

Interim report

Storebrand Bank ASA



3rd quarter
2014

Storebrand Bank Group

- Quarterly report for the third quarter of 2014

(Profit figures for the corresponding period in 2013 are shown in parentheses. Balance sheet figures in parentheses are for the end of 2013.)

- Shifted focus towards retail market as planned
- Good cost control
- Loss provisions linked to one corporate commitment

The retail market area also delivered good profits during Q3. The lending balance shows growth, whilst deposits fell somewhat during the quarter. Lending margins are under pressure as a result of growing competition.

The bank's corporate market is being wound up. The winding up of operations is gradual and controlled, with existing customers being well looked after.

The bank has good cost control.

Financial performance

The Bank Group achieved a pre-tax profit of NOK 17 million (61 million) during the third quarter and a pre-tax profit of NOK 99 million (146 million) for the year to date. Lower volume due to the planned winding up of the corporate market portfolio reduced net interest income.

Net interest revenues were NOK 110 million (140 million) for the third quarter and NOK 352 million (408 million) for the year to date. The interest margin is weakened due to the reduced proportion of commercial loans and increased competition in the retail market. Net interest income as a percentage of average total assets was 1.21 per cent (1.37 per cent) for the third quarter and 1.26 per cent (1.34 per cent) for the year to date. Net interest income as a percentage of average total assets related to the retail market of the bank group was 1.19 per cent (1.27 per cent) for the quarter and 1.22 per cent (1.19 per cent) year to date.

As a result of winding up the corporate market portfolio, net commission income fell and comprised NOK 14 million (NOK 20 million) in Q3 and NOK 46 million (NOK 52 million) year to date. Other income amounted to NOK 7 million (NOK 5 million) for Q3 and NOK 15 million (minus NOK 3 million) year to date. Other income in 2013 was adversely affected by changes in the value of the liquidity portfolio and fixed-rate loans.

Operating expenses amounted to NOK 81 million (94 million) for the third quarter and NOK 242 million (312 million) for the year to date. Operating expenses were lower due to cost savings and the restructuring of Storebrand's pension scheme for its employees. In addition, in Q2 2013, provisions were made for restructuring in connection with the winding up of the bank's corporate market area.

NOK 34 million (NOK 10 million) has been charged as loan write-downs in Q3 and net NOK 71 million recognised as income (NOK 0.4 million recognised as income) year to date. The write-downs were primarily due to one commitment within the corporate market. Group write-

downs increased by NOK 1 million during the quarter and decreased by NOK 8 million for the year to date.

Balance sheet performance

There was growth in the loan portfolio for the retail market in Q3, and a continued decrease in lending to the corporate market. Gross lending to customers totalled NOK 29.0 billion (NOK 33.7 billion) at the end of Q3. As part of the strategy of winding up the corporate market portfolio, Storebrand Bank sold NOK 1.9 billion of corporate loans to Storebrand Livsforsikring in Q3. The volume syndicated to Storebrand Livsforsikring amounted to NOK 5.7 billion at the end of Q3.

The Bank Group's retail market portfolio totals NOK 24.3 billion, equivalent to 84 per cent of the bank's total lending, and chiefly comprises low risk home mortgages. The weighted average loan-to-value ratio in the Bank Group for the retail market portfolio is about 54 per cent for home loans, equivalent to 55 per cent at the end of 2013. Corporate market lending accounts for 16 per cent of the portfolio.

The value of non-performing loans has been reduced by NOK 119 million year to date, mainly as a result of repayments. The volume of non-performing loans amounts to 1.2 per cent (1.4 per cent) of gross lending as at 30 September 2014. The bank considers the portfolio quality to be good. Non-performing loans without impairment amounted to NOK 86 million (NOK 111 million) at the end of Q3.

Liquidity risk and funding

The bank has established good liquidity buffers and places considerable emphasis on having a balanced funding structure with varying maturities and issuances in various markets. The volume of deposits from customers was NOK 19.8 billion at the end of the Q3, which represents a deposit-to-loan ratio of 68.4 per cent.

Capital adequacy

The bank has improved its capital adequacy in Q3 as a result of a decreased corporate market portfolio and an increase in the capital base. Storebrand Bank Group had a net capital base of NOK 3.0 billion at the end of Q3. The capital adequacy ratio was 17.9 per cent and the core capital ratio was 16.2 per cent, compared to 13.6 per cent and 12.8 per cent respectively at the end of 2013. The bank group, the parent bank, and the covered bonds company all satisfy current statutory requirements. That bank has NOK 245 million in subordinated loans falling due in November 2014. This will reduce the bank's capital adequacy slightly in Q4.

New EU capital requirement rules (CRR / CRD IV) are implemented in Norway through the Financial institutions act and the Securities trading act with effect from July 1st 2013, and regulations with effect from September 30th 2014. Storebrand Bank has adapted to the new rules requiring banks to hold higher quality capital, satisfy higher minimum capital requirements and calculate additional capital requirements for credit valuation adjustment risk (CVA-risk). The new rules have not had a significant impact on the capital adequacy of the Bank Group, the parent Bank nor Storebrand Boligkreditt.

Performance of Storebrand Bank ASA

Storebrand Bank ASA incurred a pre-tax loss of minus NOK 32 million (minus 14 million) in Q3, and minus NOK 58 million (36 million) for the year to date.

Net interest income for Storebrand Bank ASA totalled NOK 52 million (71 million) in the third quarter and NOK 168 million (218 million) for the year to date.

NOK 33 million (NOK 9 million) has been charged as loan write-downs in Q3 and net NOK 71 million charges as loan write-downs (NOK 3 million recognised as income) year to date.

Other

In 2014, Storebrand Bank will continue to work on improving the business' profitability in the retail market area combined with moderate growth. The bank will also maintain a moderate risk profile with a good balance sheet and funding composition.

The bank converted to the new core banking system as planned in October 2014. It will continue working continuously to improve self-service solutions and customer processes. Furthermore, focus will be directed 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.

The bank is continually working systematically to comply with new statutory capital and capital buffer requirements in Norway.

Sound management of the bank's credit and liquidity risk, and control of the operational risk in key work processes are also crucial in 2014, and the bank is continuing 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 2014.

Storebrand Bank has received a total of 166 complaints with regard to retail customers' investments in various equity index bonds in Storebrand Bank ASA. None of the complaints was upheld by the bank's internal complaints resolution panel. 117 of the customers appealed the bank's decision to the Norwegian Financial Services Complaints Board. All complaints were fully processed by 30 September 2014 and none were upheld. No lawsuits have been filed by customers relating to investments in structured products.

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

Lysaker, 28 October 2014
The Board of Directors of Storebrand Bank ASA

Storebrand Bank Group

PROFIT AND LOSS ACCOUNT

NOK MILLION	NOTE	Q3		01.01 - 30.09		FULL YEAR
		2014	2013	2014	2013	2013
Interest income		324.7	391.8	1 021.3	1 162.9	1 548.6
Interest expense		-215.1	-251.9	-669.1	-755.3	-1 001.9
Net interest income	11	109.6	139.8	352.2	407.6	546.7
Fee and commission income from banking services		19.4	23.4	56.7	61.7	82.0
Fee and commission expenses for banking services		-5.1	-3.6	-11.2	-9.3	-11.8
Net fee and commission income		14.3	19.9	45.5	52.4	70.2
Net gains on financial instruments		3.1	2.5	5.7	-15.4	-16.0
Other income		4.2	2.8	9.1	12.8	20.3
Total other operating income		7.4	5.2	14.9	-2.6	4.3
Staff expenses		-30.1	-32.1	-90.5	-128.0	-127.6
General administration expenses		-13.9	-14.3	-42.8	-42.5	-55.6
Other operating costs		-37.1	-47.8	-108.8	-141.1	-191.6
Total operating costs		-81.1	-94.2	-242.0	-311.6	-374.8
Operating profit before loan losses		50.3	70.7	170.5	145.8	246.5
Loan losses for the period	13	-33.7	-10.1	-71.1	0.4	-11.1
Profit before tax		16.5	60.6	99.4	146.2	235.3
Tax	3	-4.5	-17.0	-26.8	-41.0	-69.1
Result after tax sold/discontinued operations		-0.1	0.2	-0.6	-2.1	-3.8
Profit for the year		11.9	43.8	72.0	103.2	162.3

STATEMENT OF COMPREHENSIVE INCOME

NOK MILLION	NOTE	Q3		01.01 - 30.09		FULL YEAR
		2014	2013	2014	2013	2013
Profit for the period		11.9	43.8	72.0	103.2	162.3
Pension experience adjustments						-5.7
Tax on pension experience adjustments						2.1
Total other result elements not to be classified to profit/loss		0.0	0.0	0.0	0.0	-3.5
Total comprehensive income for the period		11.9	43.8	72.0	103.2	158.8

Storebrand Bank Group

STATEMENT OF FINANCIAL POSITION

NOK MILLION	NOTE	30.09.2014	30.09.2013	31.12.2013
Cash and deposits with central banks		460.2	229.6	19.8
Loans to and deposits with credit institutions	6	279.5	428.6	152.5
Financial assets designated at fair value through profit and loss:				
Equity instruments	6	1.9	4.3	1.7
Bonds and other fixed-income securities	6, 12	3 334.0	1 854.3	2 790.7
Derivatives	6	706.9	743.0	693.2
Bonds at amortised cost	6, 12	1 307.1	1 511.3	1 541.8
Other current assets		36.4	102.3	100.6
Gross lending, amortised cost	6	27 905.9	33 490.1	32 457.7
Gross lending, FVO	6	1 061.8	1 309.0	1 289.0
Gross lending		28 967.7	34 799.1	33 746.8
- Loan loss provisions on individual loans	13	-153.9	-85.8	-82.7
- Loan loss provisions on groups of loans	13	-22.6	-35.6	-30.2
Net lending to customers		28 791.2	34 677.7	33 633.9
Tangible assets		7.2	7.0	9.5
Intangible assets and goodwill		105.2	94.7	99.1
Deferred tax assets	3	24.3	0.0	13.0
Assets sold/discontinued operations		0.0	0.1	0.3
Total assets		35 053.8	39 653.0	39 056.1
Liabilities to credit institutions	6	9.6	995.1	1 027.8
Deposits from and due to customers	6	19 813.8	20 780.3	20 728.1
Other financial liabilities:				
Derivatives	6	480.0	430.4	411.0
Commercial papers and bonds issued	6, 8	11 054.0	13 860.1	13 523.6
Other liabilities		374.1	338.2	133.6
Liabilities sold/discontinued operations		0.1	7.7	0.5
Provision for accrued expenses and liabilities		12.8	34.0	18.4
Deferred tax		0.0	33.4	0.0
Pension liabilities		57.8	71.3	57.8
Subordinated loan capital	6, 8	764.6	595.5	589.7
Total liabilities		32 566.8	37 146.0	36 490.6
Paid in capital		1 516.8	1 516.8	1 516.8
Retained earnings		970.2	990.1	1 048.6
Total equity		2 487.0	2 506.9	2 565.5
Total equity and liabilities		35 053.8	39 653.0	39 056.1

Storebrand Bank ASA

PROFIT AND LOSS ACCOUNT

NOK MILLION	NOTE	Q3		01.01. - 30.09.		FULL YEAR
		2014	2013	2014	2013	2013
Interest income		218.6	268.1	688.2	806.7	1 073.3
Interest expense		-166.3	-197.5	-520.2	-588.9	-782.6
Net interest income	11	52.3	70.6	168.0	217.8	290.7
Fee and commission income from banking services		22.6	26.7	66.2	71.7	95.1
Fee and commission expenses for banking services		-5.1	-3.6	-11.2	-9.3	-11.8
Net fee and commission income		17.5	23.1	55.0	62.4	83.3
Net gains on financial instruments		6,0	2,3	13,9	-11,3	-13,6
Other income		-6,0	-16,1	-10,8	-16,6	211,6
Total other operating income		0,0	-13,8	3,1	-27,9	198,0
Staff expenses		-28.7	-30.3	-84.0	-122.5	-118.0
General administration expenses		-13.7	-14.1	-41.8	-41.9	-54.8
Other operating costs		-26.6	-40.8	-87.8	-127.8	-168.4
Total operating costs		-69.1	-85.2	-213.6	-292.1	-341.2
Operating profit before loan losses		0.7	-5.1	12.5	-39.8	230.8
Loan losses for the period	13	-33.1	-8.9	-70.7	3.4	-9.1
Profit before tax		-32.4	-14.0	-58.2	-36.4	221.7
Tax	3	7.1	-0.6	12.5	5.7	-70.9
Profit for the year		-25.2	-14.6	-45.7	-30.7	150.8

STATEMENT OF COMPREHENSIVE INCOME

NOK MILLION	Q3		01.01. - 30.09.		FULL YEAR
	2014	2013	2014	2013	2013
Profit for the period	-25.2	-14.6	-45.7	-30.7	150.8
Pension experience adjustments					-5.7
Tax on pension experience adjustments					2.1
Total other result elements not to be classified to profit/loss	0.0	0.0	0.0	0.0	-3.5
Total comprehensive income for the period	-25.2	-14.6	-45.7	-30.7	147.2

Storebrand Bank ASA

STATEMENT OF FINANCIAL POSITION

NOK MILLION	NOTE	30.09.2014	30.09.2013	31.12.2013
Cash and deposits with central banks		460.2	229.6	19.8
Loans to and deposits with credit institutions	6	3 559.3	3 263.1	2 198.9
Financial assets designated at fair value through profit and loss:				
Equity instruments	6	1.9	1.7	1.7
Bonds and other fixed-income securities	6, 12	6 273.0	4 615.6	5 550.2
Derivatives	6	468.4	469.3	445.5
Bonds at amortised cost	6, 12	1 307.1	1 511.3	1 541.8
Other current assets		876.8	964.0	1 223.3
Gross lending, amortised cost	6	12 979.7	17 968.0	17 643.3
Gross lending, FVO	6	1 061.8	1 309.0	1 289.0
Gross lending		14 041.5	19 277.1	18 932.4
- Loan loss provisions on individual loans	13	-152.2	-83.5	-80.3
- Loan loss provisions on groups of loans	13	-21.0	-33.6	-29.5
Net lending to customers		13 868.3	19 159.9	18 822.5
Tangible assets		3.9	6.7	6.2
Intangible assets		98.6	62.6	75.4
Deferred tax assets	3	30.4	19.7	18.2
Total assets		26 947.9	30 303.6	29 903.6
Liabilities to credit institutions	6	315.1	1 295.7	1 329.5
Deposits from and due to customers	6	19 834.0	20 809.7	20 749.0
Other financial liabilities:				
Derivatives	6	480.0	430.4	411.0
Commercial papers and bonds issued	6, 8	2 808.7	4 360.8	4 050.8
Other liabilities		349.7	362.9	326.1
Provision for accrued expenses and liabilities		12.8	34.0	18.4
Pension liabilities		57.8	71.3	57.8
Subordinated loan capital	6, 8	764.6	595.5	589.7
Total liabilities		24 622.7	27 960.3	27 532.4
Paid in capital		1 687.4	1 657.0	1 688.4
Retained earnings		637.9	686.3	682.9
Total equity		2 325.3	2 343.3	2 371.2
Total equity and liabilities		26 948.0	30 303.6	29 903.6

Reconciliation of equity

STOREBRAND BANK GROUP

NOK MILLION	SHARE CAPITAL	SHARE PREMIUM RESERVE	OTHER PAID IN EQUITY	TOTAL PAID IN EQUITY	REVENUE AND COSTS APPLIED TO EQUITY	OTHER EQUITY	TOTAL RETAINED EARNINGS	TOTAL EQUITY
Equity at 31.12.2012	960.6	156.0	400.3	1 516.8	45.4	893.4	938.8	2 455.7
Profit for the period						162.3	162.3	162.3
Total other result elements not to be classified to profit/loss					-3.5		-3.5	-3.5
Total comprehensive income for the period	0.0	0.0	0.0	0.0	-3.5	162.3	158.8	158.8
Equity transactions with owners:								
Group contribution received						21.8	21.8	21.8
Provision for group contribution						-72.3	-72.3	-72.3
Other changes						1.6	1.6	1.6
Equity at 31.12.2013	960.6	156.0	400.3	1 516.8	41.9	1 006.7	1 048.6	2 565.5
Profit for the period						72.0	72.0	72.0
Total other result elements not to be classified to profit/loss								0.0
Total comprehensive income for the period	0.0	0.0	0.0	0.0	0.0	72.0	72.0	72.0
Equity transactions with owners:								
Group contribution received						31.4	31.4	31.4
Group contribution paid						-181.4	-181.4	-181.4
Other changes						-0.5	-0.5	-0.5
Equity at 30.09.2014	960.6	156.0	400.3	1 516.8	41.9	928.2	970.1	2 487.0
Equity at 31.12.2012	960.6	156.0	400.3	1 516.8	45.4	893.4	938.8	2 455.7
Profit for the period						103.2	103.2	103.2
Total other result elements not to be classified to profit/loss								0.0
Total comprehensive income for the period	0.0	0.0	0.0	0.0	0.0	103.2	103.2	103.2
Equity transactions with owners:								
Group contribution received						21.8	21.8	21.8
Provision for group contribution						-72.3	-72.3	-72.3
Other changes						-1.4	-1.4	-1.4
Equity at 30.09.2013	960.6	156.0	400.3	1 516.8	45.4	944.6	990.1	2 506.9

Reconciliation of equity

STOREBRAND BANK ASA

NOK MILLION	SHARE CAPITAL	SHARE PREMIUM RESERVE	OTHER PAID IN EQUITY	TOTAL PAID IN EQUITY	REVENUE AND COSTS APPLIED TO EQUITY	OTHER EQUITY	TOTAL RETAINED EARNINGS	TOTAL EQUITY
Equity at 31.12.2012	960.6	156.0	540.4	1 657.0	43.5	674.1	717.6	2 374.6
Profit for the period						150.8	150.8	150.8
Total other result elements, not to be classified to profit/loss					-3.5	0.0	-3.5	-3.5
Total comprehensive income for the period	0.0	0.0	0.0	0.0	-3.5	150.8	147.2	147.2
Equity transactions with owners:								
Change in group contribution received for 2012						-0.6	-0.6	-0.6
Provision for group contribution						-181.4	-181.4	-181.4
Group contribution received			31.4	31.4				31.4
Equity at 31.12.2013	960.6	156.0	571.8	1 688.4	40.0	642.9	682.9	2 371.2
Profit for the period						-45.7	-45.7	-45.7
Total other result elements, not to be classified to profit/loss								0.0
Total comprehensive income for the period	0.0	0.0	0.0	0.0	0.0	-45.7	-45.7	-45.7
Equity transactions with owners:								
Change in provision for group contribution 2013						0.7	0.7	0.7
Change in group contribution received for 2013			-0.9	-0.9				-0.9
Equity at 30.09.2014	960.6	156.0	570.9	1 687.4	40.0	597.8	637.9	2 325.3
Equity at 31.12.2012	960.6	156.0	540.4	1 657.0	43.5	674.1	717.6	2 374.6
Profit for the period						-30.7	-30.7	-30.7
Total other result elements, not to be classified to profit/loss								0.0
Total comprehensive income for the period	0.0	0.0	0.0	0.0	0.0	-30.7	-30.7	-30.7
Equity transactions with owners:								
Change in group contribution received for 2012						-0.6	-0.6	-0.6
Equity at 31.09.2013	960.6	156.0	540.4	1 657.0	43.5	642.9	686.4	2 343.3

The share capital is made up of 64.037.183 shares of nominal value NOK 15.

Cash flow statement

STOREBRAND BANK ASA			STOREBRAND BANK GROUP	
30.09.2013	30.09.2014	NOK MILLION	30.09.2014	30.09.2013
		Cash flow from operations		
768.8	679.6	Receipts of interest, commissions and fees from customers	1 060.8	1 176.4
-152.7	-152.0	Payments of interest, commissions and fees to customers	-152.1	-152.8
-1 138.7	4 892.9	Net disbursements/payments on customer loans	4 771.5	608.0
840.5	-920.8	Net receipts/payments of deposits from banking customers	-920.1	826.7
612.2	-275.8	Net receipts/payments - securities at fair value	-331.4	559.2
-229.8	-201.4	Payments of operating costs	-214.3	-242.9
6.0	2.2	Net receipts/payments on other operating activities	1.1	-1.9
706.4	4 024.8	Net cash flow from operating activities	4 215.5	2 772.7
		Cash flow from investment activities		
0.1		Net receipt from sale of subsidiaries and associated companies		
-175.0		Net payments on purchase/capitalisation of subsidiaries		
-21.9	-38.1	Net payments on purchase/sale of fixed assets etc.	-38.1	-21.9
-196.8	-38.1	Net cash flow from investment activities	-38.1	-21.9
		Cash flow from financing activities		
-794.8	-1 233.8	Payments - repayments of loans and issuing of bond debt	-2 260.1	-1 094.7
500.4	0.0	Receipts - new loans and issuing of bond debt	0.0	500.4
-142.2	-97.0	Payments - interest on loans	-256.7	-312.5
	-30.7	Payments - repayments of subordinated loan capital	-30.7	
150.0	200.0	Receipts - subordinated loan capital	200.0	150.0
-18.7	-24.2	Payments - interest on subordinated loan capital	-24.2	-18.7
-1 500.1	-1 014.1	Net receipts/payments of liabilities to credit institutions	-1 017.8	-1 502.3
252.8	274.4	Receipts - group contribution	31.4	21.8
-236.3	-260.6	Payments - group contribution / dividends	-251.9	-100.5
-1 789.0	-2 186.0	Net cash flow from financing activities	-3 610.0	-2 356.4
-1 279.4	1 800.7	Net cash flow in the period	567.5	394.3
4 772.1	2 218.7	Cash and bank deposits at the start of the period	172.3	263.9
3 492.7	4 019.4	Cash and bank deposits at the end of the period	739.7	658.2
		Cash and bank deposits consist of:		
229.6	460.2	Cash and deposits with central banks	460.2	229.6
3 263.1	3 559.3	Loans to and deposits with credit institutions	279.5	428.6
3 492.7	4 019.4	Total cash and bank deposits in the balance sheet	739.7	658.2

Notes

NOTE 1 ACCOUNTING PRINCIPLES

The Group's financial statements include Storebrand Bank ASA together with subsidiaries and associated companies. The financial statements are prepared in accordance with IAS 34 Interim Financial Reporting. The interim financial statements do not include all the information required in the annual report.

The interim accounts of Storebrand Bank ASA are prepared in accordance with Section 1-5 of the Norwegian regulations for the annual accounts of banks and finance companies etc. that provides for simplified application of international accounting standards, (hereinafter termed simplified IFRS), and with IAS 34 Interim Financial Reporting. Simplified IFRS permits recognition to profit and loss of provisions for dividend and group contribution, and allows the Board of Director's proposal for dividend and group contribution to be recognized as a liability on the balance sheet date. The full application of IFRS stipulates that dividend and group contribution must remain part of equity until approved by the company's general meeting. Other than this, simplified IFRS requires the use of the same accounting principles as the full application of IFRS.

A description of the accounting policies applied in the preparation of the financial statements is provided in the 2013 annual report, and the interim financial statements are prepared with respect to these accounting policies. There have been amendments to the IFRS regulations with effect from, or that can voluntarily be applied from 1 January 2014. These changes have not caused significant effects on Storebrand Bank ASA's or Storebrand Bank Group's interim financial statements.

NOTE 2 ESTIMATES

Critical accounting estimates and judgements are described in the 2013 annual financial statements note 2 and valuation of financial instruments at fair value are described in note 6.

In preparing the Group's financial statements the management are requiring 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.

Changes in pension scheme

Storebrand's own pension scheme in Norway is under evaluation. A potential closure of the defined pension scheme and a transition to defined contribution scheme at year end is expected to give a moderate positive effect on the equity. The issue is considered by the Board of Directors of Storebrand ASA on 28 October 2014. The CEO of Storebrand Bank ASA is authorized to implement required changes if the restructuring is approved by the Board of Directors of Storebrand ASA.

NOTE 3 TAX

The tax expenses during the 3rd quarter have been estimated based upon an expected effective tax rate on 27 per cent for the year of 2014 adjusted for permanent differences. There will be uncertainty associated with these estimates.

NOTE 4 RELATED PARTIES

Covered bonds issued by Storebrand Boligkreditt AS

Storebrand Bank ASA has invested a total of NOK 2.9 billion in covered bonds issued by Storebrand Boligkreditt AS as of 30 September 2014. The investment has been eliminated in the consolidated accounts against bonds issued by Storebrand Boligkreditt AS.

Loans transferred to Storebrand Boligkreditt AS

Storebrand Bank ASA sells loans to the mortgage company Storebrand Boligkreditt AS. The mortgages are transferred on commercial terms. Once the loans are transferred, Storebrand Boligkreditt AS assumes all the risks and benefits of owning the loan portfolio. It is Storebrand Boligkreditt that receives all the cash flows from the loan customer. Storebrand Bank ASA shall arrange the transfer and return of loans when changes have to be made, i.e. if there is a request to increase the loan amount, change from variable to fixed interest, conversion to employee loan or conversion to a flexible mortgage. The costs are included in the contractual administration fee. Non-performing loans in Storebrand Boligkreditt AS remain in the company. These loans will, pursuant to the service agreement with Storebrand Bank ASA, be treated in the same way as non-performing loans in the bank. Specific reports are prepared for non-performing loans in Storebrand Boligkreditt AS. These loans are not included in the cover pool. Loans to employees can be transferred to Storebrand Boligkreditt AS. The difference between the market interest rate and the subsidised interest rate is covered monthly by the company in which the debtor is employed.

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

Notes

NOTE 4 RELATED PARTIES *(continued)*

Storebrand Bank ASA and Storebrand Boligkreditt AS have signed a management agreement pursuant to which Storebrand Boligkreditt AS will purchase administrative services from the bank. Storebrand Boligkreditt AS also purchases administrative services from Storebrand Livsforsikring AS.

Sales of loans to Storebrand Livsforsikring AS

Storebrand Bank ASA has entered into an agreement to sell corporate loans to associated company Storebrand Livsforsikring AS. The portfolio of loans that was sold in September 2014 comprised NOK 1.9 billion. As the purchaser, Storebrand Livsforsikring is taking over both cash flows and the essence of the risks and controls. The loans have thus been deducted from the bank's balance sheet with respect to IAS 39.

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.

Other

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 notes 44 and 45 in the 2013 annual report for Storebrand Bank ASA.

NOTE 5 FINANCIAL RISK

Financial risk is described in the 2013 annual report in note 6 (Financial market risk), note 5 (Liquidity risk), note 4 (Credit risk) and note 7 (Operational risk) which also are representative of the financial risks as per 30 September 2014. Conditions that are of significance to the financial risk are also described in note 2 (Important accounting estimates and judgements).

NOTE 6 VALUATION OF FINANCIAL INSTRUMENTS

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 obtained 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 a selected brokerage firm.

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

Storebrand 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 on three different levels, for further information see note 8 in the 2013 annual report. The levels express the differing degrees of liquidity and different measurement methods used. The company has established valuation models to gather information from a wide range of well-informed sources with reference to minimising the uncertainty of valuations.

Notes

NOTE 6 VALUATION OF FINANCIAL INSTRUMENTS *(continued)*

Storebrand Bank Group

Valuation of financial instruments at amortised cost

NOK MILLION	FAIR VALUE 30.09.2014	FAIR VALUE 31.12.2013	BOOK VALUE 30.09.2014	BOOK VALUE 31.12.2013
Financial assets				
Bonds classified as loans and receivables	1 316.6	1 546.1	1 307.1	1 541.8
Loans to and deposits with credit institutions	279.5	152.5	279.5	152.5
Lending to customers	27 677.1	32 281.8	27 729.4	32 344.8
Financial liabilities				
Deposits from and due to credit institutions	9.6	31.2	9.6	31.2
Deposits from and due to customers	19 813.8	20 728.1	19 813.8	20 728.1
Commercial papers and bonds issued	11 249.9	13 695.1	11 054.0	13 523.6
Subordinated loan capital	781.0	596.9	764.6	589.7

Storebrand Bank Group

Valuation of financial instruments at fair value

NOK MILLION	LEVEL 1 QUOTED PRICES	LEVEL 2 OBSERVABLE ASSUMPTIONS	LEVEL 3 NON- OBSERVABLE ASSUMPTIONS	BOOK VALUE 30.09.2014	BOOK VALUE 31.12.2013
Assets:					
Equities		1.9		1.9	
Total equities 31.12.2013		1.7			1.7
Lending to customers			1 061.8	1 061.8	
Total lending to customers 31.12.2013			1 289.0		1 289.0
Government and government guaranteed bonds		933.7		933.7	100.3
Credit bonds		354.5		354.5	534.6
Mortgage and asset backed bonds		2 045.7		2 045.7	2 155.8
Total bonds	0.0	3 334.0	0.0	3 334.0	
Total bonds 31.12.2013	100.3	2 690.4			2 790.7
Interest derivatives		226.9		226.9	282.6
Currency derivatives		0.0		0.0	-0.4
Total derivatives	0.0	226.9	0.0	226.9	
Derivatives with a positive fair value		706.9		706.9	693.2
Derivatives with a negative fair value		-480.0		-480.0	-411.0
Total derivatives 31.12.2013		282.2			
Liabilities:					
Liabilities to credit institutions		0.0		0.0	
Total liabilities to credit institutions 31.12.2013		996.6			996.6

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

Notes

NOTE 6 VALUATION OF FINANCIAL INSTRUMENTS *(continued)*

Specification of securities pursuant to valuation techniques (non-observable assumptions)

NOK MILLION	LENDING TO CUSTOMER
Book value 01.01.2014	1 289.0
Net gains/losses on financial instruments	7.7
Supply / disposal	10.6
Sales / due settlements	-245.5
Transferred from observable assumptions to non-observable assumptions	
Translation differences	
Other	
Book value 30.09.2014	1 061.8

Sensitivity analysis

Lending to customers (fixed-rate loans)

Fixed-rate lending is valued at fair value. The value of these is determined by discounting future contractual cash flows using a discount rate that takes into account margin requirements (market spread). The assumption for calculating the margin requirement is based on an assessment of market conditions at the end of the accounting period, and an assessment that would form the basis for an external investor's investment in a corresponding portfolio.

NOK MILLION	CHANGE IN MARKET SPREAD	
	+ 10 BP	- 10 BP
Increase/reduction in fair value at 30.09.2014	-2.9	2.9

Notes

NOTE 7 SEGMENT INFORMATION

Storebrand Bank Group

Profit and loss by segment:

NOK MILLION	CORPORATE					RETAIL				
	Q3		01.01. - 30.09.		FULL YEAR	Q3		01.01. - 30.09.		FULL YEAR
	2014	2013	2014	2013	2013	2014	2013	2014	2013	2013
Profit and loss items:										
Net interest income	31.9	51.2	106.0	150.9	199.4	85.1	90.4	256.8	251.3	340.0
Net fee and commission income	2.0	3.6	7.0	9.4	12.8	12.4	16.2	38.7	42.7	57.1
Other income	4.9	4.1	11.1	12.0	20.4	0.6	0.6	1.8	-13.1	-12.5
Total operating costs	-19.6	-27.3	-64.7	-115.6	-126.2	-50.3	-56.6	-152.6	-173.9	-221.0
Operating profit before loan losses	19.2	31.6	59.4	56.7	106.5	47.8	50.5	144.7	107.0	163.5
Loan losses	-30.8	-2.3	-53.2	8.7	-3.9	-2.9	-7.3	-5.3	-7.8	-7.2
Ordinary profit from continuing operations	-11.6	29.4	6.2	65.4	102.6	44.9	43.2	139.4	99.2	156.3
Ordinary profit from discontinued businesses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Balance sheet items:										
Gross lending to customers			4 636.4	10 660.2	9 809.6			24 286.3	24 110.5	23 905.6
Deposits from and due to customers			6 687.2	8 492.2	8 186.3			13 139.7	12 300.0	12 542.7
Key figures:										
Net interest income as % of total assets	1.70%	1.61%	1.57 %	1.53 %	1.55 %	1.19%	1.27%	1.22 %	1.19 %	1.21 %
Cost/income ratio	51%	46%	52 %	67 %	54 %	51%	53%	51 %	62 %	57 %
Deposits from customers as % of gross lending			144 %	80 %	83 %			54 %	51 %	52 %
Total level of provisioning			69 %	26 %	29 %			20 %	18 %	15 %

Notes

NOTE 7 SEGMENT INFORMATION (continued)

NOK MILLION	TREASURY/OTHER					TOTAL				
	Q3		01.01. - 30.09.		FULL YEAR	Q3		01.01. - 30.09.		FULL YEAR
	2014	2013	2014	2013	2013	2014	2013	2014	2013	2013
Profit and loss items:										
Net interest income	-7,4	-1,7	-10,6	5,4	7,4	109,6	139,8	352,2	407,6	546,7
Net fee and commission income	-0,1	0,1	-0,2	0,3	0,4	14,3	19,9	45,5	52,4	70,2
Other income	1,9	0,6	2,0	-1,5	-3,6	7,4	5,2	14,9	-2,6	4,3
Total operating costs	-11,1	-10,4	-24,7	-22,1	-27,7	-81,0	-94,2	-242,0	-311,6	-374,8
Operating profit before loan losses	-16,8	-11,4	-33,6	-17,9	-23,5	50,2	70,6	170,5	145,8	246,5
Loan losses	0,0	-0,6	-12,6	-0,5	0,0	-33,7	-10,1	-71,1	0,4	-11,1
Ordinary profit from continuing operations	-16,8	-12,0	-46,2	-18,4	-23,5	16,5	60,5	99,4	146,2	235,3
Ordinary profit from sold/discontinued businesses	-0,1	0,2	-0,6	-2,1	-3,8	-0,1	0,2	-0,6	-2,1	-3,8
Balance sheet items:										
Gross lending to customers			44,9	28,4	31,6			28 967,7	34 799,1	33 746,8
Deposits from and due to customers			-13,2	-11,9	-0,9			19 813,8	20 780,3	20 728,1
Key figures:										
Net interest income as % of total assets						1.21%	1.37%	1,26 %	1,34 %	1,35 %
Cost/income ratio						56%	57%	59 %	68 %	60 %
Deposits from customers as % of gross lending								68 %	60 %	61 %
Total level of provisioning								51 %	24 %	24 %

Business segments are the Group's primary reporting segments. 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 is also included in this area. The bank holds an ownership interest of 100% in the company.

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".

Notes

NOTE 8 SECURITIES ISSUED AND SUBORDINATED LOAN CAPITAL

NOK MILLION	STOREBRAND BANK GROUP	
	30.09.2014	31.12.2013
Commercial papers	0.0	0.0
Bond loans	11 054.0	13 523.6
Subordinated loan capital	764.6	589.7
Total securities issued and subordinated loan capital	11 818.6	14 113.4

Specification of bonds issued and subordinated loan capital as of 30 September 2014 - Storebrand Bank Group

NOK MILLION							BOOK VALUE 30.09.2014
ISIN CODE	ISSUER	NET NOMINAL VALUE	CURRENCY	INTEREST	Maturity 1)		
Bond loans							
NO0010439821	Storebrand Bank ASA	310.0	NOK	Fixed	04.06.2015	323.2	
NO0010513237	Storebrand Bank ASA	300.0	NOK	Fixed	25.05.2016	317.5	
NO0010660806	Storebrand Bank ASA	300.0	NOK	Fixed	08.10.2019	323.6	
NO0010635626	Storebrand Bank ASA	191.0	NOK	Floating	26.01.2015	192.1	
NO0010654510	Storebrand Bank ASA	188.0	NOK	Floating	06.07.2015	189.4	
NO0010670979	Storebrand Bank ASA	359.0	NOK	Floating	29.01.2016	360.6	
NO0010641079	Storebrand Bank ASA	800.0	NOK	Floating	27.03.2017	801.2	
NO0010662752	Storebrand Bank ASA	300.0	NOK	Floating	13.11.2017	301.1	
Total bond loans							2 808.7
Covered bonds							
NO0010428584	Storebrand Boligkreditt	801.5	NOK	Fixed	06.05.2015	836.9	
NO0010548373	Storebrand Boligkreditt	1 250.0	NOK	Fixed	28.10.2019	1 459.6	
NO0010638307	Storebrand Boligkreditt	325.0	NOK	Floating	17.06.2015	323.2	
NO0010575913	Storebrand Boligkreditt	313.0	NOK	Floating	03.06.2016	312.8	
NO0010612294	Storebrand Boligkreditt	1 665.0	NOK	Floating	15.06.2016	1 663.6	
NO0010635071	Storebrand Boligkreditt	2 550.0	NOK	Floating	21.06.2017	2 562.0	
NO0010660822	Storebrand Boligkreditt	1 080.0	NOK	Floating	20.06.2018	1 087.3	
Total covered bonds							8 245.4
Total commercial papers and bonds issued							11 054.0
¹⁾ Maturity date in this summary is the first possible maturity date (Call date).							
ISIN CODE	ISSUER	NET NOMINAL VALUE	CURRENCY	INTEREST	CALL DATE	BOOK VALUE 30.09.2014	
Dated subordinated loan capital							
NO0010641657	Storebrand Bank ASA	150.0	NOK	Floating	12.04.2017	151.4	
NO0010714314	Storebrand Bank ASA	125.0	NOK	Floating	09.07.2019	126.0	
Other subordinated loan capital							
NO00177116	Storebrand Bank ASA	9.3	NOK	Fixed	perpetual	9.9	
Hybrid tier 1 capital							
NO0010242068	Storebrand Bank ASA	105.5	NOK	Fixed	29.10.2014	111.4	
NO0010242076	Storebrand Bank ASA	139.0	NOK	Floating	29.10.2014	139.8	
NO0010683550	Storebrand Bank ASA	150.0	NOK	Floating	20.06.2018	150.2	
NO0010714322	Storebrand Bank ASA	75.0	NOK	Floating	09.07.2019	75.9	
Total subordinated loan capital							764.6
Total securities issued and subordinated loan capital							11 818.6

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 per cent fulfilled.

Notes

NOTE 9 CAPITAL ADEQUACY

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

Net primary capital

STOREBRAND BANK ASA			STOREBRAND BANK GROUP	
31.12.2013	30.09.2014	NOK MILLION	30.09.2014	31.12.2013
960.6	960.6	Share capital	960.6	960.6
1 410.6	1 364.7	Other equity	1 526.4	1 604.9
2 371.2	2 325.3	Total equity	2 487.0	2 565.5
		Deductions:		
		Profit not included in the calculation of net primary capital	-72.0	
-75.4	-98.6	Intangible assets	-105.2	-99.1
-18.2	-30.4	Deferred tax asset	-24.3	-13.0
		Provision for group contribution		-150.0
2 277.6	2 196.2	Core capital exc. Hybrid Tier 1 capital	2 285.5	2 303.3
		Additional Tier 1 Capital:		
426.8	469.7	Capital instruments eligible as AT1 capital	469.7	426.8
		Addition		
2 704.4	2 665.9	Core capital	2 755.2	2 730.2
158.8	283.9	Supplementary capital	283.9	158.8
		Tier 2 capital		
		Tier 2 capital deductions		
2 863.2	2 949.8	Net primary capital	3 039.1	2 888.9

Notes

NOTE 9 CAPITAL ADEQUACY (continued)

Minimum capital requirement				
STOREBRAND BANK ASA		NOK MILLION	STOREBRAND BANK GROUP	
31.12.2013	30.09.2014		30.09.2014	31.12.2013
1 398.5	1 002.2	Credit risk	1 227.1	1 613.4
		Of which:		
8.6	19.0	Local and regional authorities	19.0	8.6
171.2	170.3	Institutions	20.3	9.9
773.9	384.9	Corporates	384.9	773.9
256.5	260.4	Loans secured on residential real estate	694.6	687.4
51.5	63.1	Retail market	63.1	51.5
37.2	13.0	Loans past-due	14.3	40.1
88.6	87.6	Covered bonds	21.2	23.8
11.0	3.9	Other	9.6	18.3
1 398.5	1 002.2	Total minimum requirement for credit risk	1 227.1	1 613.4
		Settlement risk		
0.0	0.0	Total minimum requirement for market risk	0.0	0.0
79.7	79.7	Operational risk	89.5	89.5
	27.1	CVA-risk	47.0	
		Deductions		
-2.4	-1.7	Loan loss provisions on groups of loans	-1.8	-2.4
1 475.8	1 107.3	Minimum requirement for net primary capital	1 361.4	1 700.5

Capital adequacy

STOREBRAND BANK ASA			STOREBRAND BANK GROUP	
31.12.2013	30.09.2014		30.09.2014	31.12.2013
15.5 %	21.3 %	Capital ratio	17.9 %	13.6 %
14.7 %	19.3 %	Core (tier 1) capital ratio	16.2 %	12.8 %
12.3 %	15.9 %	Core capital ratio excl. Hybrid Tier 1 capital	13.4 %	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 3rd quarter 2014 are inclusive of CVA-charge.

Notes

NOTE 9 CAPITAL ADEQUACY (continued)

Basis of calculation (risk-weighted volume)

STOREBRAND BANK ASA		NOK MILL.	STOREBRAND BANK GROUP	
31.12.2013	30.09.2014		30.09.2014	31.12.2013
17 481.3	12 522.4	Credit risk	15 333.8	20 168.1
		Of which:		
106.9	237.6	Local and regional authorities	237.6	106.9
2 140.3	2 129.3	Institutions	254.3	123.1
9 674.1	4 811.6	Corporates	4 811.6	9 674.1
3 205.9	3 254.8	Loans secured on residential real estate	8 682.9	8 593.0
644.0	789.1	Retail market	789.1	644.0
465.3	161.9	Loans past-due	179.0	501.0
1 107.9	1 095.0	Covered bonds	264.8	297.3
137.3	48.5	Other	119.8	228.6
17 481.6	12 527.7	Total basis of calculation credit risk	15 339.1	20 168.1
0.0	0.0	Settlement risk	0.0	0.0
0.0	0.0	Total basis of calculation market risk	0.0	0.0
995.7	995.7	Operational risk	1 118.8	1 118.8
	339.1	CVA-risk	587.1	
		Deductions		
-29.5	-21.0	Loan loss provisions on groups of loans	-22.6	-30.2
18 447.8	13 841.5	Total basis of calculation of minimum requirements for capital base	17 022.4	21 256.7

Notes

NOTE 10 KEY FIGURES

STOREBRAND BANK GROUP

NOK MILLION AND PERCENTAGE	Q3		01.01 - 30.09		FULL YEAR
	2014	2013	2014	2013	2013
Profit and Loss account: (as % of avg. total assets)					
Net interest income	1.21 %	1.37 %	1.26 %	1.34 %	1.35 %
Other operating income ³⁾	0.24 %	0.25 %	0.22 %	0.16 %	0.18 %
Main balance sheet figures:					
Total assets			35 053.8	39 653.0	39 056.1
Average total assets ¹⁾	35 907.1	40 503.1	37 226.7	40 775.5	40 572.5
Gross lending to customers			28 967.7	34 799.1	33 746.8
Deposits from customers			19 813.8	20 780.3	20 728.1
Deposits from customers as % of gross lending			68.4 %	59.7 %	61.4 %
Equity			2 487.0	2 506.9	2 565.5
Other key figures:					
Total non-interest income as % of total income	16.5 %	15.2 %	14.6 %	10.9 %	12.0 %
Loan losses and provisions as % of average total lending ⁵⁾	0.44 %	0.12 %	0.30 %	0.00 %	0.03 %
Gross non-performing and loss-exposed loans as % of total average lending			1.2 %	1.6 %	1.4 %
Cost/income ratio banking activities ⁴⁾	58.1 %	59.0 %	53.7 %	66.3 %	57.2 %
Return on equity before tax ²⁾			5.3 %	7.9 %	9.5 %
Core capital ratio			16.2 %	12.4 %	12.8 %

STOREBRAND BANK ASA

NOK MILLION AND PERCENTAGE	Q3		01.01 - 30.09		FULL YEAR
	2014	2013	2014	2013	2013
Profit and Loss account: (as % of avg. total assets)					
Net interest income	0.75 %	0.90 %	0.78 %	0.92 %	0.93 %
Other operating income ³⁾	0.25 %	0.12 %	0.27 %	0.15 %	0.90 %
Main balance sheet figures:					
Total assets			26 947.9	30 303.6	29 903.6
Average total assets ¹⁾	27 847.7	31 186.1	28 688.8	31 530.5	31 313.8
Gross lending to customers			14 041.5	19 277.1	18 932.4
Deposits from customers			19 834.0	20 809.7	20 749.0
Deposits from customers as % of gross lending			141.3 %	108.0 %	109.6 %
Equity			2 325.3	2 343.3	2 371.2
Other key figures:					
Total non-interest income as % of total income	25.1 %	11.7 %	25.7 %	13.7 %	49.2 %
Loan losses and provisions as % of average total lending ⁵⁾	0.72 %	0.19 %	0.56 %	-0.02 %	0.05 %
Gross non-performing and loss-exposed loans as % of total average lending			2.1 %	2.6 %	2.1 %
Cost/income ratio	98.9 %	106.4 %	94.5 %	115.8 %	59.6 %
Return on equity before tax ²⁾			-3.3 %	-2.1 %	9.4 %
Core (tier 1) capital ratio			19.3 %	14.6 %	14.7 %

Definitions:

- 1) Average total assets is calculated on the basis of monthly total assets for the quarter and for the year to date respectively.
- 2) Annualised profit before tax for continued operations 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.

Notes

NOTE 11 NET INTEREST INCOME

STOREBRAND BANK GROUP					
NOK MILLION	Q3		01.01 - 30.09		FULL YEAR
	2014	2013	2014	2013	2013
Interest and other income on loans to and deposits with credit institutions	3.1	4.3	10.6	12.7	17.7
Interest and other income on loans to and due from customers	298.6	364.0	942.1	1 082.8	1 442.6
Interest on commercial paper, bonds and other interest-bearing securities	20.5	21.6	63.2	61.5	80.8
Other interest income and related income	2.5	1.9	5.3	5.8	7.5
Total interest income	324.7	391.8	1 021.3	1 162.9	1 548.6
Interest and other expenses on debt to credit institutions	-0.8	-7.2	-7.3	-28.8	-34.2
Interest and other expenses on deposits from and due to customers	-125.8	-141.6	-391.4	-411.5	-551.6
Interest and other expenses on securities issued	-74.8	-91.4	-233.0	-283.8	-373.2
Interest and expenses on subordinated loan capital	-9.3	-7.6	-24.2	-18.7	-26.3
Other interest expenses and related expenses	-4.4	-4.1	-13.2	-12.5	-16.7
Total interest expenses	-215.1	-251.9	-669.1	-755.3	-1 001.9
Net interest income	109.6	139.8	352.2	407.5	546.7

STOREBRAND BANK ASA					
NOK MILLION	Q3		01.01 - 30.09		FULL YEAR
	2014	2013	2014	2013	2013
Interest and other income on loans to and deposits with credit institutions	22.0	24.7	56.2	96.4	113.9
Interest and other income on loans to and due from customers	158.5	204.3	518.0	595.3	808.0
Interest on commercial paper, bonds and other interest-bearing securities	35.6	37.2	108.6	109.2	143.9
Other interest income and related income	2.5	1.9	5.3	5.8	7.5
Total interest income	218.6	268.1	688.2	806.7	1 073.3
Interest and other expenses on debt to credit institutions	-2.0	-8.5	-11.0	-32.6	-39.2
Interest and other expenses on deposits from and due to customers	-125.9	-141.8	-391.7	-412.0	-553.1
Interest and other expenses on securities issued	-24.6	-35.4	-80.0	-113.1	-147.4
Interest and expenses on subordinated loan capital	-9.3	-7.6	-24.2	-18.7	-26.3
Other interest expenses and related expenses	-4.4	-4.1	-13.2	-12.5	-16.7
Total interest expenses	-166.3	-197.5	-520.2	-588.9	-782.6
Net interest income	52.3	70.6	168.0	217.8	290.7

Notes

NOTE 12 OFF BALANCE SHEET LIABILITIES AND CONTINGENT LIABILITIES

STOREBRAND BANK ASA			STOREBRAND BANK GROUP	
31.12.2013	30.09.2014	NOK MILLION	30.09.2014	31.12.2013
241.6	155.3	Guarantees	155.3	241.6
6 179.2	4 708.6	Undrawn credit limits	3 883.9	4 060.2
77.4	30.5	Lending commitments	30.5	77.4
6 498.1	4 894.4	Total contingent liabilities	4 069.7	4 379.2
1 498.5	1 151.5	Booked value of bonds pledged as security for the bank's D-loan and F-loan facility with the Norwegian central bank	1 151.5	1 498.5
1 024.6	813.1	Booked value of securities pledged as collateral for the government securities for covered bonds swap scheme		
384.4	385.0	Booked value of bonds pledged as security with other credit institutions		
2 907.5	2 349.7	Total book value of off balance sheet liabilities	1 151.5	1 498.5

Undrawn credit limits reported in Storebrand Bank ASA as of 30 September 2014 includes NOK 2,6 billion to the subsidiary Storebrand Boligkreditt AS.

NOTE 13 NON-PERFORMING LOANS AND LOAN LOSSES

STOREBRAND BANK ASA			STOREBRAND BANK GROUP	
31.12.2013	30.09.2014	NOK MILLION	30.09.2014	31.12.2013
		Non-performing loans		
54.0	48.9	Non-performing loans without evidence of impairment	85.5	111.1
345.4	251.7	Loss-exposed loans with evidence of impairment	263.4	356.4
399.4	300.6	Gross non-performing and loss-exposed loans	348.9	467.5
-80.3	-152.2	Loan loss provisions on individual loans	-153.9	-82.7
319.1	148.4	Net non-performing and loss-exposed loans	194.9	384.8
		Key figures		
-29.5	-21.0	Loan loss provisions on groups of loans (NOK million)	-22.6	-30.2
-109.8	-173.2	Total loan loss provisions (NOK million)	-176.5	-112.9
23 %	60 %	Level of provisioning for individual loss-exposed loans ¹⁾	58 %	23 %
28 %	58 %	Total level of provisioning ²⁾	51 %	24 %

1) Provisions for individual loan losses in percent of loss-exposed loans with evidence of impairment.
2) Total loan loss provisions in per cent of gross non-performing and loss-exposed loans.

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

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

When one of the three situations described above occurs, the loans and the rest of the customer's commitments are regarded as non-performing. The number of days is counted from when the arrears exceed NOK 2,000. The account is regarded as active when there are no longer any arrears. The amount in arrears at the time of reporting can be less than NOK 2,000.

Notes

NOTE 13 NON-PERFORMING LOANS AND LOAN LOSSES (continued)

STOREBRAND BANK ASA			STOREBRAND BANK GROUP	
30.09.2013	30.09.2014	NOK MILLION	30.09.2014	30.09.2013
		Losses on loans and guarantees etc. during period		
31.7	-71.9	Change in individual loan loss provisions	-71.2	19.2
5.0	8.6	Change in grouped loan loss provisions	7.7	3.5
1.9	9.5	Other effects on loan loss provisions	9.3	2.0
-54.5	-16.6	Realised losses specifically provided for previously	-16.6	-43.5
-1.8	-0.9	Realised losses not specifically provided for previously	-0.9	-1.8
21.1	0.8	Recoveries on previous realised losses	0.8	21.1
3.4	-70.7	Loan losses for the period	-71.1	0.4

Loans that are continued after collateral is taken over are classified in the financial statements according to their type. Loans, including individual loan loss provisions against debt in taken over company are eliminated in the consolidated financial statements. The volume of non-performing and loss-exposed loans is similarly eliminated. A separate assessment is made in the consolidated financial statements in relation to any loan loss provision/value adjustment of the assets that have been taken over.

NOTE 14 QUARTERLY PROFIT AND LOSS

STOREBRAND BANK GROUP					
NOK MILLION	Q3 2014	Q2 2014	Q4 2013	Q3 2013	Q2 2013
Interest income	324.7	335.0	361.5	385.8	391.8
Interest expense	-215.1	-219.5	-234.4	-246.6	-251.9
Net interest income	109.6	115.5	127.1	139.2	139.8
Fee and commission income from banking services	19.4	18.8	18.6	20.3	23.4
Fee and commission expenses for banking services	-5.1	-3.4	-2.8	-2.5	-3.6
Net fee and commission income	14.3	15.4	15.8	17.8	19.9
Net gains on financial instruments	3.1	2.0	0.6	-0.6	2.5
Other income	4.2	3.9	1.0	7.5	2.8
Total other operating income	7.4	5.9	1.5	6.9	5.2
Staff expenses	-30.1	-31.1	-29.2	0.5	-32.1
General administration expenses	-13.9	-13.6	-15.3	-13.2	-14.3
Other operating cost	-37.1	-36.3	-35.5	-50.5	-47.8
Total operating costs	-81.1	-81.0	-80.0	-63.2	-94.2
Operating profit before loan losses	50.3	55.9	64.4	100.7	70.7
Loan losses for the period	-33.7	7.4	-44.7	-11.6	-10.1
Profit before tax	16.5	63.2	19.6	89.1	60.6
Tax	-4.5	-17.1	-5.3	-28.2	-17.0
Result after tax sold/discontinued operations	-0.1	-0.2	-0.3	-1.7	0.2
Profit for the year	11.9	46.0	14.1	59.1	43.8

Notes

NOTE 14 QUARTERLY PROFIT AND LOSS *(continued)*

STOREBRAND BANK ASA					
	Q3	Q2	Q4	Q3	Q2
NOK MILLION	2014	2014	2013	2013	2013
Interest income	218.6	225.0	244.5	266.6	268.1
Interest expense	-166.3	-171.2	-182.7	-193.7	-197.5
Net interest income	52.3	53.8	61.9	72.9	70.6
Fee and commission income from banking services	22.6	22.0	21.7	23.4	26.7
Fee and commission expenses for banking services	-5.1	-3.4	-2.8	-2.5	-3.6
Net fee and commission income	17.5	18.6	18.9	20.9	23.1
Net gains on financial instruments	6.0	7.9	0.0	-2.2	2.3
Other income	-6.0	-3.8	-1.0	228.1	-16.1
Total other operating income	0.0	4.0	-0.9	225.9	-13.8
Staff expenses	-28.7	-28.2	-27.0	4.4	-30.3
General administration expenses	-13.7	-13.0	-15.1	-12.9	-14.1
Other operating cost	-26.6	-28.3	-32.8	-40.6	-40.8
Total operating costs	-69.1	-69.6	-74.9	-49.1	-85.2
Operating profit before loan losses	0.7	6.9	4.9	270.6	-5.1
Loan losses for the period	-33.1	7.4	-44.9	-12.5	-8.9
Profit before tax	-32.4	14.2	-40.1	258.1	-14.0
Tax	7.1	-5.2	10.6	-76.7	-0.6
Profit for the year	-25.2	9.1	-29.5	181.5	-14.6

Translation from the original Norwegian version

To the Board of Directors of Storebrand Bank ASA

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

We have reviewed the consolidated statement of financial position of Storebrand Bank ASA (the Group) as of September 30, 2014, and the related statement of income, the statement of comprehensive income, the statement of changes in equity, the statement of cash flow for the nine-month period then ended and selected explanatory notes. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting” as adopted by EU. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

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

Oslo, October 28, 2014
Deloitte AS

Henrik Woxholt
State Authorized Public Accountant (Norway)

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