



**Annual accounts 2016**

**ABG Sundal Collier ASA**

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## STATUTORY DIRECTORS' REPORT

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ABG Sundal Collier ASA ("the Company") has concession as brokerage firm to engage in investment services in accordance with Securities Trading Act paragraph 2-1, first section no. 1, 2, 3, 5 and 6, and related services in accordance with the same law paragraph 2-1, second section no 1-6. The company is 100% owned by ABG Sundal Collier Holding ASA, a listed company on Oslo Stock Exchange. The company's headquarters are located in Oslo, with branches in Copenhagen and Frankfurt, and 100% owned subsidiaries in Stockholm, London and New York ("ABGSC" or "the Group").

ABGSC forms one of the leading independent Nordic investment banking partnerships, providing global capital to Nordic companies. We provide in-depth industry knowledge, leading corporate finance advisory capability and full-scale securities distribution power. Our strategy is to provide value-added services while earning fair returns for the benefit of our clients, shareholders and staff. We have an Investment Banking operation covering the Nordic markets and a global distribution network, with a physical presence in London, New York and Frankfurt in addition to the Nordic financial centres.

### Comments on the Annual Accounts

Pursuant to the Norwegian Accounting Act, the Company confirms that both the parent company accounts as well as the group accounts have been prepared on a going concern basis under Norwegian GAAP.

### *Income Statement*

For the full year, revenues were NOK 1,235m compared to NOK 1,298m for 2015.

Revenues from the Markets division decreased from NOK 695m in 2015 to NOK 659m in 2016. Equity-related revenues declined by 3% to NOK 523m in 2016 as ABGSC managed to maintain a strong position in a structurally challenging market environment. Revenues within the Non-Equities segment (Bonds, Convertible Bonds and FX) decreased by 11% to NOK 136m, primarily driven by lower primary issuance volumes in the combined Nordic high yield and convertible bonds market.

Revenues from the Investment Banking division decreased from NOK 604m in 2015 to NOK 576m in 2016. Investment Banking revenues stem from a diversified revenue base within a broad range of industries and with a balanced mix between capital market transactions and advisory services. The market for mergers and acquisitions was at a similar level as last year, while equity capital markets recovered well during the second half of 2016, supported by some very large IPOs completed in the Nordic market. The appetite for issuing and subscribing for corporate bonds improved towards the end of the year, while the activity within the specialised convertible bonds segment also remained low throughout the year.

Total operating costs for the year were NOK 970m, same as in 2015. Full-year variable compensation costs decreased by NOK 27m as a function of reduced revenues and profitability. We expect a meaningful fixed cost reduction in 2017 with the appreciation of the NOK in the second half of 2016 and as implemented cost reduction measures will be reflected from Q1 2017 onwards.

Operating profit before variable compensation for 2016 was NOK 562m (NOK 653m in 2015), a decrease of 14%. Net financial income was NOK 14m compared to NOK 10m in 2015. Net profit after tax was NOK 207m (NOK 225m in 2015).

### *Balance Sheet and Liquidity*

ABGSC maintained a strong balance sheet throughout 2016. Our asset base largely consists of short-term receivables and bank deposits, and the maturity profile is positive, with short-term assets partly financed by equity.

ABGSC's balance sheet and liquidity position are very solid relative to our capital requirements. The Group's capital adequacy at the end of 2016 was 3.1x (3.5x in 2015) the requirement set by The Financial Supervisory Authority of Norway. The capital ratio for the parent company was 3.2x for 2016 (3.9x in 2015).

ABGSC has positive cash flow from its operations, although due to the nature of our business, working capital requirements can fluctuate significantly on a daily basis. In order to meet varying liquidity demands from Group operations, we have established overdraft facilities with our main banks. ABGSC's level of liquidity was comfortable throughout 2016.

## **Financial Statement for the Parent company**

The parent company had total revenues of NOK 672m in 2016 compared to NOK 749m in 2015. Total operating costs were NOK 521m compared to NOK 513m in 2015. Full-year variable compensation costs decreased by NOK 26m as a function of reduced revenues and profitability. Net financial result was NOK 127m, an increase of NOK 118m compared to 2015 due to the effect of hedging of net assets of foreign operations. The tax expense was NOK 60m. The balance sheet remained solid with a booked equity ratio of 22% after group contribution to the parent company.

### **Allocation of Profit**

The net profit of the Company was NOK 217m, and the Board proposes that the Annual General Meeting adopts the following allocation:

Group contribution	NOK 257m
From other equity	NOK -40m
<b>Total allocated</b>	<b>NOK 217m</b>

### **Organisation, Management and Environmental Information**

The Group had 249 full-time staff as at 31 December 2016, of which 112 were in Norway, 79 in Sweden, 20 in Denmark, 7 in Germany, 20 in the UK and 11 in the US. The breakdown by gender was 208 men and 41 women.

The Group's working environment is considered to be good and absence due to illness continues to be low at approximately 1%. The activities carried out by ABGSC cause no pollution to the environment other than what is considered to be normal for office operations.

ABGSC has a long-standing anti-discrimination policy, and women occupy important positions in the Company. We seek to identify highly qualified candidates for all positions and maintain an environment that is "gender and background neutral". Women occupy senior both within front and support operations in locations across the organisation, and the Company is committed to policies that should make it an attractive working environment for female investment professionals. In its hiring process the Group tries to hire the candidates considered to be the ones with the best future potential regardless of ethnic origin, religious beliefs or orientation, nationality or other criteria not relevant to their work. The Group does not classify its employees or partners based on such criteria nor does it consider them relevant in relation to careers within ABGSC.

### **Other Conditions**

As far as the Board is aware, no matters have arisen during the course of the year that have had a materially negative effect on the Company's or the Group's business position.

Risk management is an integral part of ABGSC's core business activities. In the course of conducting our business operations, ABGSC is exposed to a variety of risks. These include market, credit, liquidity, operational and currency risks that are material and require comprehensive controls and management. ABGSC aims to maintain a low risk profile. For a further description of the Group's risk profile and risk management policy, see Note 4 to the annual accounts.

A separate description pertaining to risk control in the area of financial reporting is included in the Board's Corporate Governance report that can be found in the annual report for ABGSC Holding ASA and on the web page. The Board has approved the overall limits for market risk for equity trading, bond trading, convertible bond trading, securities' financing and foreign exchange. ABGSC's main trading activities are carried out on a short-term basis with a low level of overnight exposure. Any breach of the defined limits is reported to the Board of Directors. The purpose of the trading activities is to facilitate client orders, profit from arbitrage opportunities in the market and profit from market volatility.

Comments on Corporate Social Responsibility can be found in the annual report for ABGSC Holding ASA.

Our secondary market operations for convertible bonds are allocated a risk mandate utilised for client facilitation and market making activities. The risks within this area are more difficult to fully hedge than for equities and the convertible risk mandate includes a mix of risk constraints and limits supervised and monitored by a risk controller and the Risk Manager. Most convertible bond trades are OTC with less transparent liquidity,

which also leads to a more challenging valuation for any positions held, as observable market prices are not always available. The higher risk within this area, when compared to ordinary equities, is balanced by higher revenue potential. The Board believes that the convertible bond trading business provides an opportunity for a solid risk-adjusted return.

The Executive Committee, together with the Chief Compliance Officer, act as the Group's Credit Committee, approving policies and limits for client financing, cash collateral and the pledging of shares, within the mandate approved by the Board of Directors. Changes in collateral value are monitored daily and adjustments are made by either reducing exposure or providing additional collateral. Regular stock broking transactions are settled on a delivery versus payment basis such that the credit risk is minimised to the difference between the unsettled amount and the market value of the shares.

## Prospects for 2017

Following the volatile start to the year, Q4 marked a strong finish to 2016. During the year, ABGSC has added key staff and has advanced its position organically in the Swedish investment banking market and in the Norwegian debt capital segment. In spite of continued pressure on secondary equity trading commissions, ABGSC has protected its revenue base and profitability within this segment by maintaining a quality product offering while balancing its cost base.

Interest rates and market volatility are currently at historically low levels and ABGSC's ability to execute transactions and generate revenues will always be impacted by market developments and market conditions. Still, ABGSC is better positioned than ever to capitalise on its broad sector competence, transaction excellence and investor relationships in a market currently open for conducting business. As shown historically, our lean and flexible cost base in combination with a well-diversified business mix and ability to shift product focus should provide some protection in the event of a more challenging market environment.

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Oslo, 15 March 2017

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Judy Bollinger (sign)  
Chairman

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Jan Petter Collier (sign)

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Tone Bjørnov (sign)

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Knut Brundtland (sign)  
CEO

# FINANCIAL STATEMENT

## Income statement

Parent company		Amount in NOK 1,000		Group	
2016	2015	NOTES	OPERATING REVENUES AND COSTS	2016	2015
671,566	749,183		Operating revenues	1,235,335	1,298,514
<b>671,566</b>	<b>749,183</b>	2	<b>Total operating revenues</b>	<b>1,235,335</b>	<b>1,298,514</b>
199,209	164,019	5	Wages and social costs	424,027	383,443
143,476	144,735	5, 7	Administration costs	242,790	253,677
4,854	3,980	16	Depreciation	6,279	8,830
<b>347,540</b>	<b>312,734</b>	2	<b>Total operating costs</b>	<b>673,096</b>	<b>645,950</b>
<b>324,027</b>	<b>436,449</b>		<b>Operating profit before variable compensation</b>	<b>562,240</b>	<b>652,564</b>
173,684	199,928		Variable personnel costs	296,754	324,230
<b>150,343</b>	<b>236,522</b>		<b>Operating profit after variable compensation</b>	<b>265,485</b>	<b>328,334</b>
<b>FINANCIAL INCOME AND COSTS</b>					
27,552	31,874		Interest income	27,740	32,492
115,162	69,463	9, 15	Other financial income	268	906
748	786	15	Interest income from group companies	0	39
-4,199	-2,503	15	Interest cost to group companies	-1,954	-618
-9,957	-13,987		Interest cost	-10,194	-14,017
-2,556	-76,917	9	Other financial costs	-1,903	-9,265
<b>126,750</b>	<b>8,716</b>		<b>Net financial result</b>	<b>13,957</b>	<b>9,537</b>
<b>277,093</b>	<b>245,238</b>		<b>Profit before taxes</b>	<b>279,442</b>	<b>337,871</b>
60,395	53,084	6	Tax cost	72,029	112,403
<b>216,697</b>	<b>192,154</b>		<b>NET RESULT FOR THE YEAR</b>	<b>207,414</b>	<b>225,469</b>
<b>ALLOCATIONS AND TRANSFERS</b>					
-40,253	-31,011		To/from other equity		
256,950	223,166	15	Group contribution		
<b>216,697</b>	<b>192,154</b>		<b>Total allocations and transfers</b>		

## Balance sheet as of 31 December

Parent company		Amount in NOK 1,000			Group	
2016	2015	NOTES	ASSETS	2016	2015	
			<b>Non-current assets</b>			
			<b>Intangible assets</b>			
14,993	13,381	6	Deferred tax assets	15,243	13,789	
			<b>Fixed assets</b>			
8,196	9,873	16	Office equipment and fittings	19,350	19,056	
			<b>Financial non-current assets</b>			
3,531	11,471		Long term receivables	3,531	12,389	
195,108	195,914	11, 14	Shares in subsidiaries	0	0	
306	407	11	Other shares	549	871	
<b>198,945</b>	<b>207,793</b>		<b>Total financial non-current assets</b>	<b>4,080</b>	<b>13,260</b>	
<b>222,135</b>	<b>231,047</b>		<b>Total non-current assets</b>	<b>38,672</b>	<b>46,106</b>	
			<b>Current assets</b>			
			<b>Receivables</b>			
691,596	507,555	11, 12	Accounts receivables	765,732	523,028	
76,876	56,851	15	Receivables from group companies	511	9	
864,107	556,388	11	Receivables from stockbrokers	864,071	556,462	
73,799	36,573	13	Other short term receivables	97,144	85,177	
<b>1,706,379</b>	<b>1,157,367</b>		<b>Total receivables</b>	<b>1,727,458</b>	<b>1,164,676</b>	
			<b>Investments</b>			
246,717	291,454	11	Securities and financial instruments	246,717	291,454	
			<b>Cash and bank deposits</b>			
728,411	548,271	10	Cash and bank deposits	1,019,245	886,017	
<b>2,681,506</b>	<b>1,997,092</b>		<b>Total current assets</b>	<b>2,993,420</b>	<b>2,342,147</b>	
<b>2,903,641</b>	<b>2,228,139</b>		<b>TOTAL ASSETS</b>	<b>3,032,092</b>	<b>2,388,253</b>	



## Balance sheet as of 31 December

Parent company		Amount in NOK 1,000		Group	
2016	2015	NOTES	EQUITY AND LIABILITIES	2016	2015
			<b>Equity</b>		
			<b>Paid-in-capital</b>		
120,000	120,000	3, 8	Share capital	120,000	120,000
480,070	480,070	3, 8	Share premium	480,070	480,070
28,584	28,584	3, 8	Other paid-in-capital	28,584	28,584
<b>628,654</b>	<b>628,654</b>	<b>3, 8</b>	<b>Total paid-in-capital</b>	<b>628,654</b>	<b>628,654</b>
			<b>Other equity</b>		
3,834	44,086	3, 8	Retained earnings	212,159	272,000
<b>632,488</b>	<b>672,740</b>	<b>3, 8</b>	<b>Total equity</b>	<b>840,813</b>	<b>900,654</b>
			<b>Liabilities</b>		
			<b>Non-current liabilities</b>		
7,056	7,236		Deposits from partners	7,056	7,236
<b>7,056</b>	<b>7,236</b>		<b>Total non-current liabilities</b>	<b>7,056</b>	<b>7,236</b>
			<b>Current liabilities</b>		
15,707	12,611		Accounts payable	21,685	29,582
812,288	150,797	11	Liabilities payable to customers	812,288	150,797
435,323	524,314	11	Liabilities payable to stockbrokers	435,323	524,314
173,296	170,740	11	Securities and financial instruments (short positions)	173,296	170,740
608,779	433,492	15	Liabilities payable to group companies	329,035	158,714
5,029	911	6	Income tax payable	13,018	8,571
3,482	2,880		Public duties payable	14,889	14,666
210,193	252,417	13	Other liabilities	384,687	422,979
<b>2,264,097</b>	<b>1,548,162</b>		<b>Total current liabilities</b>	<b>2,184,223</b>	<b>1,480,363</b>
<b>2,271,153</b>	<b>1,555,398</b>		<b>Total liabilities</b>	<b>2,191,279</b>	<b>1,487,599</b>
<b>2,903,641</b>	<b>2,228,139</b>		<b>TOTAL EQUITY AND LIABILITIES</b>	<b>3,032,092</b>	<b>2,388,253</b>

Oslo, 15 March 2017

The Board of ABG Sundal Collier ASA

Judy Bollinger (sign)  
Chairman

Jan Petter Collier (sign)

Tone Bjørnov (sign)

Knut Brundtland (sign)  
CEO

## Cash flow statement

Parent company		Amount in NOK 1,000	Group	
2016	2015		2016	2015
		<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
277,093	245,238	Profit before taxes	279,442	337,871
0	0	Items booked directly through the equity net of tax	1,672	-34
-2,754	-6,372	Taxes paid	-24,436	-28,604
4,854	3,980	Depreciation	6,279	8,830
47,294	-81,113	Change in securites and financial instruments	47,294	-81,113
-491,760	36,638	Change in accounts receivables/ receivables from stockbrokers	-550,313	27,465
575,596	-65,010	Change in accounts payable/ payable to customers and stockbrokers	564,604	-55,886
65,076	15,106	Change in intercompany accounts	103,061	-178,280
-78,850	98,649	Change in other current assets/liabilities	-50,035	125,361
<b>396,549</b>	<b>247,116</b>	<b>Net cash flow from operating activities</b>	<b>377,567</b>	<b>155,610</b>
		<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
-2,214	-2,160	Purchase of fixed assets	-2,077	-7,238
8,848	15,588	Net cash flow from financial non-current assets	9,180	26,087
<b>6,634</b>	<b>13,428</b>	<b>Net cash flow from investing activities</b>	<b>7,103</b>	<b>18,849</b>
		<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
-180	-720	Repayment of long-term loans	-180	-720
-223,166	-330,477	Distributed group contribution	-226,666	-330,477
<b>-223,346</b>	<b>-331,197</b>	<b>Net cash flow from financing activities</b>	<b>-226,846</b>	<b>-331,197</b>
301	1,362	Foreign currency effects on cash and cash equivalents	-24,596	49,183
180,139	-69,290	Net increase/ (decrease) in bank deposits, cash and cash equivalents	133,228	-107,556
548,271	617,562	Bank deposits, cash and cash equivalents as of 1 January	886,017	993,573
<b>728,411</b>	<b>548,271</b>	<b>Bank deposit, cash and cash equivalents as of 31 December</b>	<b>1,019,245</b>	<b>886,017</b>

## NOTES TO THE FINANCIAL STATEMENT

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All amounts in NOK 1,000 unless otherwise specified

## **Note 1 - Accounting policies**

### *General information*

The accounts and the consolidated accounts for the Group are prepared in accordance with the Norwegian Accounting Act and Norwegian Generally Accepted Accounting Principles (NGAAP).

Financial statement preparation requires estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses as well as disclosures of contingencies. Actual results may differ from estimates.

### *Group accounts*

The Group's activities include securities brokerage and research services, proprietary trading, advice in relation to mergers and acquisitions, restructuring and other corporate finance advisory activities, as well as real estate advisory business.

The Group accounts show the total profit/loss and the total financial position of the parent company ABG Sundal Collier ASA and its controlling interests as a financial whole. The Group accounts include companies where ABG Sundal Collier ASA owns shares, directly or indirectly, such that the shares owned represent the majority of voting rights in the company or allow the Group the right to appoint the majority of the members of the company's board of directors. Transactions between group companies have been eliminated in the consolidated financial statement. The consolidated financial statement has been prepared in accordance with the same accounting principles for both parent and subsidiary.

ABG Sundal Collier ASA is the principal partner in the ABG Sundal Collier silent partnership.

### *Net assets in foreign operation*

Exchange differences arising from the translation of the net assets in foreign operations, and the related hedges, are booked towards other equity and will be recognised in the profit/loss when the net assets are realised.

### *Revenue recognition*

Revenue is recognised in conjunction with the performance of the services used to complete an engagement. Revenues from performance fees are recognised upon completion of the transaction, or there is deemed to be no uncertainty related to ABGSC's right to claim compensation for a transaction. Fixed fees are recognised as earned.

Commissions from equity trades are recognised at the trade date.

### *Classification of assets and liabilities*

Receivables that are to be repaid within one year and assets that are not of a permanent nature or use in the business, are classified as current assets. Other assets are classified as long-term assets.

Liabilities are classified as a long-term liability if the liability is due to be repaid after more than one year after the balance sheet date. All other liabilities are classified as current liabilities.

Current assets are valued at the lower of original cost and net realisable value

### *Fixed assets and depreciation*

Fixed assets are carried at original cost less accumulated depreciations. If the fair value of a fixed asset or group of assets is lower than the recorded cost value, and such fair value is not expected to be of temporary nature, the assets are written down to fair value. The same principles are applied to short and long-term debt.

### *Investments*

Securities and financial instruments classified as current assets are recorded at market value. The market value is the market price as at 31 December for listed securities and assumed market value for non-listed securities. In any portfolio that uses derivatives as a part of its risk management, the derivatives are classified as a part of the portfolio and are valued at the price of the underlying instrument. Short positions in shares are carried at fair value.

### *Financial long-term assets*

Other long-term shareholdings and minor investments, where the company does not hold substantial influence, are in general carried at original cost. If a decline in fair value below the carrying amount is expected to be permanent, the investments are written down. Dividends received and other surplus distributions from these companies are recognised as financial income.

### *Receivables*

Receivables are carried at face value less provision for expected loss. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the year-end. Losses on receivables are written off in the year in which they are identified.

### *Cash and bank deposits*

Cash and bank deposits include cash, bank deposits and other monetary instruments where the maturity is less than three months from the date of purchase. Funds on Client accounts are not included in the balance.

### *Unsettled trades*

Security trades transacted prior to the year-end but for which settlement does not occur until after year-end are recorded under accounts receivable and accounts payable to customers. Allowance is made against receivables for estimated losses.

### *Assets and liabilities in foreign currency*

Realised and unrealised profit or losses arising from transactions, assets or liabilities denominated in foreign currencies are included in the net result for the year. Exchange rates at year-end are used to convert foreign currency amounts to NOK.

### *Accounting of silent partnership*

The silent partnership's accounts are fully incorporated in the accounts of the principal partner. Unpaid profits to partners are classified as current liabilities. Deposits from partners are classified as long-term liabilities.

### *Income taxes*

Tax cost are matched with profit/ loss before tax. Tax related to equity transactions is posted directly towards equity.

The tax cost consists of current income tax costs and change in net deferred tax. Deferred tax is calculated at the nominal tax rate for timing differences arising between accounting and tax values. Deferred tax liabilities and deferred tax assets are presented in the balance sheet as a net amount.

### *Pensions*

The Group have pension schemes where the company's commitment is to contribute to the individual employee's pension scheme (defined contribution plans). Contributions to defined contribution plans are recorded as cost when employees have rendered services in exchange for such contributions, generally in the year of contribution.

## Note 2 – Information about segments and geographical markets

The Group's two business segments are Markets and Investment Banking. The Markets division consists of all secondary sales and trading activities, including financial services such as brokerage, trading and execution of equities, convertible bonds, bonds, derivatives, structured products and FX. The Investment Banking segment consists of all primary operations and corporate advisory services including ECM, DCM, M&A and financial restructuring. The internal management system is matrix-based. Revenues and expenses are recorded both by business segment and geographical markets. The business segment is based on which department has generated the revenue or expense, while the geographical market is determined by the location of each legal entity. Assets and liabilities except from directly allocable items specified below, and equity and cash flow are recorded by geographical markets only. Transactions between segments are eliminated at Group level.

	2016			Total
	Markets	Investment Banking	Unallocated	
<b>Profit &amp; loss</b>				
Revenues - external	483,355	751,980		1,235,335
Revenues - from other operating segments	175,977	-175,977		-
<b>Total revenues</b>	<b>659,332</b>	<b>576,003</b>	<b>-</b>	<b>1,235,335</b>
Operating costs	421,629	251,467		673,096
<b>Operating profit before variable compensation</b>	<b>237,703</b>	<b>324,537</b>	<b>-</b>	<b>562,240</b>
Variable personnel costs			-296,754	-296,754
Financial result			13,957	13,957
Tax cost			-72,029	-72,029
<b>Profit after tax from continuing operations</b>	<b>237,703</b>	<b>324,537</b>	<b>-354,826</b>	<b>207,414</b>

	2015			Total
	Markets	Investment Banking	Unallocated	
<b>Profit &amp; loss</b>				
Revenues - external	524,351	774,163		1,298,514
Revenues - from other operating segments	170,569	-170,569		-
<b>Total revenues</b>	<b>694,920</b>	<b>603,594</b>	<b>-</b>	<b>1,298,514</b>
Operating costs	428,807	217,143		645,950
<b>Operating profit before variable compensation</b>	<b>266,113</b>	<b>386,451</b>	<b>-</b>	<b>652,564</b>
Variable personnel costs			-324,230	-324,230
Financial result			9,537	9,537
Tax cost			-112,403	-112,403
<b>Profit after tax from continuing operations</b>	<b>266,113</b>	<b>386,451</b>	<b>-427,096</b>	<b>225,469</b>

Revenues are attributed to the individual countries on the basis of the domicile of the service provider.

### Geographical segment:

	2016	2015
Norway	533,253	598,108
Sweden	429,274	356,276
Other EU	217,184	267,462
US	55,624	76,668
<b>Total</b>	<b>1,235,335</b>	<b>1,298,514</b>

### Note 3 – Capital ratio

The Group is required to have a capital ratio of a minimum 8% of total capital adequacy. The capital ratio is calculated as core capital divided by total capital adequacy. The capital ratio at year-end is:

	Parent company		Group	
	2016	2015	2016	2015
Capital adequacy of credit-, counterparty-, and business risk	573,698	487,638	501,838	622,588
Capital adequacy of position-, and currency risk	530,766	512,260	530,766	512,260
Capital adequacy of operational risk	1,314,443	1,155,002	2,306,300	2,097,523
<b>Total capital adequacy</b>	<b>2,418,907</b>	<b>2,154,900</b>	<b>3,338,904</b>	<b>3,232,372</b>
Booked equity	632,488	672,740	840,813	900,654
Intangible assets	-9,368	-4,833	-14,215	-4,833
<b>Core capital</b>	<b>623,120</b>	<b>667,907</b>	<b>826,597</b>	<b>895,821</b>
<b>Total capital adequacy ratio</b>	<b>25.8%</b>	<b>31.0%</b>	<b>24.8%</b>	<b>27.7%</b>
<b>Number of times regulatory minimum</b>	<b>3.2x</b>	<b>3.9x</b>	<b>3.1x</b>	<b>3.5x</b>

The operational risk is calculated using the following amounts (revenues and net financials):

	2016		2015	
	2016	2015	2016	2015
2016	798,316		1,249,292	
2015	689,906	689,906	1,308,056	1,308,056
2014	614,886	614,886	1,132,732	1,132,732
2013		543,211		915,250
<b>Capital adequacy of operational risk</b>	<b>1,314,443</b>	<b>1,155,002</b>	<b>2,306,300</b>	<b>2,097,523</b>

### Note 4 – Risk management

#### *Risk management*

Risk management is an integral part of ABGSC core business activities. In the course of conducting our business operations, ABGSC is exposed to a variety of risks. These risks include market, credit, liquidity, operational and currency risk that are material and require comprehensive controls and management. The responsibility and accountability for these risks remain primarily within each businesses area. ABGSC aims to maintain a low risk profile. Risk is managed through clearly defined decision making processes, authorisation systems and exposure limits. The Group's accounting for and reporting of transactions as well as information in disclosures are heavily dependent on IR systems. The IT systems are standardized and parts of system development and operations are outsourced. Effective internal controls related to IT are important to ensure accurate, complete and reliable financial reporting.

#### *Market risk*

ABGSC is exposed to fluctuations in the value of its own investments, market-making and settlement from customers. Financial market risk is managed under rules established in the Norwegian Companies Act and internal control regulations. The Board has established procedures for internal control designed to monitor financial market risk and ensure a robust control discipline. In order to facilitate settlement on the ABGSC's agency business, ABGSC may borrow securities or fund the purchase of securities leaving ABGSC with a risk that the buyer or seller may not be able to complete their obligation under the trade. Settlement risk is mitigated by only trading with good quality, credit worthy clients who are institutional investors or high net-worth individuals. Generally, the underlying securities are liquid securities for which there is a transparent and liquid market.

#### *Interest rate risk*

ABGSC's interest rate risk is limited due to the modest volume of long term balance sheet investments.

### *Foreign currency risk*

ABGSC's foreign currency exposure is linked to future cash flow and balance-sheet items in all operations. The foreign currency risk is mitigated by use of drawing rights and currency derivatives in the respective currencies.

Exchange rate risk is predominantly short term related to settlement of customer trades, where settlement is being executed at trade date plus two business days. The sensitivity to currency effects on these trades is limited. Long-term exchange risk is related to net investments in foreign operations where accumulated profit and loss is kept in local currency. The Group is hedging the exchange-rate risk related to net investments in foreign operations.

ABGSC is also exposed to FX rate risk to positions in FX forwards.

### *Credit risk*

Credit risk is the risk of losses due to failure from counterparties or clients to meet their payment obligations, and adverse credit quality migration of financial instruments. The main categories are:

#### *Securities Financing*

Key features describing the credit risk in securities financing are;

- Financing system based on securities as collateral (not based on credit capacity in general)
- Daily margin calculations based on real time market value, stock liquidity, volatility and risk

Changes in the value of collateral are followed up on a daily basis and are compensated for by reduction in exposure or with additional collateral. Credit losses have been moderate in previous years. Legal and/or financial recovery is an everyday ongoing process.

#### *Other accounts receivable/settlement risk*

Regular stock broking trades are settled with exchange of cash and shares (delivery versus payments) and the credit risk is thereby reduced to the difference between the unsettled amount and the market value of the shares. Credit risk is considered low, and no loss has been booked in 2016.

When trading derivatives through Oslo Clearing the clearing party retains the risk of settlement from the customer until maturity. ABG has had limited derivative trading where we have been the clearing party towards Oslo Clearing in 2016.

#### *Derivatives and FX contracts*

ABGSC is exposed to counterparty risk in relation to derivatives. ISDA contracts and credit support Annex (CSA) have been established with major counterparties, and changes in market value are settled on a daily basis. Counterparty risk is largely eliminated by collateral and daily margin calculations, but still considered as medium risk.

As of 31 December 2016 ABGSC has outstanding FX contracts of NOK 47m. That number will be reduced in a possible default situation since ABGSC has netting agreements with the counterparties. In addition it is mainly received 10% collateral from customers.



## Note 5 – Wages and social costs

	Parent company		Group	
	2016	2015	2016	2015
Wages/partner remuneration	169,940	136,271	329,726	290,186
Social Security Tax	9,526	8,407	41,920	41,967
Pension costs including Social Security Tax	9,096	8,812	30,981	31,728
Other personnel costs	10,647	10,529	21,401	19,561
<b>Total wages and social costs</b>	<b>199,209</b>	<b>164,019</b>	<b>424,027</b>	<b>383,443</b>
Average number of man-labour years	139	138	252	251

### *Board of Directors' statement on Executive Committee Remuneration*

The Board of Directors will prepare a separate statement regarding the remuneration of the Executive Committee in accordance with the Norwegian Public Limited Companies Act, § 6-16a. The following guidelines will be presented at the Annual General Meeting 26 April 2017. These guidelines have been complied with for the year 2016 and are valid for 2017 onwards.

The remuneration to senior management is based on the same principles for remuneration that is applied for all partners of the Group. Compensation to partners and employees consists of a fixed salary or compensation and a variable compensation, the amount of which is dependent on a combination of Group results and individual performance. Principles for the allocation of variable compensation are decided by the Board after recommendations from the Compensation Committee. The preliminary variable compensation to each partner and employee is decided by the Executive Committee and finally approved by the CEO. The variable compensation to individual members of senior management is decided by the CEO after taking advice from the Compensation Committee. The compensation of the CEO is proposed by the Compensation Committee and approved by the Board. Members of Executive Committee are all defined as specifically identified staff ("SIS"). Variable compensation to SIS is subject to various deferral mechanisms, determined by the local regulations governing the legal entity of which the SIS is employed.

There are no specific agreements regarding remuneration at termination for the CEO or members of the Executive Committee.

The CEO and members of the Executive Committee participate in pension schemes according to the same conditions as other partners and employees.

The CEO to employee compensation ratio for 2016 was 2.99 (2015: 3.18).

Other risk-takers and employees in Norway, incl. branches, with control tasks, in excess of those mentioned as executive committee and board member has received a total of app. NOK 37m in remunerations.

## Board of Directors Remuneration

The highest governing body of the Group is its Board of Directors. The Board has a majority of Non-Executive Directors. Remuneration of the Non-Executive Board members consists of payment of fees, and is based on the position of the Board member. Executive Committee members of the board are not receiving remuneration in their role as Board members. There are no specific agreements regarding fees at termination for the Chairman of the Board or other members of the Board. ABGSC did not have any outstanding loans to, or guarantees made on behalf of, any Board member during 2016. Board fees paid in 2016 and outstanding number of shares as at 31 December 2016 is shown in the table below:

Board Member	Board Fee	Indirect ownership (Number of Shares)
Judy Bollinger (Chairman) 1)	0	5,330
Jan Petter Collier 2)	0	103,574
Tone Bjørnov	10	0
Jørgen C. Arentz Rostrup 3)	10	102

1) Judy Bollinger joined the Board as chairman from 17 October 2016

2) Jan Petter Collier has through his partnership in ABGSC received a fixed compensation of NOK 2,500, a variable compensation in respect of calendar year 2016 of NOK 4,000, pension contribution of NOK 56 and benefits in kind of NOK 25

3) Jørgen C. Arentz Rostrup resigned from the Board with effect from 18 October 2016 as a consequence of joining Telenor Group as CFO

## Executive Committee Remuneration

The core decision-making group of the firm is the Executive Committee. Remuneration of the members of the Executive Committee consists of a fixed payment as well as a variable element, plus pension contribution and other remuneration in-kind. There are no specific agreements regarding salary at termination or change of conditions of employment for any member of the Executive Committee. Executive Committee's remuneration, loan, shares on forward contracts as well as owned or controlled outstanding number of shares as of 31 December 2016 and 31 December 2015 are shown in the tables below:

		2016				Indirect ownership (number of shares)
Executive Committee Member	Position	Fixed compensation 1)	Variable compensation 1) & 2)	Pension Contribution	Benefits in kind	
Knut Brundtland	CEO	3,500	5,000	56	25	12,873
Are Andersen	Head of IB	3,000	5,525	56	25	8,132
Arild Abel Engh	Head of IB	3,000	5,225	56	25	11,658
Christer Linde	Head of Global Research	2,120	1,978	272	25	382
Geir B. Olsen	CFO	2,200	1,350	56	25	1,861
Karl Berglund	Managing Partner Sweden	2,945	2,587	271	25	1,466
Per Flostrand	Head of Equity Sales Int'nal	2,275	5,540	63	25	1,272

1) Norwegian Executive Committee members are part of a silent partnership, and receive fixed and variable compensation through participation of the profit distribution from the silent partnership.

2) Variable compensation in respect of calendar year 2016.

		2015				Indirect ownership (number of shares)
Executive Committee Member	Position	Fixed compensation 1)	Variable compensation 1) & 2)	Pension Contribution	Benefits in kind	
Knut Brundtland	CEO	3,417	5,500	70	25	10,039
Are Andersen	Co-head of IB	3,000	6,100	70	25	8,212
Arild Abel Engh	Head of IB	3,000	5,900	70	25	13,645
Geir Ringstad	Head of Markets	2,600	1,300	70	25	2,187
Geir B. Olsen	CFO	1,800	1,900	70	25	1,750
Karl Berglund	Managing Partner Sweden	3400	2868	268	25	1,609
Magnus Tornling	Co-head of IB / Head of Equity	3000	6100	70	25	1,285

1) Norwegian Executive Committee members are part of a silent partnership, and receive fixed and variable compensation through participation of the profit distribution from the silent partnership.

2) Variable compensation in respect of calendar year 2015.

## Remuneration to auditors

### Parent company

ABG Sundal Collier ASA's fee to Deloitte AS (Norway) for ordinary audit was NOK 570,000 (2015: 616,600), fee for assurance services NOK 61,000 (2015: 72,100), fee for tax services NOK 361,000 (2015: 270,000). There were no non-audit services provided in 2016 (2015: 179,075).

### Group

	Audit fee	Assurance services	Tax services	Other non-audit services	Total
<b>2016</b>					
Deloitte Norway	577	61	361	-	999
Deloitte Abroad	792	-	-	-	792
<b>Total Deloitte</b>	<b>1,369</b>	<b>61</b>	<b>361</b>	-	<b>1,791</b>
Others	479	-	121	-	600
<b>Total</b>	<b>1,848</b>	<b>61</b>	<b>482</b>	-	<b>2,391</b>
<b>2015</b>					
Deloitte Norway	623	72	270	179	1,145
Deloitte Abroad	919	-	184	36	1,139
<b>Total Deloitte</b>	<b>1,543</b>	<b>72</b>	<b>454</b>	<b>215</b>	<b>2,284</b>
Others	540	-	187	-	727
<b>Total</b>	<b>2,083</b>	<b>72</b>	<b>641</b>	<b>215</b>	<b>3,011</b>

## Note 6 – Taxes

Tax cost in the income statement	Parent company		Group	
	2016	2015	2016	2015
Tax payable in Norway	62,161	52,602	52,540	73,632
Tax payable outside Norway	0	0	23,597	28,602
<b>Total tax payable</b>	<b>62,161</b>	<b>52,602</b>	<b>76,137</b>	<b>102,234</b>
Change in deferred tax in Norway	2,596	841	223	-5,237
Change in deferred tax outside Norway	-4,362	-359	-4,331	15,406
Total change in deferred tax	<b>-1,766</b>	<b>482</b>	<b>-4,108</b>	<b>10,169</b>
<b>Total tax cost</b>	<b>60,395</b>	<b>53,084</b>	<b>72,029</b>	<b>112,403</b>
<b>Reconciliation from nominal to effective tax rate</b>				
Profit before taxes	277,093	245,238	279,442	337,871
Expected tax cost based on nominal tax rate (25% in 2016/27% in 2015)	69,273	66,214	69,861	91,225
Tax free income/loss	-11,773	-20,617	3,699	-2,527
Non deductible costs	1,050	1,135	3,667	4,295
Prior year adjustment	1,843	6,352	1,230	8,899
Loss carried forward	-955	-910	-1,903	14,251
Tax effect on 2% reduced tax rate in Norway from 2016	0	778	0	778
Differences in tax rates outside Norway	957	131	-4,525	-4,519
<b>Tax cost on ordinary profit</b>	<b>60,395</b>	<b>53,084</b>	<b>72,029</b>	<b>112,403</b>
Effective tax rate	<b>21.8 %</b>	<b>21.6 %</b>	<b>25.8 %</b>	<b>33.3 %</b>
<b>Tax payable in the balance sheet</b>				
Total tax payable	62,161	52,602	76,137	102,234
Tax on comprehensive income	0	0	9,604	-24,136
Tax paid in advance	0	0	-16,621	-19,414
Tax on group contribution	-55,906	-45,852	-55,650	-45,554
FX effects	0	0	773	1,107
Prior year adjustment	-1,225	-5,839	-1,225	-5,666
<b>Tax payable at year end</b>	<b>5,029</b>	<b>911</b>	<b>13,018</b>	<b>8,571</b>
<b>Tax effect on temporary differences at year end</b>				
<b>Current items</b>				
Receivables	3,726	3,851	3,726	3,851
Shares	1,496	3,616	1,496	3,616
Other current items	-292	-292	-292	-292
<b>Total current items</b>	<b>4,930</b>	<b>7,175</b>	<b>4,930</b>	<b>7,175</b>
<b>Non current items</b>				
Fixed assets	2,200	2,551	2,449	2,959
Tax loss carry forward	7,863	3,655	7,863	3,655
<b>Total non current items</b>	<b>10,063</b>	<b>6,206</b>	<b>10,313</b>	<b>6,614</b>
<b>Total net deferred tax asset</b>	<b>14,993</b>	<b>13,381</b>	<b>15,243</b>	<b>13,789</b>
<b>Reconciliation of changes in deferred tax assets</b>				
Net tax asset at 1 January	13,381	13,673	13,789	27,896
Total change in deferred tax	1,766	-482	4,108	-10,169
FX effects	-153	190	-282	2,140
Income tax relating to other comprehensive income	0	0	-2,373	-6,077
<b>Total deferred tax asset as of 31 December</b>	<b>14,993</b>	<b>13,381</b>	<b>15,243</b>	<b>13,789</b>

## Note 7 – Rental costs and lease commitments

Rental and leasing costs included in operating costs	Parent company		Group	
	2016	2015	2016	2015
Office rental	12,710	12,848	34,666	33,238
Other	2,198	462	7,628	3,297
<b>Total</b>	<b>14,908</b>	<b>13,310</b>	<b>42,294</b>	<b>36,535</b>

Minimum lease commitments under non-cancellable leases having a remaining lease term in excess of one year end at Group level:

Year	2016		2015	
	Lease expense	Sub-lease income	Lease expense	Sub-lease income
2016			38,085	3,901
2017	37,358	3,337	38,423	3,979
2018	36,693	1,702	37,736	3,044
2019	35,638		36,991	1,552
2020	35,932		37,280	
2021	23,680		-	-
Thereafter	34,966		60,033	-

## Note 8 – Shareholders equity

Amount in NOK 1,000

	Parent company				Total equity
	Share Capital	Share premium	Other paid in capital	Retained earnings	
Shareholders equity as of 1 January 2015	120,000	480,070	28,584	75,098	703,752
Net profit for the year				192,154	192,154
Distributed group contribution				-223,166	-223,166
<b>Shareholders equity as of 31 December 2015</b>	<b>120,000</b>	<b>480,070</b>	<b>28,584</b>	<b>44,086</b>	<b>672,740</b>
Net profit for the year				216,697	216,697
Distributed group contribution				-256,950	-256,950
<b>Shareholders equity as of 31 December 2016</b>	<b>120,000</b>	<b>480,070</b>	<b>28,584</b>	<b>3,834</b>	<b>632,488</b>

	Group				Total equity
	Share Capital	Share premium	Other paid in capital	Retained earnings	
Shareholders equity as of 1 January 2015	120,000	480,070	28,584	255,260	883,914
Net profit for the year				225,469	225,469
Distributed group contribution				-226,666	-226,666
Translation differences on net assets in foreign operations				66,913	66,913
Hedge of net assets of foreign operations				-66,882	-66,882
Tax on items booked directly to equity				17,971	17,971
Other				-65	-65
<b>Shareholders equity as of 31 December 2015</b>	<b>120,000</b>	<b>480,070</b>	<b>28,584</b>	<b>272,000</b>	<b>900,654</b>
Net profit for the year				207,414	207,414
Distributed group contribution				-256,950	-256,950
Translation differences on net assets in foreign operations				-46,129	-46,129
Hedge of net assets of foreign operations				47,907	47,907
Tax on items booked directly to equity				-11,977	-11,977
Other				-106	-106
<b>Shareholders equity as of 31 December 2016</b>	<b>120,000</b>	<b>480,070</b>	<b>28,584</b>	<b>212,159</b>	<b>840,813</b>

## Note 9 – Hedging of assets of foreign operations

By hedging the net assets in a foreign operation, the company is seeking to eliminate the exchange rate risk on the book value of the assets and liabilities in foreign operations. In the Group accounts, hedge accounting is applied and both the transaction adjustment related to foreign operations (cumulative translation adjustments) and the hedge of net assets of foreign operations is recognised within the equity for the Group.

Recognized amounts within the Equity	Group	
	2016	2015
Translation differences on net assets in foreign operations	-46,129	66,913
Hedge of net assets of foreign operations	47,907	-66,882
Tax on items booked directly to equity	-11,977	17,971
	<b>-10,199</b>	<b>18,002</b>

In the parent company accounts, the hedge of net assets of foreign operation is recognised through profit and loss as financial income of NOK 47,907 in 2016 and as a financial cost of NOK 66,882 in 2015.

## Note 10 – Cash and bank deposits

Foreign currency holdings have been valued at the exchange rate as of 31 December. Included in the balance of cash and bank deposits are amounts of restricted cash of NOK 594m (NOK 514m in 2015). ABGSC has bank overdraft facilities with a total limit of NOK 1,000m (NOK 1,000m in 2015). Funds on client accounts and corresponding client debt are not included in the balance sheet. Net funds are a result of timing differences on transfers and interest on client depots. These are included in the cash and bank deposits in the financial statement.

	2016	2015
Client funds	814,571	1,140,561
Client debt	809,858	1,138,299
<b>Net funds on client accounts</b>	<b>4,713</b>	<b>2,262</b>

## Note 11 – Guarantees and mortgages

Parent company			Group	
2016	2015		2016	2015
		<b>Book value of assets pledged as collateral</b>		
268,834	317,036	Securities and financial instruments	73,969	121,585
388,499	457,154	Net receivables	386,233	416,777
<b>657,333</b>	<b>774,190</b>	<b>Total assets pledged as collateral</b>	<b>460,202</b>	<b>538,362</b>
0	0	Book value of mortgaged liabilities	0	0

## Note 12 – Accounts receivables

	Parent company		Group	
	2016	2015	2016	2015
Gross accounts receivables	707,816	525,492	778,609	536,535
Allowance for doubtful accounts	-16,220	-17,937	-12,877	-13,507
<b>Net accounts receivables</b>	<b>691,596</b>	<b>507,555</b>	<b>765,732</b>	<b>523,028</b>

## Note 13 - Other current receivables and liabilities

	Parent company		Group	
	2016	2015	2016	2015
Prepaid costs	12,117	10,961	23,413	24,263
Deposits	1,084	1,145	2,874	5,245
Accrued revenues / project-costs	37,201	2,631	45,347	25,979
Prepaid taxes	0	0	364	0
Other receivables	23,397	21,836	25,146	29,690
<b>Total other receivables</b>	<b>73,799</b>	<b>36,573</b>	<b>97,144</b>	<b>85,177</b>
Amounts due to partners/employees (incl. national insurance contribution)	172,426	203,470	327,154	332,141
Accrued costs and other short-term liabilities	37,767	48,948	57,533	90,838
<b>Total other liabilities</b>	<b>210,193</b>	<b>252,417</b>	<b>384,687</b>	<b>422,979</b>

## Note 14 – Securities and financial assets

### Securities owned by parent company

#### *Shares in subsidiaries*

Company name	Registered office	Number	Ownership / Voting rights	Total equity		Book value
				31 December 2016	Net result 2016	
ABG Sundal Collier AB	Stockholm, Sweden	81,000	100%	171,489	77,245	88,045
ABG Sundal Collier Ltd.	London, UK	4,500,000	100%	116,356	8,767	63,813
ABG Sundal Collier Holding Inc.	Delaware, USA	500	100%	177,326	3,504	42,652
Lagerselskapet Holding AS with subsidiaries	Oslo, Norway	1,000	100%	640	24	599
ABG Sundal Collier Invest AS	Oslo, Norway	220	100%	-2,999	428	1
<b>Book value of shares in subsidiaries</b>						<b>195,108</b>



## Note 15 – Related parties

ABG Sundal Collier ASA is part of ABG Sundal Collier Holding ASA Group.

Details of intercompany balances and transactions with Group subsidiaries as at 31 December 2016 are as follows:

Company	Parent company			Group contribution & dividend received/ (paid)
	Liability	Receivable	Net interest income/ (cost)	
ABG Sundal Collier Holding ASA	316,827		-1,456	-312,600
ABG Sundal Collier AB		17,841	157	47,560
ABG Sundal Collier Eiendom AS	11,739		-530	
ABG Sundal Collier Inc.	79,166		-560	
ABG Sundal Collier Invest AS		5,420	90	-1,025
ABG Sundal Collier LLP	166,385		-1,547	
ABG Sundal Collier Ltd.		53,104	501	15,919
ABG Sundal Collier Holding Inc	34,595		-107	
Lagerselskapet Holding AS	67		0	
Sundal Collier & Co AS		113	0	
ABG Sundal Collier Shipping AS		397	0	
<b>Sum</b>	<b>608,779</b>	<b>76,876</b>	<b>-3,451</b>	<b>-250,146</b>

Company	Group			Group contribution & dividend received/ (paid)
	Liability	Receivable	Net interest income/ (cost)	
ABG Sundal Collier Holding ASA	317,260		-1,456	-312,600
ABG Sundal Collier Eiendom AS	11,776		-499	0
Sundal Collier & Co AS		113	0	0
ABG Sundal Collier Shipping AS		397	0	0
<b>Total intercompany balance transactions</b>	<b>329,035</b>	<b>511</b>	<b>-1,954</b>	<b>-312,600</b>

## Note 16 – Fixed assets

	Parent company	Group
	Office equipment and fittings	Office equipment and fittings
Acquisition cost as of 1 January 2016	46,162	124,562
FX-adjustment	-530	-8,984
Disposals at cost	0	-8,805
Additions	2,214	2,077
<b>Acquisition cost as of 31 December 2016</b>	<b>47,846</b>	<b>108,850</b>
Accumulated depreciation as of 1 January 2016	36,289	105,506
FX-adjustment	-356	-8,514
Depreciation	4,854	6,279
Disposals	-1,137	-13,770
<b>Accumulated depreciation as of 31 December 2016</b>	<b>39,651</b>	<b>89,500</b>
<b>Carrying amount as of 31 December 2016</b>	<b>8,196</b>	<b>19,350</b>
Depreciation rates (linear method)	12.5 - 33%	12.5 - 33%

## Note 17 – Shareholder information

There are a total of 1,200,000 shares at a face value of NOK 100 in the company. All shares are owned by the listed company ABG Sundal Collier Holding ASA.

The consolidated accounts of the listed company ABG Sundal Collier Holding ASA can be received by contacting the company on their business address: Munkedamsveien 45, Oslo

## Note 18 – Legal matters / disputes

In 2014 ABGSC acted as co-lead manager in connection with the IPO of OW Bunker A/S (“OWB”). OWB went bankrupt in November 2014. A group of institutional investors have issued a writ of summons against the OWB bankruptcy estate and several other co-defendants. The OWB bankruptcy estate has as a precaution submitted a conditioned recourse claim against the joint leading managers, ABGSC, a law firm and the auditor indemnifying the OWB bankruptcy estate for any loss they may suffer if the prospectus is not deemed to be true and fair and the OWB bankruptcy estate is found to be liable in this respect. ABGSC’s part of any claim is estimated to a maximum of DKK 37m. ABGSC considers the claim to be unfounded and has not made any provisions.

In the normal course of business the Group will from time to time be involved with minor complaints with various parties that will have no material impact on the Group's overall financial position.