 27.6         | 7.1          |
| Unrealised gain/loss on derivatives and bonds issued, fair value hedging                  | 0.3          | -0.7         |
| <b>Net gain/loss on fair value hedging</b>                                                | <b>27.9</b>  | <b>6.4</b>   |
| <b>Commercial papers and bonds</b>                                                        |              |              |
| Realised gain/loss on commercial papers and bonds at amortised cost                       | 5.8          | 2.7          |
| Total gain/loss on commercial papers and bonds at amortised cost                          | 5.8          | 2.7          |
| <b>Bonds issued</b>                                                                       |              |              |
| Realised gain/loss on bonds issued at amortised cost                                      | -8.2         | -4.0         |
| Total gain/loss on bonds issued at amortised cost                                         | -8.2         | -4.0         |
| <b>Net income and gains from financial assets and liabilities at amortised cost</b>       | <b>-2.4</b>  | <b>-1.2</b>  |
| <b>Net income and gains from financial assets and liabilities</b>                         | <b>12.7</b>  | <b>-13.6</b> |
| Net gain/loss on financial assets at fair value through the profit and loss account:      |              |              |
| Financial assets designated at fair value upon initial recognition                        | 34.7         | -26.1        |
| Financial assets classified as held for trading                                           | -15.0        | -10.6        |
| Changes in fair value of assets due to changes in credit risk                             | 2.3          | 5.7          |
| Net gain/loss on financial liabilities at fair value through the profit and loss account: |              |              |
| Financial liabilities designated at fair value upon initial recognition                   | 0.4          | 0.0          |
| Financial liabilities classified as held for trading                                      |              |              |

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

Note 11 | Net commission income

| (NOK million)                                                                                                                                                   | 2014         | 2013         |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|--------------|
| Fees related to banking operations                                                                                                                              | 42.8         | 53.1         |
| Commissions from saving products                                                                                                                                | 21.9         | 23.9         |
| Fees from loans                                                                                                                                                 | 19.2         | 18.0         |
| Other fees and commissions receivable                                                                                                                           |              |              |
| <b>Total fees and commissions receivable *)</b>                                                                                                                 | <b>83.8</b>  | <b>95.1</b>  |
| Fees and commissions payable relating to banking operations                                                                                                     | -10.4        | -9.1         |
| Commissions payable on saving products                                                                                                                          | -4.1         | -2.6         |
| Other fees and commissions payable                                                                                                                              | -0.4         | -0.1         |
| <b>Total fees and commissions payable **)</b>                                                                                                                   | <b>-14.9</b> | <b>-11.8</b> |
| <b>Net commission income</b>                                                                                                                                    | <b>68.9</b>  | <b>83.3</b>  |
| *) 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   | 61.9         | 71.1         |
| **) 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 | -10.4        | -9.1         |

Other fees and commissions receivable / payable can relate to services bought and sold.

Note 12 | Other income

| (NOK million)                                                 | 2014         | 2013         |
|---------------------------------------------------------------|--------------|--------------|
| Gain on sale of subsidiaries and associated companies         | -10,5        | -0,1         |
| Write-downs/reversal of write-downs of shares in subsidiaries |              | -25,6        |
| Receipts of group contribution from subsidiaries              | 223,4        | 237,2        |
| Other income                                                  | 1,2          | 0,1          |
| <b>Total other income</b>                                     | <b>214,1</b> | <b>211,6</b> |

Note 13 | Remuneration paid to auditor

REMUNERATION EXCLUDING VALUE ADDED TAX:

| (NOK 1000)               | 2014       | 2013       |
|--------------------------|------------|------------|
| Statutory audit          | 739        | 717        |
| Other reporting duties   | 97         | 54         |
| Taxation advice          |            |            |
| Other non-audit services | 30         |            |
| <b>Total</b>             | <b>867</b> | <b>771</b> |

All remuneration for statutory auditing concerns Deloitte AS.

## Note 14 | Operating expenses

| (NOK million)                                                   | 2014          | 2013          |
|-----------------------------------------------------------------|---------------|---------------|
| Ordinary wages and salaries                                     | -98.0         | -87.9         |
| Employer's social security contributions                        | -11.1         | -11.3         |
| Other staff expenses                                            | -6.5          | -22.1         |
| Pension cost (see note 15) <sup>1)</sup>                        | 42.6          | 3.3           |
| <b>Total staff expenses</b>                                     | <b>-73.0</b>  | <b>-118.0</b> |
| IT costs                                                        | -49.0         | -49.9         |
| Printing, postage etc.                                          | -2.0          | -2.2          |
| Travel, entertainment, courses, meetings                        | -1.3          | -1.5          |
| Other sales and marketing costs                                 | -1.3          | -1.2          |
| <b>Total general administration expenses</b>                    | <b>-53.7</b>  | <b>-54.8</b>  |
| <b>Total staff expenses and general administration expenses</b> | <b>-126.6</b> | <b>-172.8</b> |
| Depreciation fixed assets and intangible assets                 | -21.6         | -35.0         |
| Contract personnel (see note 13)                                | -9.8          | -10.0         |
| Operating expenses on rented premises (see note 33)             | -10.1         | -11.4         |
| Inter-company charges for services <sup>2)</sup>                | -55.4         | -89.1         |
| Other operating expenses                                        | -16.9         | -22.8         |
| <b>Total other operating expenses</b>                           | <b>-113.7</b> | <b>-168.4</b> |
| <b>Total operating expenses</b>                                 | <b>-240.3</b> | <b>-341.2</b> |

1) Pension cost is positive due to recognition of an income related to the change in pension scheme of NOK 44,5 million (see note 15)

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

## Note 15 | Pensions

Storebrand Group has country-specific pension schemes.

On 28 October 2014 the Board of Directors of Storebrand ASA decided to change the pension scheme for its own employees from a defined-benefit to a defined-contribution plan with effect from 1 January 2015. Up until 31 December 2014, Storebrand in Norway has had both a defined-contribution and a defined-benefit scheme. The defined-benefit scheme was closed to new members from 1 January 2011, and a defined-contribution scheme was established from the same point in time. In connection with the transition to a defined-contribution pension the employees will be issued with a traditional paid-up policy for the rights accrued in the guaranteed pension scheme. This has been taken into account in the pension liabilities at 31 December 2014. There are certain obligations related to people on sick leave and partially disabled employees for whom the defined-benefit scheme will continue to apply for a period.

According to IAS 19 assets and liabilities linked to the defined-benefit scheme shall be derecognised when a non-reversible decision has been made to discontinue a defined-benefit scheme (and it is not replaced by a similar scheme). The assumptions used in the calculations must be updated and the effects of this must be recognised in total comprehensive income. Effects that were recognised in total comprehensive income in previous periods shall not be reclassified to profit or loss (IAS 19.122). Gains and losses on derecognition are recognised through profit or loss.

For the uninsured insurance liabilities for salaries over 12 G, employees have been offered cash release of the accrued rights, payable at the beginning of 2015, with the exception of executive management employees, who will receive payments spread over five years. These uninsured insurance liabilities were included in the statement of financial position at 31 December 2014. There are also defined-benefit liabilities in the statement of financial position related to direct pensions for certain former employees and former board members.

The new defined-contribution scheme that comes into effect from 1 January 2015 has the following components and premiums:

- Saving starts from the first krone of salary
- Savings rate of 7 per cent of salary from 0 to 12 G (the National Insurance basic amount "G" is NOK 88,370 at 31 December 2014)
- In addition 13 per cent of salary between 7.1 and 12 G is saved
- Savings rate for salary over 12 G is 20 per cent

For the defined-contribution scheme up until 31 December 2014 the saving rates were 5 per cent of salary between 1 and 6 G, 8 per cent of salary between 6 and 12 G, plus a defined-contribution scheme funded through operations that amounts to 20 per cent of the contribution basis for salaries above 12 G per year.

From 1 January 2013 Storebrand has been a member of the AFP contractual early retirement pension scheme. The private AFP pension scheme shall be accounted for as a defined-benefit multi-employer scheme and is financed through annual premiums that are set at 1 per cent of salary between 1 and 7.1 G. There is no reliable information available for recognition of the new liability in the statement of financial position. Storebrand employees in Norway who were born before 1 January 1956 can choose between drawing a contractual early retirement pension (AFP) or retiring at the age of 65 and receiving a direct pension from the company until they reach the age of 67. Payment of AFP is lifelong, and employees can choose to receive an AFP pension from the age of 62 and still continue to work. Storebrand's direct pension scheme with payment between the age of 65 and 67 has been discontinued for other employees.

All members of the pension schemes have associated survivor's and disability cover.

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

| (NOK million)                                                                | 2014        | 2013        |
|------------------------------------------------------------------------------|-------------|-------------|
| Present value of insured pension liabilities                                 | 35.4        | 119.2       |
| Fair value of pension assets                                                 | -33.5       | -109.3      |
| Net pension liabilities/assets insured scheme                                | 1.9         | 9.9         |
| Present value of unsecured liabilities                                       | 28.9        | 47.8        |
| <b>Net pension liabilities recognised in statement of financial position</b> | <b>30.8</b> | <b>57.8</b> |

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

#### BOOKED IN STATEMENT OF FINANCIAL POSITION

| (NOK million)       | 2014 | 2013 |
|---------------------|------|------|
| Pension assets      | 0.0  | 0.0  |
| Pension liabilities | 30.8 | 57.8 |

#### CHANGES IN THE NET DEFINED BENEFIT PENSION LIABILITIES IN THE PERIOD

| (NOK million)                                | 2014        | 2013         |
|----------------------------------------------|-------------|--------------|
| Net pension liabilities 01.01                | 167.1       | 174.7        |
| Pensions earned in the period                | 8.8         | 11.5         |
| Pension cost recognised in period            | 7.0         | 6.9          |
| Estimate deviations                          | 29.2        | 0.8          |
| Pensions paid                                | -6.8        | -6.6         |
| Changes to pension scheme                    | -139.3      | -19.0        |
| Payroll tax of employer contribution, assets | -1.6        | -1.2         |
| <b>Net pension liabilities 31.12</b>         | <b>64.3</b> | <b>167.1</b> |

## CHANGES IN THE FAIR VALUE OF PENSION ASSETS

| (NOK million)                                                | 2014        | 2013         |
|--------------------------------------------------------------|-------------|--------------|
| Pension assets at fair value 01.01                           | 109.3       | 103.5        |
| Expected return                                              | 3.6         | 4.0          |
| Estimate deviation                                           | -5.9        | -4.9         |
| Premiums paid                                                | 11.5        | 8.6          |
| Pensions paid                                                | -2.4        | -1.9         |
| Changes to pension scheme                                    | -82.6       | 0.0          |
| <b>Net pension assets 31.12</b>                              | <b>33.5</b> | <b>109.3</b> |
| Expected premium payments (contributions) in 2015            | 1.7         |              |
| Expected AFP early retirement scheme payments in 2015        | 8.2         |              |
| Expected payments from operations (uninsured scheme) in 2015 | 1.6         |              |
| Expected payment from operations (uninsured scheme) in 2015  | 2.0         |              |

## PENSION ASSETS ARE BASED ON THE FINANCIAL ASSETS HELD BY STOREBRAND LIFE INSURANCE/SPP COMPOSED AT 31.12:

|                                                                                                                     | 2014         | 2013         |
|---------------------------------------------------------------------------------------------------------------------|--------------|--------------|
| Real estate                                                                                                         | 10 %         | 12 %         |
| Bonds at amortised cost                                                                                             | 40 %         | 48 %         |
| Mortgage loans and other loans                                                                                      |              | 2 %          |
| Equities and units                                                                                                  | 15 %         | 16 %         |
| Bonds                                                                                                               | 28 %         | 20 %         |
| Certificates                                                                                                        | 8 %          | 2 %          |
| Other short-term financial assets                                                                                   |              |              |
| <b>Total</b>                                                                                                        | <b>100 %</b> | <b>100 %</b> |
| The table shows the percentage asset allocation of pension assets at year-end managed by Storebrand Life Insurance. |              |              |
| Realised return on assets                                                                                           | 5,4 %        | 3,3 %        |

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

| (NOK million)                                                               | 2014         | 2013        |
|-----------------------------------------------------------------------------|--------------|-------------|
| Current service cost                                                        | 8.8          | 11.5        |
| Net interest cost/expected return                                           | 3.4          | 2.8         |
| Changes to pension scheme                                                   | -56.7        | -19.0       |
| <b>Total for defined benefit schemes</b>                                    | <b>-44.5</b> | <b>-4.7</b> |
| The period's payment to contribution scheme                                 | 1.0          | 1.4         |
| The period's payment to contribution scheme                                 | 0.9          |             |
| <b>Net pension cost recognised in profit and loss account in the period</b> | <b>-42.6</b> | <b>-3.3</b> |

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

## OTHER COMPREHENSIVE INCOME (OCI) IN THE PERIOD

| (NOK million)                                                   | 2014        |
|-----------------------------------------------------------------|-------------|
| Actuarial loss (gain) - change in discount rate                 | 28.8        |
| Actuarial loss (gain) - change in other financial assumptions   | -3.3        |
| Actuarial loss (gain) - change in mortality table               |             |
| Actuarial loss (gain) - change in other demographic assumptions |             |
| Actuarial loss (gain) - experience DBO                          | 3.6         |
| Loss (gain) - experience Assets                                 | 4.8         |
| Investment management cost                                      | 1.1         |
| Asset ceiling - asset adjustment                                |             |
| <b>Remeasurements loss (gain) in the period</b>                 | <b>35.1</b> |

| Main assumptions used when calculating net pension liability 31.12 | 31.12.14 | 31.12.13 |
|--------------------------------------------------------------------|----------|----------|
| Discount rate <sup>1)</sup>                                        | 3.0 %    | 4.0 %    |
| Expected return                                                    | 3.0 %    | 4.0 %    |
| Expected earnings growth                                           | 3.0 %    | 3.3 %    |
| Expected annual increase in social security pensions               | 3.0 %    | 3.5 %    |
| Expected annual increase in pensions payment                       | 0.1 %    | 0.1 %    |
| Disability table                                                   | KU       | KU       |
| Mortality table                                                    | K2013BE  | K2013BE  |

1) A discount rate of 2.5 per cent p.a. has been used for portions of the pension liabilities for the Norwegian companies

### 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, real wage growth and adjustment of the basic amount are subject to a particularly high degree of uncertainty.

IAS 19.78 states that high-quality corporate bond rates shall be used as the discount rate. In countries where there is no deep market for such bonds, the government bond rates shall be used.

Storebrand has applied the covered bond rate at 31 December 2014 as the discount rate. Based on the market and volume development observed, the Norwegian covered bond market must be perceived as a deep market in relation to the provisions in IAS 19, in the opinion of Storebrand.

In 2013 Storebrand (Norway) amended the pension rules in the collective schemes for employees and former employees of the company. The change entailed that pensions in payment no longer have a provision concerning annual adjustment by a minimum of 80 per cent of the change in the consumer price index.

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. With effect from 2014 a new mortality basis, K2013, has been introduced for group pension insurance in life insurance companies and pension funds. Storebrand has used the mortality table K2013BE (best estimate) in the actuarial calculations at 31 December 2014.

The average employee turnover rate is 2–3 per cent for the entire workforce as a whole, and falling turnover with increasing age is assumed.

The actuarial assumptions in Sweden follow the industry's mutual mortality table DUS06 adjusted for corporate differences. The average employee turnover rate is estimated to be 4 per cent p.a.

## SENSITIVITY ANALYSIS PENSION CALCULATIONS

The following estimates are based on facts and circumstances as of 31 December 2014 and are calculated for each individual when all other assumptions are kept constant.

| (NOK million)                  | DISCOUNT RATE |        | G-GROWTH |        |
|--------------------------------|---------------|--------|----------|--------|
|                                | 0.5 %         | -0.5 % | 0.5 %    | -0.5 % |
| Pension liabilities            |               |        |          |        |
| The period's net pension costs | -8 %          | 9 %    | 4 %      | -4 %   |

Storebrand's risk associated with the pension scheme relates to the changes in the financial and actuarial assumptions that must be used in the calculations and the actual return on the pension funds. The pension liabilities are particularly sensitive to changes in the discount rate. A reduction of the discount rate will in isolation entail an increase in pension liabilities.

For the Norwegian companies that have converted to defined contribution pensions as of 1 January 2015, the sensitivity has been estimated at +/- 0.5 per cent of the pension liabilities.

## Note 16 | Loan losses

| (NOK million)                                                                               | 2014         | 2013        |
|---------------------------------------------------------------------------------------------|--------------|-------------|
| Change in loan loss provisions on individual loans for the period                           | 48.4         | 34.9        |
| Change in loan loss provisions on groups of loans for the period                            | 10.4         | 9.1         |
| Other corrections to loan loss provisions                                                   | 4.5          | 4.8         |
| Realised losses in period on commitments specifically provided for previously               | -137.7       | -76.8       |
| Realised losses on commitments not specifically provided for previously                     | -1.2         | -2.4        |
| Recoveries on previously realised losses                                                    | 1.0          | 21.2        |
| <b>Loan losses for the period</b>                                                           | <b>-74.6</b> | <b>-9.1</b> |
| Interest recognised to the profit and loss account on loans subject to loan loss provisions | 10.0         | 4.8         |

## Note 17 | Tax

### TAX CHARGE FOR THE YEAR

| (NOK million)                        | 2014         | 2013         |
|--------------------------------------|--------------|--------------|
| Tax payable for the period           | -57.1        | -73.0        |
| Change in deferred tax assets        | -2.2         | 2.0          |
| <b>Total tax charge for the year</b> | <b>-59.3</b> | <b>-70.9</b> |

## TAX BASIS FOR THE YEAR

| (NOK million)                                                                          | 2014         | 2013         |
|----------------------------------------------------------------------------------------|--------------|--------------|
| Profit before taxes                                                                    | 208.0        | 221.7        |
| + Group contribution received, difference between the carrying amount and the tax base |              |              |
| +/- Share of results from associated companies                                         |              |              |
| +/- Realised gains/losses on shares within EEA                                         | 10.4         | 0.1          |
| Other permanent differences                                                            | 2.1          | 27.3         |
| Changes in temporary differences                                                       | 25.9         |              |
| Changes in temporary differences - estimate deviations                                 | -35.1        | 11.6         |
| <b>Tax basis for the year</b>                                                          | <b>211.3</b> | <b>260.6</b> |
| Reduction for tax deductible loss                                                      |              |              |
| - Application of tax loss carryforward                                                 |              |              |
| <b>Tax basis for the year for current taxes <sup>1)</sup></b>                          | <b>211.3</b> | <b>260.6</b> |
| Tax rate                                                                               | 27 %         | 28 %         |
| 1) Allocated group contribution with tax effect                                        | 211.3        | 260.6        |

## RECONCILIATION OF EXPECTED AND ACTUAL TAX CHARGE

| (NOK million)                          | 2014         | 2013         |
|----------------------------------------|--------------|--------------|
| Ordinary pre-tax profit                | 208.0        | 221.7        |
| Expected tax on income at nominal rate | -56.2        | -62.1        |
| Tax effect of:                         |              |              |
| Realised shares                        | -2.8         | 0.0          |
| Permanent differences                  | -0.6         | -7.6         |
| Change in taxrules                     |              | -1.2         |
| Change of tax assessment earlier years | 0.3          | 0.0          |
| <b>Tax charge</b>                      | <b>-59.3</b> | <b>-70.9</b> |
| <b>Effective tax rate</b>              | <b>28 %</b>  | <b>32 %</b>  |

## TAX PAYABLE IN THE BALANCE SHEET

| (NOK million)                           | 2014       | 2013       |
|-----------------------------------------|------------|------------|
| Tax payable                             | -57.1      | -73.0      |
| - tax effect of group contribution paid | 57.1       | 73.0       |
| <b>Tax payable in the balance sheet</b> | <b>0.0</b> | <b>0.0</b> |

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

| (NOK million)                                          | 2014         | 2013         |
|--------------------------------------------------------|--------------|--------------|
| Tax increasing timing differences:                     |              |              |
| Fixed assets                                           |              |              |
| Financial instruments                                  | 0.0          | 18.3         |
| <b>Total tax increasing timing differences</b>         | <b>0.0</b>   | <b>18.3</b>  |
| Tax reducing timing differences:                       |              |              |
| Pensions                                               | -30.8        | -57.8        |
| Financial instruments                                  | -17.4        |              |
| Fixed assets                                           | -18.2        | -7.7         |
| Provisions                                             | -26.8        | -20.1        |
| <b>Total tax reducing timing differences</b>           | <b>-93.2</b> | <b>-85.6</b> |
| Losses/allowances carried forward                      |              |              |
| Net base for deferred tax/tax assets                   | -93.2        | -67.3        |
| Write-down of deferred tax asset                       |              |              |
| Net base for deferred tax and deferred tax asset       | -93.2        | -67.3        |
| <b>Net deferred tax/tax asset in the balance sheet</b> | <b>25.2</b>  | <b>18.2</b>  |

## ANALYSIS OF TAX PAYABLE AND DEFERRED TAX APPLIED TO EQUITY

| (NOK million)                  | 2014        | 2013       |
|--------------------------------|-------------|------------|
| Pension experience adjustments | -9.5        | 2.1        |
| <b>Total</b>                   | <b>-9.5</b> | <b>2.1</b> |

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<br>RECEIVABLES | FAIR VALUE,<br>TRADING | FAIR VALUE, FVO | LIABILITIES AT<br>AMORTISED COST | TOTAL BOK<br>VALUE |
|------------------------------------------------|--------------------------|------------------------|-----------------|----------------------------------|--------------------|
| <b>Financial assets</b>                        |                          |                        |                 |                                  |                    |
| Cash and deposits with central banks           | 181.0                    |                        |                 |                                  | 181.0              |
| Loans to and deposits with credit institutions | 2 848.2                  |                        |                 |                                  | 2 848.2            |
| Equity instruments                             |                          |                        | 2.0             |                                  | 2.0                |
| Bonds and other fixed-income securities        | 1 006.7                  |                        | 6 181.7         |                                  | 7 188.4            |
| Derivatives                                    |                          | 511.7                  |                 |                                  | 511.7              |
| Lending to customers                           | 13 169.6                 |                        | 988.8           |                                  | 14 158.4           |
| Other current assets                           | 1 155.0                  |                        |                 |                                  | 1 155.0            |
| <b>Total financial assets 2014</b>             | <b>18 360.5</b>          | <b>511.7</b>           | <b>7 172.5</b>  | <b>0.0</b>                       | <b>26 044.8</b>    |
| Total financial assets 2013                    | 22 517.4                 | 445.5                  | 6 841.0         | 0.0                              | 29 803.9           |
| <b>Financial liabilities</b>                   |                          |                        |                 |                                  |                    |
| Deposits from and due to credit institutions   |                          |                        |                 | 325.9                            | 325.9              |
| Deposits from and due to customers             |                          |                        |                 | 19 366.1                         | 19 366.1           |
| Commercial papers and bonds issued             |                          |                        |                 | 2 677.2                          | 2 677.2            |
| Derivatives                                    |                          | 545.1                  |                 |                                  | 545.1              |
| Other liabilities                              |                          |                        |                 | 568.2                            | 568.2              |
| Subordinated loan capital                      |                          |                        |                 | 511.6                            | 511.6              |
| <b>Total financial liabilities 2014</b>        | <b>0.0</b>               | <b>545.1</b>           | <b>0.0</b>      | <b>23 449.1</b>                  | <b>23 994.2</b>    |
| Total financial liabilities 2013               | 0.0                      | 601.1                  | 1 986.0         | 26 169.1                         | 28 756.3           |

Note  
19

## Fair value of financial assets and liabilities at amortised cost

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 2014. The shortfall is calculated using a discounted difference between the agreed margin and the current market price over the remaining term to maturity. Fair value is also adjusted for individual loan loss provisions. The fair values of lending, liabilities to financial institutions and securities issued are based on valuation techniques. The valuation techniques use interest rate curves and credit spreads from external providers with exception of lending which are assessed to spreads on new loans correspondingly.

| (NOK million)                                                  | 2014       |            | 2013       |            |
|----------------------------------------------------------------|------------|------------|------------|------------|
|                                                                | BOOK VALUE | FAIR VALUE | BOOK VALUE | FAIR VALUE |
| <b>Assets</b>                                                  |            |            |            |            |
| Loans and receivables:                                         |            |            |            |            |
| Bonds, amortised cost                                          | 1 006.7    | 1 013.5    | 1 541.8    | 1 546.1    |
| Loans to and deposits with credit institutions, amortised cost | 2 848.2    | 2 848.2    | 2 198.9    | 2 198.9    |
| Lending to customers, amortised cost                           | 13 118.6   | 13 078.6   | 17 533.5   | 17 470.4   |
| Other current assets                                           | 1 155.0    | 1 155.0    | 1 223.3    | 1 223.3    |
| <b>Liabilities</b>                                             |            |            |            |            |
| Deposits from and due to credit institutions, amortised cost   | 325.9      | 325.9      | 332.9      | 332.9      |
| Deposits from and due to customers, amortised cost             | 19 366.1   | 19 366.1   | 20 749.0   | 20 749.0   |
| Commercial papers and bonds issued, amortised cost             | 2 677.2    | 2 738.9    | 4 050.8    | 4 128.4    |
| Other liabilities                                              | 568.2      | 568.2      | 326.1      | 326.1      |
| Subordinated loan capital, amortised cost                      | 511.6      | 523.0      | 589.7      | 596.9      |

**Note 20** | Cash and deposits with central banks

| (NOK million)                                                        | 2014<br>BOOK VALUE | 2013<br>BOOK VALUE |
|----------------------------------------------------------------------|--------------------|--------------------|
| Cash                                                                 |                    | 2.0                |
| Deposits with central banks at amortised cost, loans and receivables | 181.0              | 17.8               |
| <b>Total cash and deposits with central banks</b>                    | <b>181.0</b>       | <b>19.8</b>        |

**Note 21** | Loans to and deposits with credit institutions

| (NOK million)                                                                                 | 2014<br>BOOK VALUE | 2013<br>BOOK VALUE |
|-----------------------------------------------------------------------------------------------|--------------------|--------------------|
| Total loans to and deposits with credit institutions without fixed maturity at amortised cost | 2 848.2            | 2 198.9            |
| <b>Total loans to and deposits with credit institutions at amortised cost</b>                 | <b>2 848.2</b>     | <b>2 198.9</b>     |

**Note 22** | Shares and other equity instruments

| (NOK million)                           | OWNERSHIP<br>INTEREST | 2014<br>BOOK VALUE | 2013<br>BOOK VALUE |
|-----------------------------------------|-----------------------|--------------------|--------------------|
| Storebrand Institusjonelle Investor ASA | 5.15%                 | 0.7                | 0.8                |
| Visa Inc. A-aksjer                      |                       | 0.9                | 0.8                |
| Others                                  |                       | 0.4                | 0.2                |
| <b>Total</b>                            |                       | <b>2.0</b>         | <b>1.7</b>         |
| Of which                                |                       |                    |                    |
| Listed shares                           |                       |                    |                    |
| Unlisted shares                         |                       | 2.0                | 1.7                |

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

## Note 23 | Investments in subsidiaries

| (NOK million)                         | BUSINESS<br>REGISTRATION<br>NUMBER | REGISTERED<br>OFFICE | OWNERSHIP<br>INTEREST | SHARE OF<br>VOTES | SHARE<br>CAPITAL | ACQUISITION<br>COST | BOOK<br>VALUE<br>31.12.2014 | BOOK<br>VALUE<br>31.12.2013 |
|---------------------------------------|------------------------------------|----------------------|-----------------------|-------------------|------------------|---------------------|-----------------------------|-----------------------------|
| Storebrand Boligkreditt AS            | 990645515                          | Lysaker              | 100.0%                | 100.0%            | 455.0            | 836.2               | 836.2                       | 836.2                       |
| Ring Eiendomsmegling AS <sup>1)</sup> | 987227575                          | Lysaker              | 100.0%                | 100.0%            | 2.0              | 140.4               | 5.2                         | 5.2                         |
| Hadrian Eiendom AS <sup>2)</sup>      | 976145364                          | Oslo                 | 100.0%                | 100.0%            |                  |                     | 0.0                         | 25.0                        |
| Bjørndalen Panorama AS <sup>3)</sup>  | 991742565                          | Lysaker              | 100.0%                | 100.0%            | 3.2              | 69.9                | 2.4                         | 7.1                         |
| <b>Total</b>                          |                                    |                      |                       |                   |                  | <b>1 046.5</b>      | <b>843.8</b>                | <b>873.5</b>                |

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

2) Hadrian Eiendom AS was sold October 2014.

3) Bjørndalen Panorama AS and Filipstad Tomteselskap AS merged in 2014 with continuity for accounting and tax purposes. Bjørndalen Panorama AS is the acquiring company.

## Note 24 | Bonds and other fixed-income securities at fair value through the profit and loss account

| (NOK million)                                                                                          | 2014<br>FAIR VALUE | 2013<br>FAIR VALUE |
|--------------------------------------------------------------------------------------------------------|--------------------|--------------------|
| Sovereign and Government Guaranteed bonds                                                              | 100.4              | 100.3              |
| Credit bonds                                                                                           | 900.3              | 534.6              |
| Mortgage and asset backed bonds                                                                        | 5 181.1            | 4 915.3            |
| <b>Total bonds and other fixed-income securities at fair value through the profit and loss account</b> | <b>6 181.7</b>     | <b>5 550.2</b>     |
| Modified duration                                                                                      | 0.20               | 0.14               |
| Average effective yield per 31.12.                                                                     | 1.55 %             | 1.81 %             |

The portfolio is mainly denominated in NOK.

Calculated effective yields are weighted to give an average effective yield on the basis of each asset's share of the total interest rate sensitivity.

## Note 25 | Bonds at amortised cost - Loans and receivables

| (NOK million)                                  | 2014<br>BOOK<br>VALUE | FAIR<br>VALUE  | 2013<br>BOOK<br>VALUE | FAIR<br>VALUE  |
|------------------------------------------------|-----------------------|----------------|-----------------------|----------------|
| Public issuers and Government Guaranteed Bonds | 626.7                 | 628.4          | 727.1                 | 727.5          |
| Credit bonds                                   |                       |                |                       |                |
| Mortgage and asset backed bonds                | 380.0                 | 385.1          | 814.8                 | 818.7          |
| <b>Total bonds at amortised cost</b>           | <b>1 006.7</b>        | <b>1 013.5</b> | <b>1 541.8</b>        | <b>1 546.1</b> |
| Modified duration                              |                       | 0.13           |                       | 0.13           |
| Average effective yield per 31.12.             |                       | 1.50 %         |                       | 1.89 %         |

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 26 | Transferred financial assets (swap scheme)

| (NOK million)               | 2014<br>BOOK VALUE | 2013<br>BOOK VALUE |
|-----------------------------|--------------------|--------------------|
| Covered bonds:              |                    |                    |
| Covered bonds (see note 24) | 0.0                | 2 759.5            |
| Swap scheme (see note 18)   | 0.0                | 996.6              |

Transferred financial assets consisted of swap agreements with the state through the Ministry of Finance concerning the posting of financial collateral (see note 42). The swap agreements which were entered into through auctions that were administrated by Norges Bank are redeemed in 2014.

## Note 27 | Financial derivatives

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

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

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

| (NOK million)                      | GROSS<br>NOM.<br>VOLUME <sup>1)</sup> | GROSS<br>RECOGNISED<br>FINANCIAL<br>ASSETS | GROSS<br>RECOGNISED<br>DEBT | NET<br>FINANCIAL<br>ASSETS /<br>DEBT IN THE<br>BALANCE<br>SHEET | AMOUNTS THAT CAN BE, BUT ARE NOT<br>PRESENTED NET IN THE BALANCE SHEET |            | NET<br>AMOUNT |
|------------------------------------|---------------------------------------|--------------------------------------------|-----------------------------|-----------------------------------------------------------------|------------------------------------------------------------------------|------------|---------------|
|                                    |                                       |                                            |                             |                                                                 | FIN. ASSETS                                                            | FIN. DEBT  |               |
| Interest derivatives <sup>2)</sup> | 13 457.8                              | 511.7                                      | 545.1                       |                                                                 |                                                                        |            | -33.4         |
| Currency derivatives               | 53.2                                  | 0.0                                        | 0.0                         |                                                                 |                                                                        |            | 0.1           |
| <b>Total derivatives</b>           |                                       |                                            |                             |                                                                 |                                                                        |            |               |
| <b>31.12.2014</b>                  | <b>13 510.9</b>                       | <b>511.7</b>                               | <b>545.1</b>                | <b>0.0</b>                                                      | <b>0.0</b>                                                             | <b>0.0</b> | <b>-33.3</b>  |
| Total derivatives 31.12.2013       | 16 601.6                              | 445.5                                      | 411.0                       | 0.0                                                             | 0.0                                                                    | 0.0        | 34.5          |

1) Values as at 31.12.

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

### INVESTMENTS SUBJECT TO NETTING AGREEMENTS /CSA

| (NOK million) | RECOGNISED<br>ASSETS | RECOGNISED<br>LIABILITIES | NET ASSETS | SECURITY      |                     | NET EXPOSURE |
|---------------|----------------------|---------------------------|------------|---------------|---------------------|--------------|
|               |                      |                           |            | CASH<br>(+/-) | SECURITIES<br>(+/-) |              |
| Total         | 505,0                | 545,1                     | -40,1      | 0,0           | 706,5               | 666,4        |

## Note 28 Foreign exchange risk

### FINANCIAL ASSETS AND LIABILITIES IN FOREIGN CURRENCY

| (NOK million)                            | STATEMENT OF FINANCIAL POSITION ITEMS |             | CURRENCY<br>FORWARDS<br>NET SALE | NET POSITION |             |
|------------------------------------------|---------------------------------------|-------------|----------------------------------|--------------|-------------|
|                                          | ASSETS                                | LIABILITIES |                                  | IN CURRENCY  | IN NOK      |
| CHF                                      | 1.5                                   | 1.4         |                                  | 0.0          | 0.1         |
| DKK                                      | 0.5                                   | 0.6         |                                  | -0.1         | -0.1        |
| EUR                                      | 5.0                                   | 28.0        | 22.6                             | 0.0          | -0.4        |
| GBP                                      | 4.1                                   | 4.2         |                                  | 0.0          | -0.1        |
| JPY                                      |                                       |             |                                  | 0.1          | 0.0         |
| SEK                                      | 7.1                                   | 7.4         | 0.3                              | -0.1         | -0.1        |
| USD                                      | 2.5                                   | 32.7        | 30.3                             | 0.0          | 0.1         |
| Others                                   |                                       | 0.2         |                                  | -0.2         | -0.2        |
| <b>Total net currency positions 2014</b> |                                       |             |                                  |              | <b>-0.7</b> |
| Total net currency positions 2013        |                                       |             |                                  |              | -1.9        |

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 29 Loan portfolio and guarantees

| (NOK million)                                          | 2014            | 2013            |
|--------------------------------------------------------|-----------------|-----------------|
|                                                        | BOOK VALUE      | BOOK VALUE      |
| Lending to customers at amortised cost                 | 13 169.6        | 17 643.3        |
| Lending to customers at fair value                     | 988.8           | 1 289.0         |
| <b>Total gross lending to customers</b>                | <b>14 158.4</b> | <b>18 932.4</b> |
| Loan loss provisions on individual loans (see note 30) | -31.9           | -80.3           |
| Loan loss provisions on groups of loans (see note 30)  | -19.1           | -29.5           |
| <b>Net lending to customers</b>                        | <b>14 107.4</b> | <b>18 822.5</b> |

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

## Note 30 Loan loss provisions

| (NOK million)                                                             | 2014        | 2013         |
|---------------------------------------------------------------------------|-------------|--------------|
|                                                                           | BOOK VALUE  | BOOK VALUE   |
| Loan loss provisions on individual loans 01.01                            | 80.3        | 115.2        |
| Losses realised in the period on individual loans previously written down | -137.7      | -76.8        |
| Loan loss provisions on individual loans for the period                   | 93.2        | 51.0         |
| Reversals of loan loss provisions on individual loans for the period      | -3.1        | -9.2         |
| Other corrections to loan loss provisions 1)                              | -0.8        | 0.0          |
| <b>Loan loss provisions on individual loans at 31.12</b>                  | <b>31.9</b> | <b>80.3</b>  |
| Loan loss provisions on groups of loans and guarantees etc. 01.01         | 29.5        | 38.6         |
| Grouped loan loss provisions for the period                               | -10.4       | -9.1         |
| <b>Loan loss provisions on groups of loans and guarantees etc. 31.12</b>  | <b>19.1</b> | <b>29.5</b>  |
| <b>Total loan loss provisions (see note 29)</b>                           | <b>51.0</b> | <b>109.8</b> |

The bank has NOK 0,1 million in individual loss provision for guarantees as of 31.12.2014. The provision has not been changed from 2013.

See also note 39.

## Note 31 | Intangible assets and goodwill

| (NOK million)                                            | 2014          |                  | 2013          |                  |
|----------------------------------------------------------|---------------|------------------|---------------|------------------|
|                                                          | IT SYSTEMS    | TOTAL BOOK VALUE | IT SYSTEMS    | TOTAL BOOK VALUE |
| Acquisition cost at 01.01                                | 196.0         | 196.0            | 153.2         | 153.2            |
| Additions in the period:                                 |               |                  |               |                  |
| Purchased separately                                     | 53.3          | 53.3             | 42.8          | 42.8             |
| Disposals in the period                                  | -76.2         | -76.2            |               | 0.0              |
| <b>Acquisition cost at 31.12</b>                         | <b>173.1</b>  | <b>173.1</b>     | <b>196.0</b>  | <b>196.0</b>     |
| Accumulated depreciation and write-downs at 01.01        | 120.6         | 120.6            | 87.5          | 87.5             |
| Depreciation in the period (see note 14)                 | 20.0          | 20.0             | 33.0          | 33.0             |
| Disposals in the period                                  | -76.2         | -76.2            |               | 0.0              |
| Write-downs in the period (see note 14)                  |               |                  |               | 0.0              |
| <b>Accumulated depreciation and write-downs at 31.12</b> | <b>64.4</b>   | <b>64.4</b>      | <b>120.6</b>  | <b>120.6</b>     |
| <b>Book value at 31.12</b>                               | <b>108.7</b>  | <b>108.7</b>     | <b>75.4</b>   | <b>75.4</b>      |
| <b>For each class of intangible assets:</b>              |               |                  |               |                  |
| Depreciation method                                      | linear method |                  | linear method |                  |
| Economic life                                            | 3 - 10 år     |                  | 3 - 8 år      |                  |
| Rate of depreciation                                     | 10.0% -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 lifetime are reviewed annually.

## Note 32 | Fixed assets

| (NOK million)                                    |                      |                  |                           | 2014             | 2013             |
|--------------------------------------------------|----------------------|------------------|---------------------------|------------------|------------------|
|                                                  | FIXTURE AND FITTINGS | IT               | REAL ESTATE <sup>1)</sup> | TOTAL BOOK VALUE | TOTAL BOOK VALUE |
| Book value at 01.01                              | 4.2                  | 0.0              | 2.0                       | 6.2              | 8.1              |
| Additions                                        |                      |                  |                           | 0.0              | 0.0              |
| Disposals                                        |                      |                  | -1.0                      | -1.0             | 0.0              |
| Depreciation (see note 14)                       | -1.3                 |                  | -0.3                      | -1.5             | -1.9             |
| Write-downs in the period (see note 14)          |                      |                  |                           | 0.0              | 0.0              |
| <b>Book value at 31.12.</b>                      | <b>3.0</b>           | <b>0.0</b>       | <b>0.6</b>                | <b>3.6</b>       | <b>6.2</b>       |
| Opening acquisition cost                         | 10.2                 | 6.8              | 5.7                       | 22.7             | 22.7             |
| Closing acquisition cost                         | 10.2                 | 6.8              | 2.9                       | 19.8             | 22.7             |
| Opening accumulated depreciation and write-downs | 5.9                  | 6.8              | 3.8                       | 16.5             | 14.6             |
| Closing accumulated depreciation and write-downs | 7.2                  | 6.8              | 2.3                       | 16.2             | 16.5             |
| <b>For each class of fixed assets:</b>           |                      |                  |                           |                  |                  |
| Method for measuring cost price                  | Acquisition cost     | Acquisition cost | Acquisition cost          |                  |                  |
| Depreciation method                              | linear               | linear           | linear                    |                  |                  |
| Depreciation period and economic life            | 3 - 10 år            | 4 år             | 15 år                     |                  |                  |

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 33 | Operational leasing

### MINIMUM FUTURE PAYMENTS ON OPERATIONAL LEASES FOR FIXED ASSETS ARE AS FOLLOWS:

| (NOK million)                       | MINIMUM LEASE<br>LESS THAN 1 YEAR | MINIMUM LEASE<br>BETWEEN<br>1 - 5 YEARS | MINIMUM LEASE<br>MORE THAN 5 YEARS |
|-------------------------------------|-----------------------------------|-----------------------------------------|------------------------------------|
| Lease agreements less than 1 year   |                                   |                                         |                                    |
| Lease agreements between 1 -5 years | 12.1                              | 46.3                                    |                                    |
| Lease agreements more than 5 years  | 24.0                              | 96.0                                    | 120.0                              |
| <b>Total</b>                        | <b>36.1</b>                       | <b>142.3</b>                            | <b>120.0</b>                       |

Of which future lease income

#### Amount through the profit and loss account

| (NOK million)                                                    | 2014 | 2013 |
|------------------------------------------------------------------|------|------|
| Lease payments through the profit and loss account (see note 14) | 15.7 | 10.1 |

Operational leases are primarily lease for Storebrand's head office in Lysaker.

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

## Note 34 | Other current assets

| (NOK million)                        | 2014<br>BOOK VALUE | 2013<br>BOOK VALUE |
|--------------------------------------|--------------------|--------------------|
| Interest accrued                     | 34.8               | 64.2               |
| Other accrued income                 | 9.5                | 9.3                |
| Shares in subsidiaries <sup>1)</sup> | 843.8              | 873.5              |
| Due from group companies             | 266.1              | 276.2              |
| Other assets                         | 0.8                |                    |
| <b>Total other assets</b>            | <b>1 155.0</b>     | <b>1 223.3</b>     |

1) See note 23.

## Note 35 | Deposits from customers

| (NOK million)                          | 2014<br>BOOK VALUE | 2013<br>BOOK VALUE |
|----------------------------------------|--------------------|--------------------|
| Deposits from customers                | 19 166.0           | 20 380.7           |
| Term loans and deposits from customers | 200.1              | 368.3              |
| <b>Total deposits from customers</b>   | <b>19 366.1</b>    | <b>20 749.0</b>    |

|                                           | 2014            | 2013            |
|-------------------------------------------|-----------------|-----------------|
| (NOK million)                             | BOOK VALUE      | BOOK VALUE      |
| <b>Sector and industry classification</b> |                 |                 |
| Development of building projects          | 166.0           | 230.5           |
| Sale and operation of real estate         | 1 886.6         | 2 793.9         |
| Professional and financial services       | 1 879.4         | 2 255.2         |
| Wage-earners                              | 13 391.8        | 12 391.3        |
| Other                                     | 2 042.3         | 3 078.1         |
| <b>Total</b>                              | <b>19 366.1</b> | <b>20 749.0</b> |
| <b>Geographic distribution</b>            |                 |                 |
| Eastern Norway                            | 14 815.0        | 15 888.4        |
| Western Norway                            | 2 440.5         | 2 761.8         |
| Southern Norway                           | 381.4           | 353.8           |
| Mid-Norway                                | 563.8           | 557.5           |
| Northern Norway                           | 750.8           | 700.7           |
| Rest of world                             | 414.6           | 486.7           |
| <b>Total</b>                              | <b>19 366.1</b> | <b>20 749.0</b> |

## Note 36 | Hedge accounting

Storebrand uses fair value hedging for interest risk. 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. Hedging effectiveness when the hedge is created measures the relationship between changes in the hedged value of the interest rate hedging instrument and the item hedged in the event of a 2-percentage point interest rate shock. Subsequently, hedging effectiveness is measured on the basis of the simple Dollar Offset method for both prospective and retrospective calculations. Hedging is expected to be highly efficient in the period.

| (NOK million)                         | 2014                          |                             |             | 2013                          |                             |             |
|---------------------------------------|-------------------------------|-----------------------------|-------------|-------------------------------|-----------------------------|-------------|
|                                       | CONTRACT/<br>NOMINAL<br>VALUE | FAIR VALUE <sup>1)</sup>    |             | CONTRACT/<br>NOMINAL<br>VALUE | FAIR VALUE <sup>1)</sup>    |             |
|                                       |                               | ASSETS                      | LIABILITIES |                               | ASSETS                      | LIABILITIES |
| Interest rate swaps                   | 910.0                         | 57.6                        |             | 1 017.0                       | 52.9                        |             |
| Total interest rate derivatives       | 910.0                         | 57.6                        |             | 1 017.0                       | 52.9                        |             |
| Total derivatives                     | 910.0                         | 57.6                        |             | 1 017.0                       | 52.9                        |             |
|                                       |                               |                             |             |                               |                             |             |
|                                       | CONTRACT/<br>NOMINAL<br>VALUE | HEDGING VALUE <sup>1)</sup> |             | CONTRACT/<br>NOMINAL<br>VALUE | HEDGING VALUE <sup>1)</sup> |             |
|                                       |                               | ASSETS                      | LIABILITIES |                               | ASSETS                      | LIABILITIES |
| Total underlying items                | 910.0                         |                             | 971.3       | 1 017.0                       |                             | 1 075.1     |
| Hedging effectiveness - prospective   |                               |                             | 86 %        |                               |                             | 100 %       |
| Hedging effectiveness - retrospective |                               |                             | 103 %       |                               |                             | 98 %        |

Gain/loss on fair value hedging: <sup>2)</sup>

|                        | 2014      | 2013      |
|------------------------|-----------|-----------|
| (NOK million)          | GAIN/LOSS | GAIN/LOSS |
| On hedging instruments | 5.1       | -15.0     |
| On items hedged        | -4.8      | 14.3      |

1) Book value at 31.12.

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

## Note 37 | Bonds and commercial papers issued

|                                                 | 2014           | 2013           |
|-------------------------------------------------|----------------|----------------|
| (NOK million)                                   | BOOK VALUE     | BOOK VALUE     |
| Commercial papers                               |                |                |
| Bond loans                                      | 2 677.2        | 4 050.8        |
| <b>Total bonds and commercial papers issued</b> | <b>2 677.2</b> | <b>4 050.8</b> |

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

## Note 38 | Subordinated loan capital

|                                        | 2014         | 2013         |
|----------------------------------------|--------------|--------------|
| (NOK million)                          | BOOK VALUE   | BOOK VALUE   |
| Dated subordinated loan capital        | 277.4        | 151.3        |
| Other subordinated loan capital        | 9.3          | 9.3          |
| Tier 1 hybrid capital                  | 224.9        | 429.2        |
| <b>Total subordinated loan capital</b> | <b>511.6</b> | <b>589.7</b> |

|                                                                    | 2014  | 2013  |
|--------------------------------------------------------------------|-------|-------|
| (NOK million)                                                      |       |       |
| Subordinated loan capital included in capital adequacy calculation | 511.6 | 589.7 |
| <b>Interest expense</b>                                            |       |       |
| Interest expense booked in respect of subordinated loan capital    | 31.4  | 26.3  |

All subordinated loans are denominated in NOK.

## Note 39 | Provisions

| (NOK million)                                  | PROVISIONS FOR RESTRUCTURING |             |
|------------------------------------------------|------------------------------|-------------|
|                                                | 2014                         | 2013        |
| Provisions 1 January                           | 18.3                         | 17.7        |
| Provisions during the period                   |                              | 12.9        |
| Provisions used during the period              | -6.2                         | -12.3       |
| <b>Total provisions 31 December</b>            | <b>12.1</b>                  | <b>18.3</b> |
| Classified as:                                 |                              |             |
| Provision for accrued expenses and liabilities | 12.1                         | 18.3        |

The line "Allocations for costs accrued and liabilities" in the statement of financial position also includes an individual write-down of guarantees of NOK 0.1 million (see also note 30).

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

## Note 40 | Other liabilities

| (NOK million)                                 | 2014         | 2013         |
|-----------------------------------------------|--------------|--------------|
|                                               | BOOK VALUE   | BOOK VALUE   |
| Payable to Storebrand group companies         | 30.3         | 13.4         |
| Money transfers                               | 20.6         | 8.0          |
| Group contribution payable to group companies | 457.1        | 260.6        |
| Accounts payable                              | 2.7          | 5.6          |
| Accrued interest expenses financial debt      |              | 1.3          |
| Accrued expenses and prepaid income           | 47.7         | 32.8         |
| Other debt                                    | 9.9          | 4.4          |
| <b>Total other liabilities</b>                | <b>568.2</b> | <b>326.1</b> |

## Note 41 | Off balance sheet liabilities and contingent liabilities

| (NOK million)                       | 2014           | 2013           |
|-------------------------------------|----------------|----------------|
| Guarantees                          | 89.6           | 241.6          |
| Undrawn credit limits               | 5 302.8        | 6 179.2        |
| Lending commitments                 | 30.5           | 77.4           |
| <b>Total contingent liabilities</b> | <b>5 422.9</b> | <b>6 498.1</b> |

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

## Note 42 | 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).

### COLLATERAL AND SECURITY PLEDGED

| (NOK million)                                                                       | 2014           | 2013           |
|-------------------------------------------------------------------------------------|----------------|----------------|
| Booked value of bonds pledged as collateral for the bank's lending from Norges Bank | 650,6          | 1 498,5        |
| Booked value of bonds pledged as collateral for swap scheme                         | 811,7          | 1 024,6        |
| Booked value of securities pledged as collateral in other financial institutions    | 384,5          | 384,4          |
| <b>Total</b>                                                                        | <b>1 846,7</b> | <b>2 907,5</b> |

Securities pledged as collateral are linked to lending access in Norges Bank for which, pursuant to regulations, the loans must be fully guaranteed with collateral in interest-bearing securities and/or the bank's deposits in Norges bank. Storebrand Bank ASA has not any F-loan in Norges Bank as per 31.12.2014.

## Note 43 | Capital adequacy

### NET PRIMARY CAPITAL

| (NOK million)                                  | 2014           | 2013           |
|------------------------------------------------|----------------|----------------|
| Share capital                                  | 960,6          | 960,6          |
| Other equity                                   | 1 133,6        | 1 410,6        |
| <b>Total equity</b>                            | <b>2 094,1</b> | <b>2 371,2</b> |
| Deductions:                                    |                |                |
| Intangible assets                              | -108,7         | -75,4          |
| Deferred tax asset                             | -25,2          | -18,2          |
| <b>Core capital exc. Hybrid Tier 1 capital</b> | <b>1 960,3</b> | <b>2 277,6</b> |
| Additional Tier 1 capital:                     |                |                |
| Capital instruments eligible as AT1 capital    | 225,0          | 426,8          |
| <b>Core capital</b>                            | <b>2 185,3</b> | <b>2 704,4</b> |
| Supplementary capital                          | 283,9          | 158,8          |
| Tier 2 capital                                 |                |                |
| Tier 2 capital deductions                      |                |                |
| <b>Net primary capital</b>                     | <b>2 469,2</b> | <b>2 863,2</b> |

## MINIMUM CAPITAL REQUIREMENT

| (NOK million)                                      | 2014           | 2013           |
|----------------------------------------------------|----------------|----------------|
| Credit risk                                        | 1 018.6        | 1 398.5        |
| Of which:                                          |                |                |
| Local and regional authorities                     | 14.4           | 8.6            |
| Public sector owned corporates                     | 164.9          | 171.2          |
| Institutions                                       | 2.7            | 773.9          |
| Corporates *                                       | 636.5          | 256.5          |
| Loans secured in residential real estate *         | 83.9           | 51.5           |
| Retail market                                      | 7.2            | 37.2           |
| Loans past-due                                     | 81.9           | 88.6           |
| Covered bonds                                      | 27.1           | 11.0           |
| <b>Total minimum requirement for credit risk</b>   | <b>1 018.6</b> | <b>1 398.5</b> |
| Settlement risk                                    |                |                |
| <b>Total minimum requirement for market risk</b>   | <b>0.0</b>     | <b>0.0</b>     |
| Operational risk                                   | 79.7           | 79.7           |
| CVA risk                                           | 26.4           |                |
| Deductions                                         |                |                |
| Loan loss provisions on groups of loans            | -1.5           | -2.4           |
| <b>Minimum requirement for net primary capital</b> | <b>1 123.1</b> | <b>1 475.8</b> |

\* According to CRD IV, exposures secured in commercial real estate or residential real estate are to be classified as exposures to immovable property. This change has come into effect as of 30 September 2014.

## CAPITAL ADEQUACY

|                                                | 2014   | 2013   |
|------------------------------------------------|--------|--------|
| Capital ratio                                  | 17.6 % | 15.5 % |
| Core (tier 1) capital ratio                    | 15.6 % | 14.7 % |
| Core capital ratio excl. Hybrid Tier 1 capital | 14.0 % | 12.3 % |

The standard method is used for credit risk and market risk, and the basic method for operational risk. New capital requirements came into force from 1 July 2013. The overall requirements for core tier 1 capital and the capital base are 9 and 12.5 per cent respectively as of 1 July 2013, and 10 and 13.5 per cent respectively as of 1 July 2014. The introduction of a counter-cyclical capital buffer of 1 per cent core tier 1 capital should be expected from 30 June 2015. Regulation on own funds requirements for credit valuation adjustment risk (CVA-charge) has entered into force on September 30th, 2014. Minimum capital requirements for the 4th quarter 2014 are inclusive of CVA-charge.

## BASIS OF CALCULATION (RISK-WEIGHTED VOLUME)

| (NOK million)                                         | 2014            | 2013            |
|-------------------------------------------------------|-----------------|-----------------|
| Credit risk                                           | 12 732.3        | 17 481.3        |
| Of which:                                             |                 |                 |
| Local and regional authorities                        | 180.1           | 106.9           |
| Public sector owned corporates                        | 0.0             | 0.0             |
| Institutions                                          | 2 061.5         | 2 140.3         |
| Corporates                                            | 33.5            | 9 674.1         |
| Loans secured in residential real estate              | 7 956.8         | 3 205.9         |
| Retail market                                         | 1 048.2         | 644.0           |
| Loans past-due                                        | 90.3            | 465.3           |
| Covered bonds                                         | 1 023.8         | 1 107.9         |
| Other                                                 | 338.2           | 137.3           |
| <b>Total minimum requirement for credit risk</b>      | <b>12 732.3</b> | <b>17 481.6</b> |
| Settlement risk                                       |                 |                 |
| <b>Total minimum requirement risk for market risk</b> | <b>0,0</b>      | <b>0,0</b>      |
| Operational risk                                      | 995,7           | 995,7           |
| CVA risk                                              | 330,2           | 0,0             |
| Deductions:                                           | -19,1           | -29,5           |
| <b>Minimum requirement for net primary capital</b>    | <b>14 039,0</b> | <b>18 447,8</b> |

## Note 44 Remuneration to senior employees and elected officers of the company

| (NOK 1000)              | ORDINARY<br>SALARY | BONUS<br>EARNED IN<br>2014 <sup>1)</sup> | OTHER<br>BENEFITS <sup>2)</sup> | TOTAL<br>REMUNERATION<br>FOR THE YEAR | POST<br>TERMINATION<br>SALARY<br>(MONTHS) | LOAN <sup>3)</sup> | NO. OF<br>SHARES<br>OWNED <sup>4)</sup> |
|-------------------------|--------------------|------------------------------------------|---------------------------------|---------------------------------------|-------------------------------------------|--------------------|-----------------------------------------|
| <b>Senior employees</b> |                    |                                          |                                 |                                       |                                           |                    |                                         |
| Truls Nergaard (CEO)    | 2 486              | 1 521                                    | 171                             | 4 178                                 | 18                                        | 3 900              | 16 295                                  |
| Bernt Uppstad           | 1 195              | 248                                      | 107                             | 1 550                                 |                                           | 1 239              | 425                                     |
| Monica K. Hellekleiv    | 1 345              | 580                                      | 137                             | 2 062                                 |                                           | 3 285              | 3 300                                   |
| Torunn Sjøstad Hoftvedt | 1 161              | 264                                      | 110                             | 1 535                                 |                                           | 3 500              | 16 736                                  |
| Torstein Hagen          | 2 175              | 663                                      | 141                             | 2 978                                 |                                           | 3 484              | 4 084                                   |
| <b>Total 2014</b>       | <b>8 362</b>       | <b>3 276</b>                             | <b>666</b>                      | <b>12 303</b>                         |                                           | <b>15 407</b>      | <b>40 840</b>                           |
| Total 2013              | 10 490             | 3 247                                    | 843                             | 14 580                                |                                           | 15 002             | 28 208                                  |

1) Earned bonus at 31.12.14 Senior executives are contractually entitled to performance related bonuses. 50% of the earned bonus is paid in cash.

The remaining amount is converted to synthetic shares based on the market price. These are registered in a share bank with a lock-in period of three years. At the end of three years, the value of the synthetic share is calculated at a new market price. Half of the amount paid from the share bank shall, after tax, be used to purchase shares in Storebrand ASA at market price, with a new three-year lock-in period.

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

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

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

| (NOK 1000)              | PENSION<br>ACCRUED FOR<br>THE YEAR | ESTIMATED<br>PENSION<br>LIABILITIES AT<br>31 DECEMBER<br>2014 | VALUE OF PAID-<br>UP POLICIES<br>ISSUED AT<br>1 JANUARY<br>2015 <sup>1)</sup> | SETTLEMENT<br>VALUE OF<br>DIRECT IN<br>EXCESS OF 12G/<br>TRANSFERRED<br>TO PENSION<br>ACCOUNT <sup>2) 5)</sup> | ACCOUNTING<br>GAIN FOR<br>STOREBRAND<br>FROM DISCON-<br>TINUATION OF<br>DEFINED BENEFIT<br>PENSIONS<br>(BEFORE<br>COMPESATION) <sup>3)</sup> | VALUE OF<br>COMPENSATION<br>TO EMPLOYEES<br><sup>4) 5)</sup> |
|-------------------------|------------------------------------|---------------------------------------------------------------|-------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|
| <b>Senior employees</b> |                                    |                                                               |                                                                               |                                                                                                                |                                                                                                                                              |                                                              |
| Truls Nergaard (CEO)    | 1 139                              | 7 309                                                         | 885                                                                           | 2 268                                                                                                          | 4 155                                                                                                                                        | 1 624                                                        |
| Bernt Uppstad           | 274                                | 2 632                                                         | 1 079                                                                         | 67                                                                                                             | 1 486                                                                                                                                        | 223                                                          |
| Monica K. Hellekleiv    | 314                                | 5 211                                                         | 1 561                                                                         | 869                                                                                                            | 2 782                                                                                                                                        | 318                                                          |
| Torunn Sjøstad Hoftvedt | 227                                | 4 504                                                         | 2 270                                                                         |                                                                                                                | 2 234                                                                                                                                        | 372                                                          |
| Torstein Hagen          | 465                                | 1 459                                                         |                                                                               | 440                                                                                                            | 1 019                                                                                                                                        | 299                                                          |
| <b>Total 2014</b>       | <b>2 420</b>                       | <b>21 115</b>                                                 | <b>5 795</b>                                                                  | <b>3 644</b>                                                                                                   | <b>11 676</b>                                                                                                                                | <b>2 835</b>                                                 |

1) Paid-up policies related to guaranteed pension scheme for salaries below 12G issued on 1 January 2015.

2) Redemption of pension rights earned in excess of 12G.

3) Estimated gain for Storebrand before value of compensation related to transition to defined contribution pensions. This is calculated as the "Estimated pension liabilities as at 31 December 2014" minus "Value of paid-up policies issued as at 1 January 2015" minus "Settlement value of direct pension in excess of 12G".

4) Compensation related to the transition to defined contribution pensions is estimated based on Storebrand's general compensation model.

5) Total amount will be transferred to a pension account with one-fifth of the annual added interest. The amount will be taxed as wage income and the net amount after tax will be transferred to a pension account ("Extra Pension" product).

| (NOK 1000)                              | REMUNERATION | NO. OF SHARES<br>OWNED <sup>2)</sup> | LOAN         |
|-----------------------------------------|--------------|--------------------------------------|--------------|
| <b>Board of Directors <sup>1)</sup></b> |              |                                      |              |
| Heidi Skaaret <sup>3)</sup>             |              | 2 761                                | 5 750        |
| Geir Holmgren <sup>3)</sup>             |              | 7 221                                |              |
| Inger Roll-Matthiesen                   | 161          |                                      |              |
| Leif Helmich Pedersen                   | 242          |                                      |              |
| Ranveig S. Ofstad                       | 111          | 1 247                                |              |
| <b>Total 2014</b>                       | <b>513</b>   | <b>11 229</b>                        | <b>5 750</b> |
| Total 2013                              | 339          | 12 910                               | 13 640       |

|                                        |              |              |              |
|----------------------------------------|--------------|--------------|--------------|
| <b>Control Committee <sup>4)</sup></b> |              |              |              |
| Elisabeth Wille                        | 332          | 163          |              |
| Harald Moen                            | 239          | 595          |              |
| Ole Klette                             | 239          |              |              |
| Finn Myhre                             | 280          |              | 2 390        |
| Anne Grete Steinkjer                   | 239          | 1 800        |              |
| Tone Margrethe Reierselmoen            | 239          | 1 734        | 368          |
| <b>Total 2014</b>                      | <b>1 566</b> | <b>4 292</b> | <b>2 757</b> |
| Total 2013                             | 1 549        | 4 292        | 4 111        |

1) Remuneration paid represents remuneration paid in connection with the individuals appointment to the Board of Directors of Storebrand bank ASA

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

3) Neither Geir Holmgren nor Heidi Skaaret receives any remuneration from Storebrand Bank ASA for their appointments as members of the Board.

4) The Control Committee covers all the Norwegian companies in the Group which are required to have a control committee.

For the 2015AGM, the Board of Storebrand Bank ASA will present the following statement on the determination of salaries and other compensation for executive employees pursuant to Section 6-16a of the Public Limited Liability Companies Act, based on the Group's previously adopted guidelines for compensation for executive employees in Storebrand.

## **THE BOARD'S STATEMENT ON THE FIXING OF SALARIES AND OTHER REMUNERATION TO EXECUTIVE PERSONNEL**

The Board of Directors of Storebrand ASA has had a dedicated Compensation Committee since 2000. The Compensation Committee is tasked with making a recommendation to the Board of Directors concerning all matters regarding the Company's remuneration of its Chief Executive Officer. The Committee is responsible for keeping itself informed and proposing guidelines for the fixing of remuneration of executive personnel in the Group. The Committee is also an advisory body to the CEO with respect to remuneration regimes that cover all employees in the Storebrand Group, including Storebrand's bonus system and pension scheme. The Compensation Committee satisfies the follow-up requirements set forth in the Compensation Regulations.

### **1. ADVISORY GUIDELINES FOR THE COMING FINANCIAL YEAR**

Storebrand aims to base remuneration on competitive and motivating principles that help attract, develop and retain highly qualified staff.

Financial remuneration should be designed to:

1. Help strengthen our customer orientation and safeguarding the customer's overall needs with a view to avoiding conflicts of interest.
2. Stimulate internal cooperation and continuous improvement in order to create a performance culture
3. Contribute to focused efforts on the part of the employees
4. Ensure that the Group's strategy and plans provide the basis for the goals and requirements set for the employees' performance.
5. Is based on long-term thinking, balanced goal-oriented management and real value creation
6. Ensure that remuneration is based on an assessment of the individual's results and compliance with the core principles
7. Facilitate a process connected to establishing goals and goal structures that is clear, transparent and team-based.
8. Ensure that both the development of financial remuneration and job requirements are embedded in the employee's role, responsibilities and influence in the Group

Storebrand shall have an incentive model that supports the Group's strategy, with emphasis on the customer's interests and long-term perspective, an ambitious model of cooperation, as well as transparency that enhances the Group's reputation. Therefore the company will primarily stress a fixed salary as a means of overall financial compensation, and utilise variable remuneration to a limited extent.

The salaries of executive personnel are determined based on the position's responsibilities and level of complexity. Regular comparisons are made with corresponding positions in the market in order to adjust the pay level to the market. Storebrand does not wish to be a pay leader in relation to the industry.

#### **Bonus scheme**

The Storebrand Group's use of variable remuneration for the 2015 financial year complies with the regulations laid down by the Ministry of Finance on 1 December 2010 relating to remuneration schemes in financial institutions.

The use of target bonuses has been discontinued from 2015.

The Group's executive management team and executive personnel who have a significant influence on the company's risk have exclusively a fixed salary. Other employees may be awarded a discretionary bonus of 5-15 per cent in addition to their fixed salary.

#### **Pension scheme**

The company shall arrange and pay for an ordinary group pension insurance common to all employees, from the moment employment commences, and in accordance with the pension rules in force at any given time. As of 2015, the company has defined contribution pension schemes for all its employees. This applies both to salaries above and below 12 G (G = the National Insurance base amount). In connection with the transition from defined-benefit to defined-contribution schemes, compensation schemes were established for employees who were estimated to have a poorer position after the change. These schemes provide monthly additional savings for employees for a maximum of 36 months. Additional savings are taxed as wage income.

For the Group's executive management team, the estimated cash value of the pension rights for salaries in excess of 12G that had already been earned prior to the change will be paid out over a period of five years. The payment period is fixed regardless of whether the employee leaves the company before the end of this period.

#### **Severance pay**

The Chief Executive Officer and executive vice presidents are entitled to severance pay if their contracts are terminated by the Company. Entitlement to a severance package is also available if the employee decides to leave the company due to substantial changes in

the organisation, or equivalent circumstances, which result in the employee being unable to naturally continue in his position. If the employment is brought to an end due to a gross breach of duty or other material non-performance of the employment contract, the provisions in this section do not apply.

Deductions are made to the severance package for all work-related income, including fees from the provision of services, offices held, etc. The severance package corresponds to pensionable salary at the end of the employment relationship, excluding any bonus schemes. The CEO is entitled to 24 months of severance pay. Other executive vice presidents are entitled to 18 months of severance pay.

## 2. BINDING GUIDELINES FOR SHARES, SUBSCRIPTION RIGHTS, OPTIONS, ETC. FOR THE COMING 2015 FINANCIAL YEAR

To ensure that the executive management team has incentive schemes that coincide with the long-term interests of the owners, a proportion of the fixed salary increase attributed to the discontinuation of the target bonus will be linked to the purchase of physical STB shares with a lock-in period of three years. The purchase of shares will take place once a year.

Like other employees of Storebrand, executive employees have an opportunity to purchase a limited number of shares in Storebrand ASA at a discount in accordance with the share programme for employees.

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

The executive employee remuneration policy established for 2014 has been observed. The annual independent assessment of the guidelines and the practising of these guidelines in connection with bonuses for the 2014 qualifying year and with payment in 2015, is carried out in the first six months of 2015.

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

A proportion of the executive management's fixed salary increase attributed to the discontinuation of the target bonus will be linked to the purchase of physical STB shares with a lock-in period of three years. The purchase of shares will take place once a year. In the opinion of the Board of Directors, this has positive effects on the company and the shareholders, given the structure of the scheme and the size of each executive vice president's portfolio of shares in Storebrand ASA.

## Note 45 | Related parties

### TRANSACTIONS WITH GROUP COMPANIES

| (NOK million)      | 2014         |                       | 2013         |                       |
|--------------------|--------------|-----------------------|--------------|-----------------------|
|                    | SUBSIDIARIES | OTHER GROUP COMPANIES | SUBSIDIARIES | OTHER GROUP COMPANIES |
| Interest income    | 126.3        |                       | 165.3        |                       |
| Interest expense   | 5.2          |                       | 5.0          |                       |
| Services sold      | 12.7         | 4.2                   | 13.1         | 3.6                   |
| Services purchased |              | 55.4                  |              | 89.1                  |
| Due from           | 3 012.4      | 0.7                   | 2 319.8      | 32.2                  |
| Liabilities to     | 343.0        | 459.0                 | 322.7        | 258.6                 |

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

### LOANS TRANSFERRED TO STOREBRAND BOLIGKREDITT AS

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

rates, switches to employee loans and switches to home equity loans. The costs form part of the contractual management fees.

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

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

#### OVERVIEW OF TRANSFERRED LENDING:

| (NOK million)                                         | 2014     | 2013     |
|-------------------------------------------------------|----------|----------|
| To Storebrand Boligkreditt AS - accumulated transfer  | 14 307.6 | 14 808.7 |
| Fra Storebrand Boligkreditt AS - this year's transfer | 140.3    | 171.3    |

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

#### CREDIT FACILITIES WITH STOREBRAND BOLIGKREDITT AS

The bank has two credit facilities with Storebrand Boligkreditt AS. The first agreement is used for general operations, such as the acquisition of home mortgages from Storebrand Bank. The second agreement may be used for repayment of interest and principal on covered bonds and related derivatives. At all times, the size of the available credit facility should cover the interest and repayment of covered bonds for the coming 12 months.

#### 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 Storebrand 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 9.5 million as revenue in the accounts for 2014 and the bank has a receivable due from the company of NOK 1.4 million as of 31.12.2014. 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 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 Storebrand 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 2014 and the bank has a receivable due from the company of NOK 3.3 million. The fees paid to the bank are based on the arm's length principle.

Storebrand Bank ASA conducts transactions with related parties as part of its normal business activities. These transactions take place on commercial terms. The terms for transactions with senior employees and related parties are stipulated in note 44.

#### LOANS TO EMPLOYEES

| (NOK million)                                                        | 2014    | 2013  |
|----------------------------------------------------------------------|---------|-------|
| Loans to employees of Storebrand Bank ASA                            | 186.9   | 66.9  |
| Loans to employees of Storebrand group including Storebrand Bank ASA | 1 102.6 | 805.7 |

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:

|                                                                 | 2014 | 2013 |
|-----------------------------------------------------------------|------|------|
| Number of employees at 31 December                              | 110  | 104  |
| Number of employees expressed as full-time equivalent positions | 109  | 103  |

# Statement Storebrand Bank ASA and Storebrand Bank Group

## - 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 2014 financial year and as of 31 December 2014 (2014 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 2014. The annual accounts for the parent bank 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 2014, as well as the additional requirements in the Norwegian Securities Trading Act. The annual report complies with the requirements of the Norwegian Accounting Act and Norwegian Accounting Standard no. 16 as of 31 December 2014.

In the best judgement of the Board and the CEO, the annual financial statements for 2014 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 2014. 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, 10 February 2015  
The Board of Directors of Storebrand Bank ASA

*Translation – not to be signed*

**Heidi Skaaret**  
Chairman of the Board

**Geir Holmgren**  
Deputy Chairman

**Leif Helmich Pedersen**  
Board Member

**Inger Roll-Matthiesen**  
Board Member

**Ranveig S. Ofstad**  
Board Member

**Truls Nergaard**  
CEO

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 of the parent company comprise the statement of financial position as at 31 December 2014, and the profit and loss account, statement of comprehensive income, statement of changes in equity and 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 2014, and the profit and loss account, statement of comprehensive income, statement of changes in equity and 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.

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 2014, 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 2014, 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 statements on Corporate Governance and Corporate Social Responsibility*

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report concerning the financial statements and in the statements on Corporate Governance and Corporate Social Responsibility, the going concern assumption and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

*Opinion on Registration and Documentation*

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

Oslo, 10 February 2015  
Deloitte AS

Henrik Woxholt  
State Authorised Public Accountant (Norway)

Translation has been made for information purposes only

# Control Committee's Statement

## **Storebrand Bank ASA - Control Committee's Statement for 2014**

At its meeting on 24 February 2015, the Control Committee of Storebrand Bank ASA reviewed the Board of Directors' proposed Annual Accounts (which include the company's financial statement and consolidated financial statement) and Report for 2014 for Storebrand Bank ASA.

With reference to the auditor's report of 10 February 2015, the Control Committee recommends that the Annual Report and Accounts proposed be adopted as the Annual Report and Accounts of Storebrand Bank ASA for 2014.

Lysaker, 24 February 2015

*Translation – not to be signed*

Elisabeth Wille  
Chair of the Control Committee

# Board of Representatives Statement

## **Storebrand Bank ASA - Board of Representatives' Statement 2014**

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, have been presented to the Board of Representatives in the meeting on 4 March 2015.

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 profit for the year of Storebrand Bank ASA.

Lysaker, 4 March 2015

*Translation – not to be signed*

Terje R. Venold  
Chair of the Board of Representatives



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