



Interim report Q3 2018

Storebrand Boligkreditt AS

(unaudited)

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This document contains Alternative Performance Measures as defined by the European Securities and Market Authority (ESMA).
An overview of APMs used in financial reporting is available on storebrand.com/ir.

Storebrand Boligkreditt AS

- Interim report for the third quarter of 2018

(Profit figures for the corresponding period in 2017 are shown in parentheses. Balance sheet figures in parentheses are for the end of 2017.)

- Profit before taxes of NOK 17 million in the third quarter and NOK 56 million for the year to date
- Good portfolio quality
- Stable lending volume for the quarter

FINANCIAL PERFORMANCE

Pre-tax profit was NOK 17 million (NOK 22 million) for the third quarter and NOK 56 million (NOK 51 million) year to date. The interest margin was negatively influenced by increased interbank rates.

Net interest income was NOK 35 million (NOK 42 million) for the third quarter and NOK 112 million (NOK 111 million) year to date. The interest margin has declined in the quarter due to increased interbank rates. As a percentage of average total assets, net interest income was 0.82 per cent (1.05 per cent) for the third quarter and 0.88 per cent (0.96 per cent) for the year to date.

Other operating income in the third quarter amounted to minus NOK 0.2 million (minus NOK 1 million) and minus NOK 3 million (minus NOK 8 million) for the year to date, and was related to commission income on loans and net accounting loss on financial instruments at fair value.

Operating expenses increased by NOK 1 million in the quarter and totalled NOK 19 million (NOK 18 million) for the third quarter and NOK 53 million (NOK 50 million) year to date.

Losses in the portfolio are low, and the company recognised income of NOK 0.3 million (NOK 2 million recognised as expenses) for write-downs on lending in the third quarter and NOK 0.1 million recognised as expenses (NOK 2 million recognised as expenses) year to date.

BALANCE SHEET PERFORMANCE

The lending volume has increased by NOK 2 billion since the end of 2017 and amounted to NOK 16.5 billion (NOK 14.5 billion). Storebrand Bank ASA and Storebrand Boligkreditt AS operate with conservative lending practices. The average loan-to-value ratio in the portfolio was 51 per cent at the end of the third quarter, unchanged as of year end 2017. On the date of transfer, the loan-to-value ratio never exceeds 75 per cent. The risk in the loan portfolio is considered to be very low. The company has over-collateralisation of 140 per cent (127 per cent).

Defaulted loans at the end of the third quarter amounted to NOK 26 million (NOK 26 million), equivalent to 0.16 per cent of gross loans in the company (0.17 per cent). All defaulted loans have a loan-to-value ratio within 75 per cent of market value or have practically been written down. Loan loss provisions amounted to NOK 2 million (NOK 5 million) at the end of the third quarter.

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

At the end of the third quarter of 2018, the company had a liquidity portfolio consisting of fixed-income securities with a AAA rating from S&P Global Ratings with a market value of NOK 41 million. The investment is classified at fair value in the balance sheet with changes in value through profit or loss.

The company's total assets under management as at 30 September 2018 were NOK 16.8 billion an increase of NOK 1.9 billion compared with the end of 2017.

At the end of the third quarter 2018, the company had issued covered bonds with a total carrying amount of NOK 11.8 billion with remaining terms of approximately 12 months to 5 years. NOK 10.8 billion of these bonds has been placed in the market, while NOK 1.0 billion is being held by the parent bank.

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

Equity in the company at the end of the third quarter amounted to NOK 1.1 billion (NOK 1.2 billion). The eligible capital (Tier 1 capital + Tier 2 capital) at the end of the third quarter amounted to NOK 1.1 billion (NOK 1.1 billion). The capital base of Storebrand Boligkreditt AS consists entirely of Core Equity Tier 1 (CET1). The CET1 adequacy ratio in the company was 16.9 per cent (19.0 per cent) at the end of the third quarter.

The requirement for the capital base was 15.5 per cent as at 30 September 2018. The company has satisfactory solvency and liquidity based on the company's business activities. The company satisfied the combined capital and capital buffer requirements by a good margin at the end of the quarter.

The purpose of the liquidity coverage requirement (LCR) is to measure the size of the company's liquid assets, in relation to the net liquidity outflow 30 days in the future given a stress situation in the money and capital markets. The LCR was introduced for Storebrand Boligkreditt AS from 30 June 2016 with a minimum LCR with escalation. Storebrand Boligkreditt AS must comply with an LCR of 100 per cent. At the end of the third quarter, the company's LCR was 118 per cent.

STRATEGY AND FUTURE PROSPECTS

Going forward, Storebrand Boligkreditt AS will continue its core activity, which is the acquisition and management of home mortgages from Storebrand Bank ASA. The company is aiming for moderate growth in collateralisation during 2018.

The market trends and the non-performing loans are being closely monitored. Efforts to ensure good working procedures and high data quality will continue and thereby ensure that government and rating requirements continue to be fulfilled. Developments in the Norwegian and international capital markets, interest rates, unemployment and the property market are regarded as the key risk factors that can affect the results of Storebrand Boligkreditt AS in the fourth quarter of 2018.

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

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

Lysaker, 23 October 2018

The Board of Directors of Storebrand Boligkreditt AS

Storebrand Boligkreditt AS

Income statement

(NOK million)	note	Q3		01.01. - 30.09.		Full Year
		2018	2017	2018	2017	2017
Interest income	4, 13	96.7	93.0	290.2	268.7	358.0
Interest expense	4, 13	-61.3	-50.7	-178.1	-157.8	-204.1
Net interest income	13	35.3	42.3	112.1	110.9	153.8
Net gains on financial instruments		-0.2	-0.9	-2.8	-9.2	-10.1
Other income		0.0	0.4	0.1	1.3	1.7
Total other operating income		-0.2	-0.5	-2.7	-7.9	-8.3
Staff expenses		-0.2	-0.0	-0.2	-0.1	-0.2
General administration expenses		-0.0	-0.0	-0.1	-0.1	-0.2
Other operating costs	4	-18.3	-17.6	-52.7	-49.6	-66.6
Total operating costs		-18.5	-17.7	-53.1	-49.8	-67.0
Operating profit before loan losses		16.6	24.0	56.4	53.1	78.5
Loan losses for the period	15	0.3	-1.7	-0.1	-1.9	-2.5
Profit before tax		16.9	22.3	56.2	51.3	76.0
Tax	3	-3.9	-5.4	-12.9	-12.3	-18.3
Profit for the year		13.0	17.0	43.3	39.0	57.7

Statement of comprehensive income

(NOK million)	Q3		01.01. - 30.09.		Full Year
	2018	2017	2018	2017	2017
Profit for the period	13.0	17.0	43.3	39.0	57.7
Other comprehensive income					
Total comprehensive income for the period	13.0	17.0	43.3	39.0	57.7

Storebrand Boligkreditt AS

Statement of financial position

(NOK million)	Note	30.09.2018	30.09.2017	31.12.2017
Loans to and deposits with credit institutions	6, 14	130.3	13.5	251.2
Financial assets designated at fair value through profit and loss:				
Bonds and other fixed-income securities	6, 11	40.5	41.0	40.9
Derivatives	6	97.8	145.1	87.1
Other current assets	4, 6	13.6	22.7	25.9
Gross loans	11, 15	16,522.4	15,321.9	14,542.2
- Loan loss provisions on individual loans	15	-1.6	-1.1	-1.4
- Loan loss provisions on groups of loans	15	-	-2.8	-3.3
Net loans to customers	6	16,520.8	15,318.0	14,537.5
Deferred tax assets		2.3	1.0	2.3
Total assets		16,805.2	15,541.3	14,944.9
Liabilities to credit institutions	4, 6, 8	3,791.0	2,860.9	2,295.8
Other financial liabilities:				
Commercial papers and bonds issued	6, 9	11,857.6	11,533.3	11,474.5
Other liabilities	4, 6	13.6	12.5	21.2
Provisions for accrued expenses and liabilities				
Deferred tax				
Total liabilities		15,662.2	14,406.6	13,791.5
Paid in equity		1,080.3	1,074.4	1,074.4
Retained earnings		62.8	60.2	79.0
Total equity	10	1,143.1	1,134.7	1,153.4
Total liabilities and equity		16,805.2	15,541.3	14,944.9

Lysaker, 23 October 2018
The Board of Directors of Storebrand Boligkreditt AS

Storebrand Boligkreditt AS

Statement of changes in equity

(NOK million)	Share capital	Share premium	Other paid-in equity	Total paid-in equity	Other equity	Total retained earnings	Total equity
Equity at 31.12.2016	455.0	270.1	224.3	949.4	60.8	60.8	1,010.2
Profit for the period					57.7	57.7	57.7
Other comprehensive income						0.0	0.0
Total comprehensive income for the period	0.0	0.0	0.0	0.0	57.7	57.7	57.7
Equity transactions with the owner:							
Group contribution received			125.0	125.0			125.0
Provision for group contribution					-39.5	-39.5	-39.5
Equity at 31.12.2017	455.0	270.1	349.3	1,074.4	79.0	79.0	1,153.4
Effect of implementing IFRS 9 in equity 01.01.2018					2.8	2.8	2.8
Profit for the period					43.3	43.3	43.3
Other comprehensive income						0.0	0.0
Total comprehensive income for the period	0.0	0.0	0.0	0.0	43.3	43.3	43.3
Egenkapitaltransaksjoner med eier:							
Group contribution received			5.9	5.9		0.0	5.9
Provision for group contribution					-62.2	-62.2	-62.2
Equity at 30.09.2018	455.0	270.1	355.2	1,080.3	62.8	62.8	1,143.1
Equity at 31.12.2016	455.0	270.1	224.3	949.4	60.8	60.8	1,010.2
Profit for the period					39.0	39.0	39.0
Other comprehensive income						0.0	0.0
Total comprehensive income for the period	0.0	0.0	0.0	0.0	39.0	39.0	39.0
Equity transactions with the owner:							
Group contribution received			125.0	125.0			125.0
Provision for group contribution					-39.5	-39.5	-39.5
Equity at 30.09.2017	455.0	270.1	349.3	1,074.4	60.2	60.2	1,134.7

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

Storebrand Boligkreditt AS

Statement of cash flow

(NOK million)	30.09.2018	30.09.2017
Cash flow from operations		
Net receipts of interest, commissions and fees from customers	291.2	266.5
Net disbursements/payments on customer loans	-1,973.8	-1,954.1
Net receipts/payments on securities	-0.1	-7.2
Payments of operating costs	-56.6	-50.5
Net cash flow from operating activities	-1,739.2	-1,745.3
Cash flow from financing activities		
Payments - repayments of loans and issuing of bond debt	-2,125.0	-3,065.0
Receipts - new loans and issuing of bond debt	3,995.3	4,764.9
Payments - interest on loans	-175.8	-154.4
Receipts - group contribution	5.9	125.0
Payments - group contribution	-81.9	-52.7
Net cash flow from financing activities	1,618.4	1,617.8
Net cash flow in the period	-120.8	-127.5
Cash and bank deposits at the start of the period	251.2	141.0
Cash and bank deposits at the end of the period	130.3	13.5

Storebrand Boligkreditt AS has credit facility agreements with Storebrand Bank ASA
 The amount drawn on the credit facilities is recognized in the item "Liabilities to credit institutions" as at 30.09.2018. See also Note 8.

Storebrand Boligkreditt AS

Notes

Note 01 | Accounting principles

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

A description of the accounting policies applied in the preparation of the financial statements is provided in the 2017 annual report, and the interim financial statements are prepared with respect to these accounting policies.

There is a new accounting standards that entered into effect in 2018. IFRS 9 Financial Instruments replaced the current IAS39. IFRS 9 is applicable from 1 January 2018. The effects of the new principles on the opening balance for 2018 are recognised in equity. For more information, see note 1 and 2 in the 2017 annual report for Storebrand Boligkreditt AS. Note 2 in the 2017 annual report also consist of a more detailed description of the new impairment model due to implementaion IFRS 9.

The new standard IFRS 15 for recognising revenue from contracts with customers entered into force from 1 January 2018, and replaced the current IAS 18. Revenue recognition in Storebrand Boligkreditt AS are primarily regulated by IFRS 9. Revenue recognised under Other Income is assessed in relation to IFRS 15. The implementation of IFRS 15 have no significant impact on the company result in Storebrand Boligkreditt AS's financial statements.

Note 02 | Estimates

Critical accounting estimates and judgements are described in the 2017 annual financial statements' note 3 and valuation of financial instruments at fair value are described in note 9.

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

Actual results may differ from these estimates.

Note 03 | Tax

In December 2017, the Norwegian Parliament (Stortinget) agreed to reduce the company tax rate from 24 to 23 per cent with effect from 1 January 2018. It was also agreed to maintain the tax rate at 25 per cent for companies subject to the financial tax. Storebrand Boligkreditt AS has activities within "Section K" (financing and insurance activities as defined in Standard Industrial Classification 2007) which exceed 30 per cent and are therefore subject to the financial tax, but since the company does not have any employees it is not subject to finance tax. A tax rate of 23 per cent has been used for capitalizing deferred tax asset in the balance sheet.

Note 04 | Related Parties

ISSUED COVERED BONDS

Storebrand Bank ASA has invested NOK 1,0 billion in covered bonds issued by Storebrand Boligkreditt AS as of 30 September 2018.

LOANS TRANSFERRED FROM STOREBRAND BANK ASA

Storebrand Bank ASA sells loans to the mortgage company Storebrand Boligkreditt AS. Once the loans are transferred, Storebrand Boligkreditt AS assumes all the risks and benefits of owning the loan portfolio. It is Storebrand Boligkreditt AS that receives all the cash flows from the loan customer. Storebrand Bank ASA shall arrange the transfer and return of loans when changes have to be made in case of change from variable to fixed interest and conversion to a flexible mortgage. In some cases Storebrand Bank ASA shall arrange the transfer and return of loans when changes of loan amount or conversion to another mortgage product have to be made. The costs are included in the contractual administration fee Non-performing loans in Storebrand Boligkreditt AS remain in the company. These loans will, pursuant to the service agreement with Storebrand Bank ASA, be treated in the same way as non-performing loans in the bank. Specific reports are prepared for non-performing loans in Storebrand Boligkreditt AS. These loans are not included in the cover pool.

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

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

CREDIT FACILITIES WITH STOREBRAND BANK ASA

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

OTHER

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

Storebrand Boligkreditt AS conducts transactions with close associates as part of its normal business activities. The terms for transactions with senior employees and related parties are stipulated in note 27 in the 2017 annual report for Storebrand Boligkreditt AS.

Note 05 | Financial risk

Storebrand Boligkreditt AS' financial assets and liabilities fluctuate in value due to risk in the financial markets. Notes 4 to 8 in the 2017 annual report provide a more detailed overview of the company's financial risk.

Note 06 | Valuation of financial instruments

The Storebrand Group categorises financial instruments on three different levels. Criteria for the categorisation and processes associated with valuing are described in more detail in note 9 in the 2017 annual report for Storebrand Boligkreditt AS.

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

VALUATION OF FINANCIAL INSTRUMENTS AT AMORTISED COST

(NOK million)	Fair value 30.09.2018	Fair value 31.12.2017	Book value 30.09.2018	Book value 31.12.2017
Financial assets				
Loans to and deposits with credit institutions	130.3	251.2	130.3	251.2
Net loans to customers - retail market		14,537.5		14,537.5
Other current assets	13.6	25.9	13.6	25.9
Financial liabilities				
Liabilities to credit institutions	3,791.0	2,295.8	3,791.0	2,295.8
Commercial papers and bonds issued	11,956.3	11,482.2	11,857.6	11,474.5
Other liabilities	13.6	21.2	13.6	21.2

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

(NOK million)	Level 1 Quoted prices	Level 2 Observable assumptions	Level 3 Non-observable assumptions	Book value 30.09.2018	Book value 31.12.2017
Government and government guaranteed bonds		40.5		40.5	40.9
Total bonds 30.09.2018		40.5		40.5	
Total bonds 31.12.2017		40.9			
Interest rate derivatives		97.8		97.8	87.1
Total derivatives 30.09.2018		97.8		97.8	
Derivatives with a positive fair value		97.8		97.8	87.1
Derivatives with a negative fair value					
Total derivatives 31.12.2017		87.1			

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

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

(NOK million)	Stage 1	Stage 2	Stage 3	Book value 30.09.2018	Book value 31.12.2017
Loans to customers - retail market			16,520.8	16,520.8	
Total loans to customers 30.09.2018			16,520.8	16,520.8	
Total loans to customers 31.12.2017					

Note 07 | Segment information

Business segments are the company's primary reporting segments. The company has only one segment, Retail Lending. This segment comprises lending to private individuals, and all loans are purchased from Storebrand Bank ASA. The company's accounts for 3rd quarter of 2018 therefore relate entirely to the Retail Lending segment.

Note 08 | Liabilities to credit institutions

Storebrand Boligkreditt AS has two credit facilities with Storebrand Bank ASA. One of these is a normal overdraft facility, with a ceiling of NOK 6 billion. This has no expiry date, but can be terminated by the bank on 15 months' notice. The other facility may not be terminated by Storebrand Bank ASA until at least 3 months after the maturity date of the covered bond and the associated derivatives with the longest period to maturity. Both agreements provide a minimum capacity to cover at least interests and payments on covered bonds and derivatives the following 31 days.

Note 09 | Commercial papers and bonds issued

COVERED BONDS

(NOK million) ISIN Code	Nominal value	Currency	Interest	Maturity ¹⁾	Book value 30.09.2018
NO0010548373	1,250.0	NOK	Fixed	28.10.2019	1,351.2
NO0010736903	2,500.0	NOK	Floating	17.06.2020	2,498.0
NO0010760192	3,000.0	NOK	Floating	16.06.2021	3,007.1
NO0010786726	2,500.0	NOK	Floating	15.06.2022	2,501.4
NO0010813959	2,500.0	NOK	Floating	20.06.2023	2,499.9
Total commercial papers and bonds issued ²⁾	11,750.0				11,857.6
Total commercial papers and bonds issued as at 31.12.2017	11,375.0				11,474.5

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

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

Capital Adequacy

ELIGIBLE CAPITAL

(NOK million)	30.09.2018	31.12.2017
Share capital	455.0	455.0
Other equity	688.1	698.4
Total equity	1,143.1	1,153.4
Deductions		
Profit not included in the calculation of eligible capital	-43.3	
AVA justments	-16.7	-0.1
Provision for group contribution		-62.2
Additions		
Group contribution received		5.9
Core Equity Tier 1 (CET1)	1,083.1	1,096.9
Additional Tier 1 capital		
Capital instruments eligible as Additional Tier 1 capital		
Additions		
Tier 1 capital	1,083.1	1,096.9
Tier 2 capital		
Subordinated loans		
Tier 2 capital deductions		
Eligible capital (Tier 1 capital + Tier 2 capital)	1,083.1	1,096.9

MINIMUM CAPITAL REQUIREMENT

(NOK million)	30.09.2018	31.12.2017
Credit risk	488.8	432.3
Of which:		
International organisations		
Local and regional authorities	0.5	0.5
Institutions	6.4	8.2
Loans secured against real estate	460.4	407.7
Loans past-due	2.3	2.5
Covered bonds		
Other	19.2	13.6
Total minimum requirement for credit risk	488.8	432.3
Total minimum requirement for market risk	0.0	0.0
Operational risk	21.6	25.8
CVA risk ¹⁾	2.1	3.1
Deductions		
Loan loss provisions on groups of loans		-0.3
Minimum requirement for net primary capital	512.5	460.9

CAPITAL ADEQUACY

(NOK million)	30.09.2018	31.12.2017
Capital ratio	16.9 %	19.0 %
Tier 1 capital ratio	16.9 %	19.0 %
Core equity Tier 1 (CET1) capital ratio	16.9 %	19.0 %

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

The standard method is used for credit risk and market risk and the basis method is used for operational risk. Total requirement to Core Equity Tier 1 (CET1) and eligible capital (CET 1 + CET 2) are 12 per cent and 15.5 per cent respectively from 31 december 2017.

BASIS OF CALCULATION (RISK-WEIGHTED VOLUME)

(NOK million)	30.09.2018	31.12.2017
Credit risk	6,109.6	5,404.0
Of which:		
International organisations		
Local and regional authorities	5.7	5.7
Institutions	80.3	102.0
Retail market		
Loans secured against real estate	5,755.2	5,095.7
Loans past-due	28.6	31.1
Covered bonds		
Other	239.8	169.5
Total basis of calculation credit risk	6,109.6	5,404.0
Total basis of calculation market risk	0,0	0,0
Operational risk	270.5	322.2
CVA risk	25.8	38.5
Deductions		
Loan loss provisions on groups of loans		-3.3
Total basis of calculation of minimum requirements for capital base	6,405.9	5,761.4

Note
11

Loan to value ratios and collateral

(NOK million)	30.09.2018	31.12.2017
Gross loans ¹⁾	16,522.4	14,542.2
Average loan balance	2.0	1.8
No. of loans	8,442	7,858
Weighted average seasoning (months)	39	41
Weighted average remaining term (months)	252	240
Average loan to value ratio	51 %	51 %
Over-collateralisation ²⁾	140.1 %	127.0 %
Cover pool:		
Residential mortgages ¹⁾	16,450.9	14,468.2
Supplementary security	158.5	102.9
Total	16,609.4	14,571.1

1) In accordance with the Regulation for credit institutions that issue covered bonds, lending cannot exceed 75% of the value of collateral (i.e. value of properties pledged as collateral). As per 30 September 2018, the company had NOK 33.5 million that exceeds the loan to value limit and has therefore not been included in the cover pool. As per 30 September 2018, the company has 12 non-performing loans without evidence of impairment, equivalent to NOK 20.0 million. There are 5 non-performing loans with evidence of impairment of NOK 6.4 million where the impairment is assessed to be NOK 1.6 million. Non-performing loans with and without evidence of impairment, are not included in the cover pool.

2) Over-collateralisation has been calculated based on total volume of issued covered bonds of NOK 11.8 billion (nominal value).

Note
12

Key figures

(NOK million)	Q3		01.01. - 30.09.		Full Year
	2018	2017	2018	2017	2017
Profit and loss account: (as % of avg. total assets) ¹⁾					
Net interest income	0.82 %	1.05 %	0.88 %	0.96 %	1.00 %
Main balance sheet figures:					
Total assets			16,805.2	15,541.3	14,944.9
Average total assets	16,992.9	15,955.4	17,008.5	15,408.7	15,328.5
Gross loans to customers			16,522.4	15,321.9	14,542.2
Equity			1,143.1	1,134.7	1,153.4
Other key figures:					
Loan losses and provisions as % of average total lending	-0.01 %	0.04 %	0.00 %	0.02 %	0.02 %
Individual loan loss provisions as % of gross loss-exposed loans ³⁾			8.1 %	13.3 %	31.2 %
Cost/income ratio	52.8 %	42.5 %	48.5 %	48.4 %	46.1 %
Return on equity after tax ²⁾			7.6 %	4.8 %	5.2 %
Core equity Tier 1 (CET1) capital ratio			16.9 %	18.0 %	19.0 %
LCR ⁴⁾			118.0 %	114.0 %	205.0 %

Definitions:

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

2) Annualised profit after tax as % of average equity.

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

4) Liquidity coverage requirement.

Note 13 | Net interest income

(NOK million)	Q3		01.01. - 30.09.		Full Year
	2018	2017	2018	2017	2017
Interest and other income on loans to and deposits with credit institutions	0.2	0.1	1.6	1.5	1.7
Interest and other income on loans to and due from customers	96.4	92.2	288.3	265.6	354.4
Interest on short-term debt instruments, bonds and other interest-bearing securities	0.1	0.7	0.3	1.6	1.8
Other interest income					
Total interest income	96.7	93.0	290.2	268.7	358.0
Interest and other expenses on debt to credit institutions	-14.8	-11.0	-37.1	-26.8	-34.9
Interest and other expenses on deposits from and due to customers					
Interest and other expenses on securities issued	-46.5	-39.7	-141.0	-131.0	-169.2
Interest and other expenses on subordinated loan capital					
Other interest expenses					
Total interest expenses	-61.3	-50.7	-178.1	-157.8	-204.1
Net interest income	35.3	42.3	112.1	110.9	153.8

Note 14 | Off balance sheet liabilities and contingent liabilities

(NOK million)	30.09.2018	31.12.2017
Unused credit facilities	1,468.4	1,514.5
Total contingent liabilities	1,468.4	1,514.5

Unused credit facilities encompass unused flexible mortgage facilities.

Per 30 September 2018, the company has not pledged any collateral.

Note 15 | Non-performing loans and loan losses

(NOK million)	30.09.2018	31.12.2017
Non-performing loans		
Non-performing loans without evidence of impairment	20.0	9.3
Loss-exposed loans with evidence of impairment	6.4	16.9
Gross non-performing and loss-exposed loans	26.4	26.2
Loan loss provisions on individual loans excl. statistical provisions (IFRS9)	-1.0	-1.4
Net non-performing and loss-exposed loans	25.4	24.8
Key figures		
Net non-performing and loss-exposed loans as % of gross loans	0.16 %	0.17 %

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

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

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

CHANGES IN GROSS VALUES OF LOANS TO CUSTOMERS

(NOK million)	12-month ECL	Lifetime ECL - no objective evidence of impairment	Lifetime ECL - objective evidence of impairment	Total
Balance at 1 January 2018	13,849.3	667.9	25.1	14,542.2
Transfer to 12-month ECL	178.5	-178.5		0.0
Transfer to lifetime ECL - no objective evidence of impairment	-367.5	369.7	-2.2	0.0
Transfer to lifetime ECL - objective evidence of impairment	-5.4	-12.4	17.7	0.0
Net remeasurement of loan losses	-1.8	-3.2	-0.1	-5.1
New financial assets originated or purchased	5,461.4	150.8	0.0	5,612.2
Financial assets that have been derecognised	-3,229.3	-120.6	-10.5	-3,360.4
Changes of balances on financial assets without changes in stage in the period	-259.5	-2.5	-1.2	-263.2
Changes due to modification without any effect in derecognition				
Realised loss			-3.4	-3.4
Changes in models/risk parameters				
Foreign exchange and other changes				
Balance at 30 September 2018	15,625.8	871.3	25.4	16,522.4

TOTAL LOAN LOSS PROVISIONS IN THE BALANCE SHEET

(NOK million)	12-month ECL	Lifetime ECL - no objective evidence of impairment	Lifetime ECL - objective evidence of impairment	Total
Balance at 1 January 2018	0.2	0.3	1.4	1.9
Transfer to 12-month ECL	0.1	-0.1	0.0	0.0
Transfer to lifetime ECL - no objective evidence of impairment				
Transfer to lifetime ECL - objective evidence of impairment				
Net remeasurement of loan losses	-0.1	0.1		0.0
New financial assets originated or purchased	0.1	0.1		0.2
Financial assets that have been derecognised	-0.1		-0.5	-0.6
ECL changes of balances on financial assets without changes in stage in the period	-0.1	0.2	0.6	0.7
Changes due to modification without any effect in derecognition				0.0
ECL allowance on written-off (financial) assets			-0.7	-0.7
Changes in models/risk parameters				0.0
Foreign exchange and other changes				0.0
Balance at 30 September 2018	0.2	0.4	1.0	1.6

Periodical changes in individual impairments and expected credit loss on loans, loan commitments and guarantees are shown above. The periods realised losses are not included in the overview above.

Quarterly income statement

	Q3	Q2	Q1	Q4	Q3
(NOK million)	2018	2018	2018	2017	2017
Interest income	96.7	98.2	95.3	89.3	93.0
Interest expense	-61.3	-63.6	-53.1	-46.3	-50.7
Net interest income	35.3	34.6	42.2	43.0	42.3
Net gains on financial instruments	-0.2	-0.7	-1.9	-0.8	-0.9
Other income		0.1		0.4	0.4
Total other operating income	-0.2	-0.6	-1.9	-0.4	-0.5
Staff expenses	-0.2		-0.1	-0.1	
General administration expenses				-0.1	
Other operating cost	-18.3	-18.1	-16.4	-17.1	-17.6
Total operating costs	-18.5	-18.1	-16.4	-17.2	-17.7
Operating profit before loan losses	16.6	15.9	23.9	25.4	24.0
Loan losses for the period	0.3	0.8	-1.3	-0.6	-1.7
Profit before tax	16.9	16.7	22.6	24.8	22.3
Tax	-3.9	-3.8	-5.2	-6.0	-5.4
Profit for the year	13.0	12.9	17.4	18.7	17.0

Financial Calendar 2018



February 2019 Result Q4 2018

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