storebrand

Most people insure their assets, but forget themselves and their families.

Janne Vollset
Storebrand

Annual report 2017
Storebrand Livsforsikring AS

Contents

Report of the board of directors

HIGHLIGHTS

Storebrand Livsforsikring has its main business in Norway with its head office located in Lysaker in Bærum municipality. Storebrand Livsforsikring is the largest business in the Storebrand Group.

Storebrand Livsforsikring provides better pensions - simple and sustainable. otal savings and pension are the sum of many minor and major financial decisions and the Group offers products within savings and insurance to private individuals, companies and public sector entities. Storebrand Livsforsikring is divided into the segments Savings, Insurance, Guaranteed Pension and Other. Savings and Insurance are the Group's growth areas, while Guaranteed Pension is in long-term decline.

Storebrand's strategy is to provide profitable growth within growth areas through simple and sustainable solutions, while we also manage our guaranteed portfolios in a capital-efficient manner. Occupational pension is a core product in both Norway and Sweden. In Norway, employees and former employees of companies that have a pension agreement with Storebrand, are also offered attractive retail market solutions. Our vision is simple: We are successful when recommended by our customers. Therefore, the follow-up of feedback from customers is a priority. Storebrand's goal is to create, through our business activities, a future to look forward to. Our sustainable solutions not only contribute to better pensions, but also to a better world in which to retire. For several decades, it has been our ambition to be bold trailblazers within sustainable investments. We take an active position on the companies in which we invest both our own capital and that of our customers. We believe that companies that integrate environmental, social and good corporate governance considerations in their business activities will be part of creating better returns over time, both through reducing risk and creating new opportunities. This focus is further reinforced by more thorough reporting and the integration of sustainability into all parts of the value chain.

The Guaranteed Pensions area is in long-term decline. Companies are requesting products with guaranteed interest rates to a lesser extent, and these products are capital-intensive for the life insurance companies during periods of low interest rates. The customers' accrued pension rights are secured through a solid solvency position and robust systems for risk-taking in the business. During 2017, Storebrand continued to work at being the best provider of pension savings, in combination with further capital efficiency improvements and cost reductions. Continued strong growth within fund-based savings, and competitive and sustainable returns to customers to increased assets under management.

GROWTH IN SAVINGS AND INSURANCE

Corporate clients and their current and former employees are the Group's main target group. Most defined benefit based pension schemes in the private sector have been discontinued and new earnings mainly occur in the defined contribution based schemes. In the corporate market, Storebrand has maintained its position as the market leader for defined contribution pensions in Norway with a market share of 32%. In Sweden, SPP has a strong challenger role with a market share of 14% within occupational pensions outside the collective agreements. During 2017, Storebrand took important steps in its work on highlighting long-term value creation as part of the continued development of the sustainability work. This involves a broader view of sustainability by linking the financial and non-financial objectives to long-term sustainable value creation. Storebrand and SPP's sustainability work strengthens the Group's competitive position and makes a business model that creates value for shareholders and has positive effects for the society we operate and invest in.

GUARANTEED PENSION

STRENGTHENING OF RESERVES FOR INCREASED LONGEVITY

In the 4th quarter of 2015, Storebrand decided to charge the remaining estimated direct contribution to strengthen reserves for expected increased longevity. At the end of 2016, NOK 0.4 billion of the reserve strengthening remained. The remaining strengthening of reserves is expected to be covered by the surplus return and loss of profit sharing. The strengthening of reserves for increased longevity was concluded in 2017.

FINANCIAL TARGETS

In a period of low interest rates and strengthening of reserves for higher projected life expectancy, lower earnings within group pensions are expected. At the same time, the bulk of the business is being shifted from Guaranteed Pension to the Savings and Insurance segments. Storebrand has established a framework for capital management that links dividends to the solvency ratio. The goal is a solvency ratio for The Storebrand Group of over 150%, including transitional rules. The solvency ratio at the end of the fourth quarter was 172%. The solvency ratio without transitional rules at the end of the fourth quarter was 155%. The solvency level shows that the group is robust for the risks the business faces.

SUBSIDIARIES AND ASSOCIATED COMPANIES

Storebrand Livsforsikring AS owns 100% of Storebrand Holding AB, which in turn owns 100% of SPP Pension & Försäkring AB, SPP Spar AB, SPP Konsult AB and Storebrand & SPP Business Services AB. SPP is a leading Swedish supplier of life insurance and occupational pensions. SPP supplies unit-linked products, traditional insurance and defined-benefit pension products as well as consultancy services that cover occupational pensions and insurance and administration solutions for municipalities and other organisations. Together, Storebrand and SPP will create the leading life insurance and pension provider in the Nordic region. SPP's head office is located in Stockholm.

Storebrand Livsforsikring AS owns 89.6% of Benco Insurance Holding BV, which in turn owns Nordben Life and Pension Insurance Company Ltd. in Guernsey and Euroben Life and Pension Ltd with its head office in Dublin. The companies offer pension products to multinational companiesThrough its subsidiaries Aktuar Systemer AS and Storebrand Pensjonstjenester AS, Storebrand offers deliveries within actuarial services, system solutions and all types of services associated with the operation of pension funds.

In 2005 Storebrand Livsforsikring AS set up a branch in Sweden. The branch manages pension insurance policies and unit-linked agreements in the Swedish market in accordance with the Norwegian Insurance Act. New sales no longer take place in the branch. In 2008 the branch was integrated with SPP.

Storebrand Finansiell Rådgivning AS was established as a wholly owned subsidiary by Storebrand Livsforsikring AS in order to satisfy legal changes within financial advice (the MiFid directive) which entered into force on 1 November 2007.

Storebrand Eiendom Trygg AS, Storebrand Eiendoms Vekst AS and Storebrand Eiendom Utvikling AS are holding companies for the Norwegian property operations. The companies are 100% owned by Storebrand Livsforsikring AS. In addition, Storebrand Livsforsikring AS owns 20.9% of Storebrand Eiendomsfond Norge KS through ownership in wholly owned daughter Storebrand Eiendom Invest AS.

Foran Real Estate in Latvia is 70% owned by Storebrand Livsforsikring AS and 29% by SPP Pension & Försäkring AB. The company invests in forests in Latvia.

PROFIT

Storebrand Livsforsikring AS is a wholly owned subsidiary of the listed Storebrand ASA. For information about the Storebrand Group's result please refer to the Storebrand Group's annual report for 2017.

The official financial statements of the Storebrand Livsforsikring group are prepared in accordance with the International Financial Reporting Standards (IFRS), while the official financial statements of Storebrand Livsforsikring AS are prepared in accordance with the Annual Accounts Regulations for life insurance Companies.

STOREBRAND LIVSFORSIKRING GROUP

(NOK million)	2017	2016
Fee and administration income	3,101	3,038
Insurance result	837	689
Operational cost	-2,424	-2,412
Operating profit	**1,514**	**1,315**
Financial itmens and risk result life & pension	477	779
Profit before amortisation	**1,992**	**2,093**

Storebrand Livsforsikring achieved a group profit before amortisation and strengthening of longevity reserves at 1,992 million in 2017, compared with 2,093 million in 2016. Profit before tax was NOK 1,601 million in 2017, compared with NOK 1,697 million in 2016. Profit after tax was NOK 1,805 million compared to 1,501 previous year.

Fee and administration income increased by 2.1% in 2017. The increase was 3.0% adjusted for currency effects. The underlying income performance is marked by higher income from products without guaranteed interest rates and a decline in income from products with guaranteed interest rates.

Operating costs increased by 0.5% in 2017. The financial tax on salaries has increased the salary costs with NOK 37 million compared with the previous year. Storebrand has introduced an ambitious program to digitalize and streamline operations. Cost rationalisation is achieved through workforce reductions, increased outsourcing and automation.

The Financial result is reduced compared to the previous year mainly because of the strengthening of reserves in Swedish business by approximately NOK 200 million as a result of expected regulatory reduction of the UFR (Ultimate Forward Rate).

The Financial result is reduced compared to the previous year mainly because of the strengthening of reserves in the Swedish business by approximately NOK 200 million as a result of the transition to a new UFR (Ultimate Forward Rate).

Storebrand Livsforsikring group had a tax income of NOK 204 million for 2017. The effective tax rate is influenced by the fact that the Group has operations in countries with tax rates that are different from Norway, and it varies from quarter to quarter depending on each legal entity's contribution to the Group result. The tax rate is estimated at between 19-23% for 2018.

A reduction in the corporate tax rate from 24% to 23%, effective from 1 January 2018, will have an impact on Group companies that are not subject to the 25% financial tax. The Group's investment properties are owned by companies that receive a reduced tax rate from 2018, something that means lower deferred tax on temporary differences relating to the investment properties of NOK 105 million. In addition, sales of properties have resulted in the reversal of associated taxable temporary differences, which gives a reduction in the tax expense for the year of approximately NOK 750 million.

Storebrand Livsforsikring AS has received notice of an adjustment to the 2015 tax assessment. Based on the notice, a provision was made in the annual financial statements for 2017 for an uncertain tax position. Storebrand disagrees with the arguments that were put forward and will submit its reply to the tax authorities by the deadline that has been set. For more information about the size of the amount and related uncertainty see Note 27.

PROFIT BY BUSINESS AREA

The segments in the reporting are: Savings, Insurance, Guaranteed Pensions and Other.

The presentation of result by area is exclusive internal transactions.

(NOK million)	2017	2016
Savings	536	418
Insurance	462	429
Guaranteed pensions	766	870
Other	228	377
Profit before amortisation	**1,992**	**2,093**

Segment Savings has a growth in fee-and administration incomes of 12% from 2016 to 2017. The result is affected by the costs associated with launching of IPS.

The Insurance segment shows 1.4% growth in premium income. The insurance result shows satisfactory development in risk combined with resolution of reserves.

Fee and administration income in the Guaranteed Pension segment has developed in line with the fact that a large part of the portfolio is mature and in long-term decline. Administration income fell 5.3%. Operating costs are being reduced over time as a result of the area being in long-term decline.

BUSINESS AREAS

The Savings business and Unit Linked area includes products for retirement savings with no interest rate guarantees. The business area consists of defined contribution pensions in Norway and Sweden.

SAVINGS

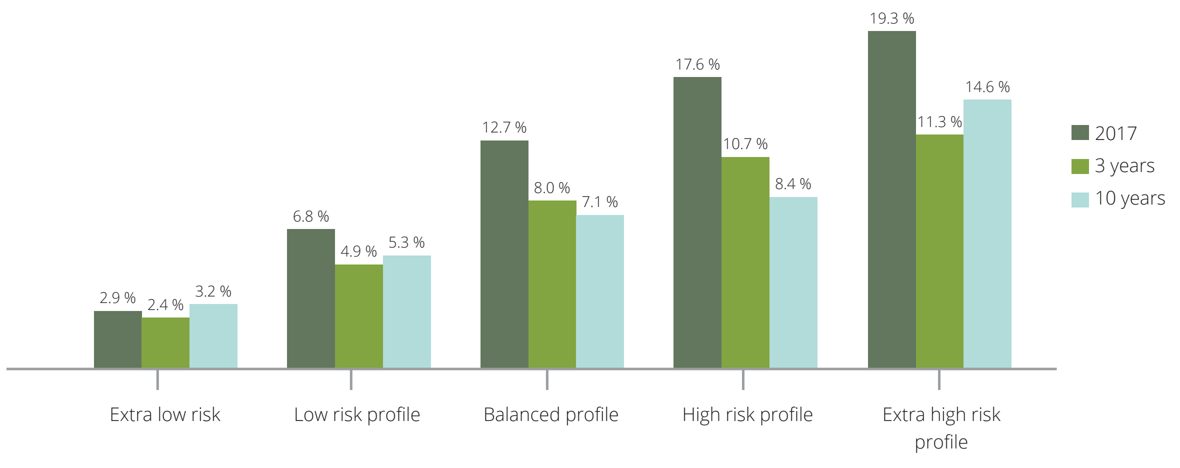
(NOK million)	2017	2016
Fee and administration income	1,543	1,378
Operational cost	-1,013	-996
Operating profit	**530**	**412**
Financial itmens and risk result life & pension	7	6
- Risk result life & pensions	7	6
Profit before amortisation		
Resultat før amortisering	**536**	**418**

The Savings segment reported a profit of 536 million in 2017 compared with 418 million the previous year. The earnings improvement is driven by volume and income growth.
Total fee and administration income increased by 12% from 2016 to 2017
Total fee and administrative income increased by 12% from 2016 to 2017. Income growth is driven by the customers' conversion from defined-benefit to defined-contribution pension schemes in combination with new business and higher savings rates. For the Norwegian Unit Linked products, increased competition contributes to pressure on margins, while there are relatively stable margins in the Swedish business.

The nominal cost level increased in accordance with the volume growth, which is attributed to investments in new products (IPS), higher distribution costs and other volume-related costs.

Defined contribution pensions continue to show strong growth due to most companies now having chosen to convert from defined benefit schemes to defined contribution-based schemes. This increases both the number of members and the current premium payments and assets under management in the defined contribution-based pension schemes in both Norway and Sweden, in addition to growth through the return on premium reserves. Growth in customer assets was 23% in Norway and 17% in Sweden compared with the previous year.

RETURN ON DEFINED CONTRIBUTION PENSION STANDARD PORTFOLIOS IN ITP SCHEME



BALANCE SHEET AND MARKET TRENDS

Premium income amounted to NOK 15 billion in 2017, which is NOK 0.9 billion higher than in 2016. Total reserves for non-guaranteed life insurance-related savings have grown by 22% to NOK 168 billion since 2016.

In the Norwegian market, Storebrand maintained its position as the market leader for defined contribution schemes, with around 32% of the market. Premium growth for defined contribution occupational pensions was 7% in Norway in 2017. The growth is driven by sales to new customers, conversion from defined benefit pensions and sales of higher savings rates, in addition to growth from wage adjustments. There is strong competition in the market for defined contribution pensions, and Storebrand expects that this will continue.

SPP has a market share of 14% in the Swedish market for other occupational pensions. Premium income was 3% higher than in 2016. The transfer balance and new sales improved on the previous year.

KEY FIGURES SAVINGS

(NOK million)	2017	2016
Unit Linked Reserves	167,849	139,822
Unit Linked Premiums	15,017	14,143

INSURANCE

The Insurance business area encompasses personal risk products in the Norwegian and Swedish retail market and employee insurance and pensions-related insurance in the Norwegian and Swedish corporate market.

(NOK million)	2017	2016
Insurance result	837	689
- Insurance premiums f.o.a.	2,797	2,759
- Claims f.o.a.	-1,960	-2,070
Operational cost	-472	-418
Operating profit	**365**	**271**
Financial itmens and risk result life & pension	97	158
- Financial result	97	158
Profit before amortisation	**462**	**429**

Profit before amortisation was NOK 462 million compared with NOK 429 million in 2016. The insurance resultat was NOK 837 million for the full year with an overall combined ratio of 93% (89% in 2016). The insurance premiums increased by 1.4% in 2017.The claims ratio shows a satisfactory development in risk combined with dissolution of reserves in employee insurance.

	2017	2016
Claims ratio	75 %	72 %
Cost ratio	18 %	17 %
Combined ratio	**93 %**	**89 %**

The combined risk result gives a claims ratio of 75% (72% in 2016) and the underlying risk development is satisfactory. High financial income and the dissolution of reserves for employee insurance contribute to a good result. Group disability pensions delivered a lower result than the previous year, which was primarily due to the financial result passing to the customer. Personal risk products maintains a good level of profitability with marginal portfolio growth. The result for the Swedish risk products was lower as a result of the drop in premium income.

The cost ratio was 18% (17% in 2016) for the year. As planned, increased volumes and ambitions of growth have resulted in higher allocated costs for the insurance area.

The investment portfolio of Insurance in Norway amounts to NOK 6.4 billion, which is primarily invested in fixed income securities with a short or medium duration. The return was good, but lower than the previous year due to lower booked return.

BALANCE SHEET AND MARKET TRENDS

The insurance area offers a broad range of products to the retail market in Norway, as well as the corporate market in both Norway and Sweden. Profitability in the retail market is generally considered to be good, while the margins in the corporate market are consistently low. We see this in connection with both personal insurance and risk cover related to defined contribution pensions in Norway, where the competition is strong and price is an important competition parameter. Total annual premiums at the end of 2017 amounted to NOK 2.7 billion, NOK 0.6 billion of which is from the retail market and NOK 2.1 billion of which is from the corporate market.

Storebrand enjoys a well-established position in the retail market for risk products The growth in personal risk products was stable and in line with general market growth.

The corporate market is generally a more mature market with lower margins and stronger focus on price. The profitability of group disability pension has been weak over an extended period, however recent initiatives have significantly improved profitability. However, tough competition places pressure on the margins for individual customers. Health insurance is a growth market. Measured in terms of premiums written, Storebrand is one of the market leaders in health insurance, which also has a good level of profitability. Storebrand is a relatively small player within employee insurance, but profitability is satisfactory. In Sweden, the disability trend has been downward for a long period of time, which has led to reduced premiums in general.

PORTFOLIO PREMIUM (ANNUAL)

(NOK million)	2017	2016
Individual life *	642	632
Group life **	899	896
Pension related disability insurance ***	1,164	1,266
Portfolio premium	**2,704**	**2,793**

* Individual life disability insurance
** Group disability, workers compensation insurance
*** DC disability risk premium Norway and disability risk Sweden

GUARANTEED PENSION

The Guaranteed Pension business area includes long-term pension savings products that give customers a guaranteed rate of return. The business area covers defined benefit pensions in Norway and Sweden, paid-up policies and individual capital and pension insurance.

RESULTAT

(NOK million)	2017	2016
Fee and administration income	1,483	1,566
Operational cost	-889	-981
Operating profit	**595**	**585**
Financial itmens and risk result life & pension	171	284
- Risk result life & pensions	67	-37
- Net profit sharing	104	322
Profit before amortisation	**766**	**870**

The result for Guaranteed Pension before amortisation totalled NOK 766 million in 2017, which was a decrease of NOK 104 million compared with 2016. The fall in earnings was due to reduced profit sharing in SPP as a result of the strengthening of reserves of approximately NOK 200 million in connection with the transition to a new UFR (Ultimate Forward Rate).

During 2017, fee and administration income developed in line with the fact that a large part of the portfolio is mature and in long-term decline. Income was NOK 1,483 million in 2017, compared with NOK 1,566 million in the previous year. In 2017, income fell by 5.3% compared with 2016. New subscriptions for guaranteed pensions have been closed for most products, however, premium payments and the accumulation of returns for existing customers mean that it takes time before the reserves are nominally reduced.

Operating costs were NOK 889 million in 2017, which is NOK 92 million less than in 2016. Operating costs are being reduced over time as a result of the area being in long-term decline.

The risk result was NOK 67 million in 2017, compared with minus NOK 37 million in the previous year. Changes were made to the reserves at the start of 2017 to strengthen the result and this had an impact in 2017. The risk result is largely generated in the Swedish business. The risk result in the Norwegian business was restricted as a result of the business volume decreasing, reserve strengthening due to the introduction of new collective disability pension and general disability developments in the portfolio during this period.

The result from profit sharing and loan losses in the Guaranteed Pension segment consists of profit sharing and financial effects. The result was NOK 104 million in 2017, compared with NOK 322 million in the previous year. The underlying profit-sharing results were satisfactory. However, earnings were reduced by the strengthening of reserves in the Swedish business of approximately NOK 200 million due to the transition to a new UFR (Ultimate Forward Rate).

BALANCE SHEET AND MARKET TRENDS

Customer reserves for guaranteed pensions amounted to NOK 264 billion at the end of 2017, which is an increase of NOK 5.6 billion and 2% compared with 2016. Adjusted for the exchange rate the increase is 0.4%. In the Norwegian business, paid-up policies were the only guaranteed pension portfolio experiencing growth and amounted to NOK 128 billion at the end of 2017, representing an increase of NOK 14 billion in 2017, which is the equivalent of 12% during the year. From the end of 2014, the customers were given an offer to convert from traditional paid-up policies to paid-up policies with investment options, and insurance reserves for paid-up policies with investment options amounted to NOK 6.8 billion at the end of 2017 and are included in the Savings segment.

(NOK million)	2017	2016
Guaranteed reserves	264,320	258,723
Guaranteed reseves in % of total reserves	61.2 %	64.9 %
Transfer out of guaranteed reserves	959	7,729
Buffer capital in % of customer reserves Storebrand	7.2 %	5.7 %
Buffer capital in % of customer reserves SPP	9.0 %	6.7 %

The premium income for Guaranteed Pension (excluding transfers) was NOK 5.2 billion in 2017. This represents a decline of 16%, compared with 2016. The majority of products are closed for new business and the customers' choices about transferring from guaranteed to non-guaranteed products are in line with the Group's strategy.

PREMIUM INCOME (EXCLUSIVE TRANSFERS)

(NOK million)	2017	2016
Defined Benefit	3,202	4,095
Paid-up policies	132	119
Individual life and pension	249	265
Guaranteed products SPP	1,662	1,741
Total	**5,246**	**6,220**

OTHER

Under Other, the company portfolios and smaller daughter companies with Storebrand Livsforsikring and SPP are reported. In addition, the result associated with the activities at BenCo is included.

(NOK million)	2017	2016
Fee and administration income	75	94
Operational cost	-50	-48
Operating profit	**25**	**46**
Financial itmens and risk result life & pension	203	331
- Risk result life & pensions	-4	7
- Financial result	207	333
- Net profit sharing		-9
Profit before amortisation	**228**	**377**

The result before amortisation for the Other segment activities was NOK 228 million for 2017, compared with NOK 377 million for 2016.

The Storebrand Livsforsikring is funded by a combination of equity and subordinated loans. With the interest rate levels at the end of 2017, quarterly interest expenses of approximately NOK 80 million are expected.

The financial result includes the return on the company portfolios in Storebrand Livsforsikring and SPP. The financial result decreased as a result of lower returns in company portfolios.

CAPITAL SITUATION, RATING AND RISK

CAPITAL SITUATION

Storebrand pays particular attention to the levels of equity and loans in the Group, which are continually and systematically optimised. The level is adjusted for the financial risk and capital requirements. The growth and composition of business segments will be important driving forces behind the need for capital. The purpose of capital management is to ensure an efficient capital structure and ensure an appropriate balance between internal goals and regulatory requirements. The Group's target is to achieve a solvency margin ratio in accordance with Solvency II of at least 150%. Storebrand Livsforsikring AS also aims to achieve an A level rating.

At the end of 2017 Storebrand Livsforsikring AS had a rating with a stable outlook BBB+ from Standard & Poor's.

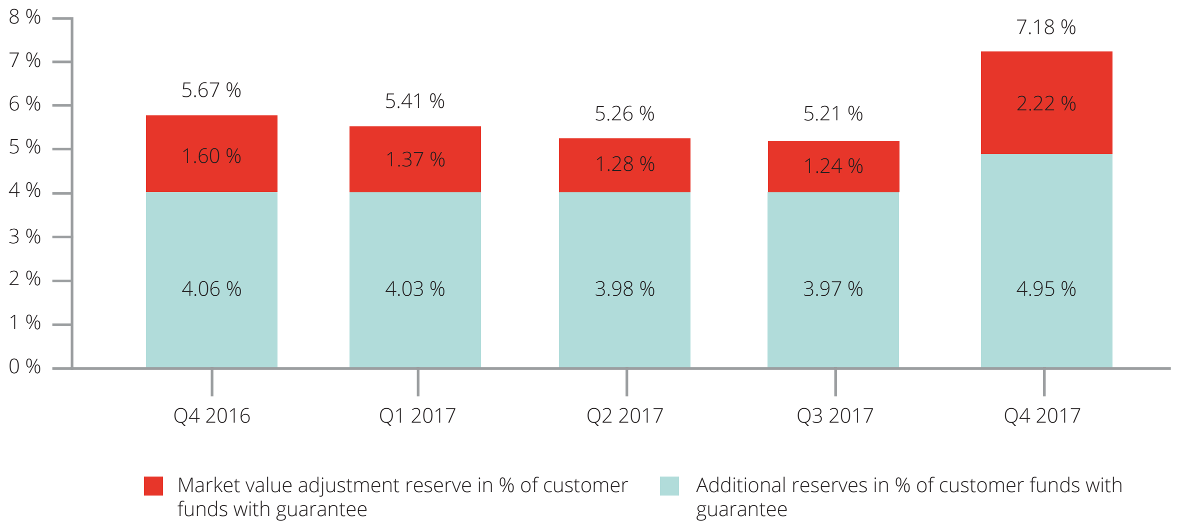
The Solvency II regulations were introduced on 1 January 2016. The Group's target solvency margin in accordance with the Solvency II regulations is a minimum of 150%, including use of the transitional rules. The solvency margin for the Storebrand Group was calculated at 172% at the end of 2017, including the transitional rule. Without transitional rules, the solvency margin was 155%. Storebrand uses the standard model for the calculation of Solvency II. The solvency margin without transitional rules was strengthened due to strong investment results, withheld profits, the issuing of a subordinated loan and certain modifications to the modelling. The changes result in decreased equity that was fully compensation by the transitional provisions and thereby explain the increased value of the transitional amounts.

Storebrand Livsforsikring AS had a solvency margin after transitional rules of 224% per 31.12.17 compared to 201% in 2016 (without transitional rules, the solvency margin is calculated at 203%). The Storebrand Livsforsikring Group is no longer required to report the solvency margin, requirement at consolidated level applies for the Storebrand Group.

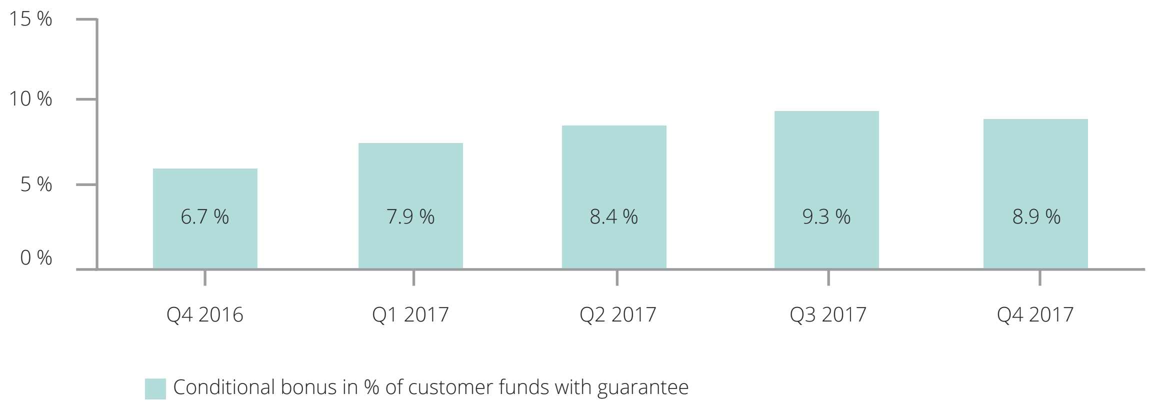
(NOK million)	2013	2014	2015	2016	2017
Equity	19,095	20,683	22,975	23,542	25,735
Subordinated loan capital	6,632	7,117	7,333	7,196	8,426
Risk equalisation fund	776	829	142	140	143
Market value adjustment reserve	3,823	5,814	4,520	2,684	3,707
Additional statutory reserves (ASR)	4,458	5,118	5,160	6,794	8,254
Conditional bonus (CB)	14,167	11,281	9,336	7,241	9,176
Reserves on bonds held to maturity	5,160	13,364	10,581	8,785	8,531
Total	**54,111**	**64,206**	**60,047**	**56,381**	**63,972**

The solidity capital increased by NOK 7.4 billion in 2017. The market value adjustment reserve increased by NOK 1.0 million and amounted to NOK 3.7 million at the end of the year. Conditional bonus increased by NOK 1.9 million and amounted to NOK 9.2 million. A good booked return has contributed to increasing the additional statutory reserves. The additional statutory reserves totalled NOK 8.3 million at the end of the year, an increase of NOK 1.5 million for the year. The excess value of bonds and loans valued at amortised cost declined due to higher interest rates by NOK 0.3 million for the year and amounted to NOK 8.5 million as at 31 December. The excess value of bonds and loans at amortised cost is not included in the financial statements.

CUSTOMER BUFFER STOREBRAND LIVSFORSIKRING



CUSTOMER BUFFER SPP PENSION & FÖRSÄKRING



RISK

Storebrand's business is to assume and manage various risks in a deliberate, controlled and responsible manner, at the expense of both the customers and the owners.

For insurance and pension products, Storebrand receives payment from companies and individuals to assume the risk that various insured events will occur. For pension products, it is necessary to assume financial market risk to create a return on pension assets. In all parts of the business, operational risk arises due to errors that can inflict losses on customers and/or costs on Storebrand.

Storebrand is dependent on large amounts of customer data for managing business operations and creating value. The management of information shall entail that there is a low risk of customer data or other sensitive information being abused or misplaced.

Risk management is about looking at both the positive and negative aspects of risk. Risk-taking should contribute to Storebrand achieving its strategic and commercial targets, including customers receiving a competitive return on their pension assets and that Storebrand receives adequate payment for assuming risk in relation to defined rates of return.
As a business requiring a licence, the Storebrand Group and the individual companies are subject to supervision by the Financial Supervisory Authority of Norway and the Swedish Financial Supervisory Authority. Storebrand must also comply with requirements from other public supervisory authorities, including the Norwegian Consumer Authority and the Norwegian Data Protection Authority. Risk management must satisfy the formal requirements pursuant to legislation and other regulations. The level of risk-taking shall be in accordance with the regulatory requirements and other needs of customers, shareholders, lenders, rating companies, etc. Undesired incidents shall be limited.
The majority of Storebrand's risk is from liabilities related to the products. The Group's result and risk are followed up and reported as four areas with very different result and risk drivers: Savings, Insurance, Guaranteed Pension and Other. The different business areas are described under the section Business Areas.

SAVINGS
Savings consists of unit linked insurance in Storebrand Livsforsikring.

For unit linked insurance, the customer bears the financial market risk. The disbursements are generally time limited, and therefore Storebrand bears low risk from increased life expectancy.

For Storebrand, the risk for unit linked insurance is primarily related to future income and cost changes. There is therefore an indirect market risk, because negative investment returns will reduce future income, without a corresponding reduction in costs. Incomes are also reduced if the customer chooses to leave. Market risk, particularly equity price risk and exit risk are therefore the greatest risks to unit linked insurance. There is also a risk that costs may increase.

INSURANCE
Insurance consists of risk products. The price can normally be changed on an annual basis if there are any changes in the risk situation.

The greatest risk is the disability risk. Storebrand has the risk of there being more disability cases than expected and/or that fewer disabled persons will be able to work again. The restructuring of disability cover in Norway's National Insurance Scheme from 1 January 2016 has for many given better cover from the National Insurance Scheme for new incidents of disability. All else being equal, this will reduce the scope of Storebrand's disability risk. Storebrand also provides cover with death benefits, but Storebrand's risk from this is very limited.

GUARANTEED PENSION
Guaranteed Pension comprises savings and pension products with guaranteed interest rates in Norway and Sweden. The greatest risks are financial market risk and life expectancy risk.

A common feature of the products is that Storebrand guarantees a minimum return. In Norway, the return must exceed the guarantee in each year, while in Sweden it is sufficient to achieve the guaranteed return as an average. In Sweden, new premiums generally have a guarantee of 1.25% for 85% of the premium, whereas existing reserves have a guaranteed annual return of up to a 5.2%. In Norway, new premiums are included with a 2.0% guaranteed return and increase in benefits due to a surplus exceeding the interest rate guarantee occurring with a 0.5% guarantee. The existing portfolio primarily has guarantee levels ranging from 3 to 4%. Over time, new premiums and possible upward adjustment will contribute to the average guarantee level falling.

Due to pension customers living longer on average, a new mortality tariff was introduced in Norway for defined benefit pensions and paid-up policies from 2014. For the existing reserves, the Financial Supervisory Authority of Norway has approved a seven-year escalation plan, and customer returns exceeding the guarantee can contribute to reserve strengthening. Storebrand's contribution must be at least 20% of the overall reserve strengthening. Storebrand completed the entire strengthening of reserves by the end of 2017.

To achieve adequate returns from the customer portfolios, it is necessary to take investment risks (market risks). This is primarily done by investing in equities, property and corporate bonds.

Interest rate risk is in a special position because changes in interest rates also affect the value of the insurance liability in the solvency accounts. Since pension disbursements may be many years in the future, the insurance liabilities are particularly sensitive to changes in interest rates, and they should ideally be balanced with the equivalent interest rate sensitivity for the assets. It is not possible to eliminate the interest rate risk in Norway, but accounting at amortised cost reduces the solvency risk without increasing the risk from the annual guarantee. In Sweden, there is good correlation between the interest rate sensitivity of assets and liabilities.

There were goods returns for guaranteed customer portfolios in 2017. Good equity markets and high returns on property have made a positive contribution. In addition, reduced credit spreads have given good returns for bonds. In Norway, the return has been more than adequate to cover the guarantee plus completing the strengthening of reserves for increased longevity. In Sweden, the return on assets has been better than the increase in value of insurance liabilities and has contributed to strengthening the consolidation.

Interest rates at the end of 2017 were at approximately the same level now as at the start of the year in both Norway and Sweden. In Sweden, the money market rate is negative. Low interest rates increase Storebrand's risk, because this reduces the probability of achieving a return higher than the guarantee. In Norway, the effect will be dampened in the coming years by a large proportion of the investments being bonds held at amortised cost that will greatly benefit from securities purchased at interest rate levels higher than the current levels.

Changes in occupational pension schemes in Norway will reduce the risk of low interest rates over time, since defined benefit-based schemes are replaced by defined contribution pensions or hybrid schemes without a guaranteed return over zero per cent. The change has the greatest effect on new premiums, while existing reserves will continue as paid-up policies.

The bulk of guaranteed pension agreements have lifelong disbursements. These give higher disbursements if life span increases more than expected. The risk is reduced by the use of dynamic tariffs that include an increased longevity trend.

OTHER

Other comprises the company portfolios and smaller subsidiaries in Storebrand Livsforsikring and SPP. In addition, this segment comprises the activities of BenCo.

The company portfolios are invested at low risk, primarily in short-term interest-bearing securities with a high credit rating. BenCo's business is primarily a long-term discontinued business.

REGULATORY CHANGES

The regulations that are adopted by the authorities are of great importance to Storebrand. The Board considers the company to be fully in compliance with the applicable regulations and well-prepared for impending changes.
There are several processes taking place that may be of major importance to the occupational pension market in the future. The Ministry has sent draft legislation for a separate pension account for consultation. The AFP scheme was evaluated in 2017, and work is being carried out on a new public service occupational pension scheme.

New EU rules concerning customer information and advisory services enter into force in 2018.

EUROPEAN REGULATIONS

Solvency II

The standard model that is used for the calculation of capital requirements under Solvency II shall be revised by the end of 2018. In connection with this, the European supervisory authority (EIOPA) has conducted a consultation process as the basis for advice to the Commission. Among the questions raised in the consultation process have been the treatment of the loss-absorbing ability of deferred tax, the risk margin and the risk module for interest rate risk. EIOPA will provide its recommendations to the Commission by the end of February 2018.

Information and advisory services

A number of EU regulations linked to customer protection will be introduced in 2018.
PRIIPs (Packaged Retail and Insurance-based Investment Products), MIFID II (Markets in Financial Instruments Directive) and IDD (Insurance Distribution Directive) are EU rules that harmonise requirements for information and advisory services.

PRIIPS sets requirements for customers to receive standardised product information (key information document) when purchasing complex and insurance-based investment products. The requirements for the document are fully harmonised, but the regulation permits national choice concerning the products that should be included. In its proposal for implementation into Norwegian law, the Financial Supervisory Authority of Norway has proposed that the rules should apply to multiple products (paid-up policies with choice of investment, pension capital certificates and individual pension savings) in Norway. This has been sent for consultation, but the Ministry of Finance has yet to submit draft legislation to the Norwegian Parliament.

MIFID II and IDD are directives that stipulate rules for sales and advisory services, requirements for qualifications and further education, product development processes and managing of conflicts of interest for investment services and insurance products. MiFID II entered into force in Norwegian law on 1 January and Swedish law on 3 January 2018. Sweden has also introduced a ban on broker commissions.

The Commission has decided to postpone the introduction of IDD until 1 October 2018.

New rules for privacy and money laundering will also be introduced from 2018.

The General Data Protection Regulation (GDPR) sets stricter requirements for the business when concerning the use and reuse of personal data and grants customers the right to data portability (being able to take their data to another provider) and to object to some types of profiling, when their personal data is used to analyse and predict their behaviour.

The money laundering directive sets new requirements for identifying, understanding and initiating measures to counteract the risk of money laundering and terrorist financing. Among other things, requirements are set for the business to implement control measures for all customers and strengthen customer control measures through increased identified risk of money laundering and terrorist financing.

NORWEGIAN REGULATIONS

Separate pension account

The Norwegian Ministry of Finance proposal for legislation regarding pension accounts is subject to consultation until 21 February 2018. It is expected that the Ministry will promptly follow this up with proposed legislation to the Norwegian Parliament.

The introduction of a system with a separate pension account in which one is able to combine defined contribution-based pension earnings from current and former employers has been discussed in several rounds since this was raised by the Confederation of Norwegian Enterprise (NHO) in connection with the annual wage settlement in spring 2014.

The Ministry now proposes a scheme for a separate pension account that is based on existing pension accounts in active defined contribution schemes. Defined contribution plan statements issued by previous employers would be transferred into the active scheme based on a principle of "negative acceptance".

The costs should be divided between employer and employee, as they are at present, i.e. that the employer covers the costs associated with the active part, and the employee covers the cost of earnings from previous employment. It is proposed that the employer should pay for administration in its entirety, i.e. both for the active part and for earnings from previous employment.

The employer will continue to be responsible for ensuring that, at a minimum, the company's pension scheme meets the OTP requirements. The risk coverage (waiver and disability pension) is continued as collective coverage.

All employees should be members of the company's scheme, but it should be possible to opt to transfer retirement pension capital to be managed by other providers. An individual right to transfer of this kind that also applies to the active part of the pension account will be administratively demanding, and the ministry is asking as part of its consultation whether the individual right to transfer should only apply to previous earnings until further notice.

The repeal of the requirement for at least 12 months' service prior to gaining pension entitlement has been proposed.

The proposal for a separate pension account aims to ensure easier and more efficient management of the pension schemes. For Storebrand it is expected that the revenues from pension capital certificates will decrease considerably when these are transferred to active schemes in the companies. If introduced, the individual transfer rights for the active part of the pension account will entail greater complexity and costs relating to system solutions required for managing this. The market for occupational pensions will become more individualised. Based on the manner in which the transition to a separate pension account has been proposed, the market position in the corporate market will be decisive for the net transfer balance when the transfer of pension capital certificates based on negative acceptance shall be implemented.

Evaluation of AFP

The AFP scheme has been evaluated by the parties in business and industry and a report was submitted on 7 December 2017. The parties are of the view that the scheme contributes to more people working longer, but also made note of weaknesses in the scheme. Among other things, strict qualification requirements make the scheme unpredictable for employees.

The evaluation report does not propose changes to the scheme. It is expected that the parties will discuss this in connection with the wage settlement in spring 2018. Potential changes to the AFP scheme which make this more predictable for employees may influence the companies' assessments when concerning the level of occupational pension coverage.

The financial services industry has noted that a transition to defined contribution based AFP could solve many of the challenges associated with the scheme: There will be greater predictability for employees while the company will also have predictable costs and not run the risk of not recognising the liabilities. Time-limited benefits can provide a better distribution profile. A transition from "pay as you go" with partial funding to a fully funded scheme will be demanding. At the same time, liabilities are currently being postponed and, according to NHO, the scheme will not be sustainable in the long-term.

New public service pension

The Ministry of Labour and Social Affairs has reached agreement with all parties to initiate a final process to agree to changes to public sector employee occupational pension schemes. The ministry is aiming to have an agreement in place by 1 March 2018. Legislative work must subsequently be carried out before new legislation can take effect.

Longevity adjustments and lower regulation of pensions being paid out have already been introduced for public service occupational pensions. However, the scheme is still based on the final salary and is not adapted to the new National Insurance all year principle. Public AFP is still an early retirement scheme that cannot be combined with work without reducing the pension.

A report from the Ministry of Labour and Social Affairs has assumed that the new scheme shall be a net scheme such as in the private sector, without coordination with the National Insurance Scheme's retirement pension. A hybrid product has been proposed, but with considerably greater complexity when compared with existing hybrid products in the private sector. This is because there is a desire for gender neutrality for both annual benefits and premiums.

Storebrand exited the market for insured public service occupational pensions in 2012, but has since won important contracts for the administration and management of pension funds for municipalities and other public enterprises. The form in which the new scheme for public service occupational pensions shall take will be of importance in determining whether the market for insured public service occupational pensions will again become an attractive market for Storebrand to compete in. A product solution that is based as much as possible on existing hybrid rules pursuant to the Occupational Pensions Act and is a clear difference between the previous and new scheme, will be important in facilitating this competition.

Report on paid-up policies

The Ministry of Finance has provided an interdepartmental working group with participants from the Ministry of Finance, Labour and Social Affairs and the Financial Supervisory Authority of Norway, which is tasked with investigating possible changes in the regulations for guaranteed paid-up policies. Finance Norway has been invited to participate in a reference group together with, among others, the parties in business and industry. The report will be complete in May 2018.

Among other things, the mandate states that: "The working group shall assess whether it is possible to make amendments to the business regulations that are clearly to the customer's benefit. An important part of the report will be whether there are rule changes that give customers significantly increased opportunities for returns within a moderate increase in risk." The Working Group will be assessing the regulations for profit sharing, foreign exchange adjustment funds and additional provisions, as well as the transfer of pension assets. Also under consideration is whether companies ought to have the opportunity to add customer funds from equity as a concession for opting out of the interest rate guarantee.

The ministry is emphasizing that changes in the contracts between customers and companies must be made through increased choices on offer to customers. This is in line with the ministry's earlier stance on changes to these rules. However, it is considered positive that a study is now being initiated that will illuminate possible changes.

Ownership restriction

The Ministry of Finance has proposed removing the ownership restriction of 15% for companies that manage non-insurance operations. The background to the proposal is the introduction of Solvency II which does not permit national restrictions on companies' investment opportunities. Reference is also made to the rule having restricted the ability of companies to invest in infrastructure. The consultation memorandum emphasises that the companies must exhibit care when investing in non-insurance operations and that risk and that capital requirements associated with such investments are assessed in the ORSA (self-assessment of risk and solvency).

Saving and taxes

In 2017, significant changes were made to the tax requirements for private savings.

A new scheme for individual pension savings (IPS) was introduced from 1 November 2017. The scheme permits an income deduction for savings of up to NOK 40,000 annually. Compared with the previous IPS scheme, the most important improvement is that symmetrical taxation has been introduced with the same rates for deductions for contributions and tax on payments (23% for 2018).

The limit for pension savings of people who are self-employed has increased from 4 to 6%.
Rules for the equity savings account entered into force on 1 September 2017. The scheme is directed at individuals who can use the equity savings account to invest in listed stocks and equity funds. Profits from the sale of securities in the account shall not be taxed in connection with sale, and will only be taxed when the funds are withdrawn from the account. The transitional period, in which shares and equity funds can be transferred to the equity savings account without realising tax on profits, has been extended to 2018.

The Norwegian Parliament has approved new rules for fund accounts which will be introduced from 2019. Profits will then be taxed in the same manner as for equity funds and equity savings accounts. The favourable tax rules for endowment insurance will be continued for agreements in which, upon the death or disability of the investor, an insurance supplement is paid out that is more than 50% of the savings balance.

SWEDISH REGULATIONS

The premium pension system

In December 2017 the bipartisan Pension Group presented an agreement with guidelines for the continued work with changes to the premium pension system. The present fund market for premium pensions is, in principle, open. The Pension Group will replace this with a fund market emphasising the principles of freedom of choice, sustainability and controllability. The objective is to remove disreputable operators and ensure a service that is characterised by cost-effective and sustainable funds.

With regard to sustainability, requirements will be set for the funds that are based on international conventions that Sweden is a signatory to. The Pension Group thereby finds that it is not applicable to further address the proposal that individuals must regularly actively confirm their choice of fund, with transfer of the capital to the seventh AP fund for those who do not do so.

SUSTAINABILITY

The Storebrand Group has worked systematically and purposefully on sustainability for almost 20 years. The sustainability work originated from the managing of our own assets and sustainability is an important fundamental pillar of Storebrand's investment strategy. The Group has published environmental reports since 1995, and sustainability reports since 1999. The sustainability reporting has been an integrated part of the annual report and certified by an independent party since 2008. Storebrand reports in accordance with the Global Reporting Initiative (GSI) standards and according to the principles of the International Integrated Reporting Council.

In 2017, Storebrand conducted an extensive materiality analysis covering financial, social, and environmental factors, as well as corporate governance, to identify drivers of long-term value creation in all parts of the Group. This will guide the work on creating value for customers and owners while we also work towards a sustainable future. More information regarding this and reporting that applies to sustainability provided by the company's Board can be found in the annual report's chapter pertaining to long-term value creation.

ORGANISATION, WORKING ENVIRONMENT AND EXPERTISE

Learning and development

A high level of skill is one of Storebrand's most important factors for success, and it forms the foundation for renewed growth. At Storebrand, skills are synonymous with the ability that each individual employee has to perform and manage certain tasks and situations. This ability is based on knowledge and experience, skills, motivation and personality.

At Storebrand, all of the employees should have an opportunity to develop in step with the company's needs. In 2016, the company focused on the fact that the greatest and most important part of skills development takes place through facilitating development as part of the everyday work at the workplace. Skills development should take place be assigning challenging tasks to employees in their positions, and that they are allowed to develop themselves for new requirements and tasks. The professional competence of employees must always be expanded, so that it can in turn contribute to growth, greater adaptability and a greater restructuring capacity for the Group.

The Storebrand Academy is the Group's initiative for custom management development programmes. A new group started in 2017 with 20 capable managers.

In the last three years, Storebrand has had an innovative summer programme known as Sandbox. This is for students who wish to have their creativity and business acumen tested. The students use Storebrand's work methods to arrive at proposed solutions that are ready for the market. The students are able to work with actual customer cases and also attend courses in Lean Startup, presentation techniques and team building. Of the 300 applicants, 10 students are given the opportunity to participate and some eventually become employees.

Storebrand is focussed on "Employer branding". This involves systematic work on building strong relationships with existing and potential employees and thereby ensuring that the Group has the best key employees. Company presentations are held at a number of universities and the Group has established separate career websites via Storebrand.no, LinkedIn and Instagram.

Diversity

Storebrand is focussed on the organisation reflecting our customers and the market the Group operates in. Diversity contributes to increased innovation and learning in the organisation. In 2017, Storebrand achieved a score of 85 (83) points out of a possible 100 in the annual employee survey of our diversity work.

The average age at Storebrand is 44, and average seniority is 12 years in Norway and 9 years in Sweden. Storebrand had 1,773 employees in the Group at year end. 35% of the management group at Storebrand Norway and 47% at SPP are women. 45% of the employees in the Norwegian part and 55% of the employees at SPP are women.
Storebrand has for several years worked systematically on identifying future managerial candidates and promoting even gender distribution. There

has been a focused effort on management development in the areas of strategic and operative management, communication and change. The aim is to ensure that future competence requirements are met, to develop Storebrand to meet the changing needs of society and the market.

In 2017, 29% of Storebrand Livsforsikring AS' board members were women. The proportion of women in executive management is 33%. 37% of the members of the executive management's leadership teams are women and the figure is 29% at the next level (3). The company seeks to ensure equal treatment and opportunities for all the internal and external recruitment and development processes.

The head office is adapted for meeting individual requirements. It is a universally designed building that was recertified as a miljøfyrtårn (Eco-Lighthouse) in 2017.

Annual employee survey

The 2017 employee survey shows significant progress in all main areas compared with the previous year, and the results for Storebrand are on par or better than the average total for Norway and for the banking and insurance industries.

Storebrand places significant emphasis on employee surveys. The company believes that a focus on, among other things, job satisfaction, can contribute to influencing customer satisfaction, which in turn influences customer loyalty and has a positive effect on the company's bottom line. In addition, job satisfaction has a positive effect on quality, productivity and absence due to illness.

The point score for job satisfaction, which is the sum total of satisfaction and motivation, increased by four points from 2016 to 2017. Another important term that the company quantifies is loyalty. This is the sum total of dependability and dedication/enthusiasm, and this increased by three points from 2016 to 2017. Dependability is measured by the desire of employees to work at Storebrand and them recommending the company as a workplace to others.

With regard to the question of whether employees think that it is valuable that the Storebrand Group desires to have a leading position within sustainability, the point score increased from 87 to 89 and there is also a very high level of knowledge about the Group's sustainability work.

The employee survey also shows progress and good results for questions regarding trust in immediate superiors, cooperation, job content, and learning and development.

Absence due to illness

Storebrand's absence due to illness has been at a stable low level for many years. The Group's absence due to illness in 2017 was 3.5%. Absence due to illness in Norway was 3.5% and was 3.4% for the Swedish part of the business. Storebrand has been an "inclusive workplace" (IA) company since 2002, and the Group's managers have over the years built up inclusive routines for following up sick employees. All managers with Norwegian employees must complete a mandatory HSE course, in which part of the training involves following up illnesses.

Storebrand's health clinics at the head office in Norway, as well as good health insurance for all employees, are positive contributors to Storebrand's low rate of absence due to illness. At the end of 2016, Storebrand agreed to offer employees "Raskt tilbake" (Back Quickly). This is a preventive service that provides assistance to employees who are at risk of becoming sick.

Employees at the head office in Norway can work out in a spinning room, weights room and in a separate sports hall. 65% of the employees in Norway are members of Storebrand Sport. All employees in Sweden are members of SPP Leisure, where they have access to subsidised exercise and wellness services. Like in the head office in Norway, employees have access to a training facility with a variety of activities and organised training.

No injuries to people, property damage, or accidents were reported in the Storebrand Group in 2017.

Ethics and trust

Trust is the lifeblood of Storebrand, and we work systemically to live up to good ethical standards. The company sets strict requirements concerning high ethical standards for the Group's employees. The Group has a common code of ethics that is available on our intranet in three languages and which is confirmed by the Board of Storebrand ASA once a year. Notification routines, brochures, anonymous postbox, dilemma bank, question and answer summaries and presentations are all available to employees on the intranet, so that awareness of and reflection on the subject can be high on everyone's agenda. Every year all the managers must confirm in writing that they have discussed ethics and ethical dilemmas, information security, financial crime and HSE in departmental meetings.

Employees take the company's e-learning course on ethics. In 2017, 62 employees took the course, and 91 took the anti-corruption course. The Group also has a mandatory ethics course for managers, which includes money laundering and corruption. At these, managers work with dilemmas taken from everyday situations at Storebrand in the past 20 years. Storebrand's management groups receive equivalent training, since it is the company's experience that such discussions of dilemmas are very useful and better enable managers to recognise situations that may arise both in private and in work related settings. Managers also train their staff in the same way. The company's authorised financial advisers complete a specially tailored training programme.

The Group has established systems for both internal and external whistleblowing. The external channel has been established through an external law firm. There are also extensive routines for harassment and improper behaviour.

CORPORATE GOVERNANCE

Storebrand Livsforsikring's systems for internal control and risk management of the accounting process comply with Storebrand Group's guidelines Storebrand's Board of Directors review Storebrand's corporate governance policies annually.

Storebrand's executive management and Board of Directors review Storebrand's corporate governance policies annually. Storebrand established principles for corporate governance in 1998. Storebrand reports on the policies and practice for corporate governance in accordance with Section 3-3b of the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance of 30 October 2014. For further information on Storebrand's corporate governance, reference is made to the separate article on corporate governance in the annual report.

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

The work of the Board is regulated by special rules of procedure for the Board. The board of Storebrand ASA has also compiled a management document and specific instruction for the boards in subsidiaries. The Board has established three advisory committees: the Compensation Committee, Audit Committee and Risk Committee.

Storebrand Livsforsikring's articles of association stipulate that the company shall have the same nomination committee as Storebrand ASA, and hence is part of Storebrand Group's process for appointing and replacing Board members.

Storebrand Livsforsikring has no provisions in the articles of associations nor has it issued any authorities that allow the Board to resolve that the company shall repurchase or issue own shares or equity capital certificates.

A total of twelve board meetings were held in 2017, one of them a strategy seminar.

Changes in the Board and management
Tove Margrete Storrødvann and Erik Haug Hansen is replaced by Vibeke Hammer Madsen and Sigurd Nilsen Ribu in the Board.

OUTLOOK

Financial performance
Storebrand is the market leader for the sale of pension solutions to Norwegian businesses. Defined-contribution pension plans are the dominant solution for pension savings in Norway. The market for defined contribution pensions is growing and Storebrand's reserves within Unit Linked increased by 23.4% from the previous year. Storebrand also has a strong challenger role for the sale of pension solutions to Swedish businesses and the growth in Unit Linked reserves at SPP was 17.1% compared with the previous year. Good sales growth for defined-contribution pensions is expected in the future. Work is being carried out to improve profitability within this area.

The loyalty programme for employees with companies that have a pension scheme at Storebrand will be an important area of focus in the future. The sale of banking products and P&C insurance contributes to expected growth within the Savings and Insurance segment. The competition in the market has resulted in pressure on margins within these segments that in turn sets requirements for cost reductions and adaptations in distribution and product solutions to achieve continued profitable growth. In order to realise the ambitions in the retail market, sales must continue to increase.

The Guaranteed Pension segment is in long-term decline and the combined reserves for the Guaranteed business are decreasing. However, there is continued growth in the reserves linked to paid-up policies due to companies choosing to convert existing defined-benefit schemes to defined-contribution schemes. It is expected that the growth in paid-up policies will decline in the future and that there will be flat growth in reserves over several years before the reserves start to fall. The portfolio of free policies does not contribute to the Group's results with the present interest rates. Guaranteed reserves represent an increasingly smaller share of the Group's total reserves and were 61.2% at the end of the quarter.
Efficiency and cost control has a high priority, but Storebrand will still make selected investments in growth. The partnership with Cognizant is expected to provide lower costs for the Group in the coming years.

Market trends
The Norwegian ten-year interest rate on government bonds was unchanged during the year. The Swedish ten-year interest rate on government bonds also increased by approximately 0.1 percentage points for the year. Swedish interest rates are influenced by very expansive monetary policy. The increase in interest rates has continued in 2018 for Sweden and Norwegian interest rates have also increased.

The short-term interest rate remains low in the Eurozone and this is influenced by the European Central Bank's expansive monetary policy. The first step in the downscaling of the central bank's programme for purchasing fixed income securities has been taken and a gradual reduction in the programme is expected going forward. This is expected to increase the probability of higher market interest rates.

Risk
Market risk is the Group's biggest risk. In the Board's ORSA process, developments in interest rates, credit spreads, and equity and property values are considered to be the biggest risks that influence the solvency of the Group. Storebrand has adapted to the low interest rates by building up buffer capital. Over time the level of the annual interest rate guarantee will be reduced. In the long term, continued low interest rates will represent a risk for products with guaranteed high interest rates running at a loss, and it is therefore important to achieve a return that exceeds the interest rate guarantee associated with the products. Storebrand has therefore adjusted its assets by building a robust portfolio with bonds at amortised cost to achieve the guaranteed interest rate. For insurance risk, increased life expectancy and the development in disability are the factors that have greatest influence on solvency. Operational risk is closely monitored and may also have a significant effect on solvency.

STOREBRAND LIVSFORSIKRING AS
The profit before tax was NOK 1,460 million (NOK 1,459 million). Results are discussed under each individual segment. The following factors have had an effect on the company accounts, but no effect on the consolidated accounts. There are received dividends and group contributions from subsidiaries of 97 million (97 million) in 2017.

APPLICATION OF THE YEAR'S RESULT
The Board confirms that the financial statements were prepared on the basis of a going concern assumption.

The following application of the profit is proposed:

Other equity	379 million
Dividend	1,300 millionn
Risk equalisation fund	3 million
Total	**1,682 million**

Lysaker, 6 February 2018
The Board of Directors of Storebrand Livsforsikring AS

Odd Arlid Grefstad
- Chairman of the Board -

Ole Peik Norenberg

Vibeke Hammer Madsen

Bodil Catherine Valvik

Sigurd Nilsen Ribu

Hans Henrik Klouman

Jan Otto Risebrobakken

Geir Holmgren
- Chief Executive Officer -

Notes to the accounts

Storebrand Livsforsikring group
Statement of Comprehensive income
1 January - 31 Desember

(NOK million)	Note	2017	2016
TECHNICAL ACCOUNT:			
Gross premiums written		23,173	23,433
Reinsurance premiums ceded		-54	-127
Premium reserves transferred from other companies		2,457	1,454
Premiums for own account	13	**25,577**	**24,760**
Income from investments in subsidiaries, associated companies and joint-controlled companies	31	210	150
Interest income and dividends etc. from financial assets	17	7,164	8,337
Net operating income from real estate	18	976	897
Changes in investment value	17	1,775	1,179
Realised gains and losses on investments	17	3,076	3,408
Total net income from investments in the collective portfolio	13	**13,200**	**13,972**
Income from investments in subsidiaries, associated companies and joint-controlled companies	31	22	17
Interest income and dividends etc. from financial assets	17	1,598	625
Net operating income from real estate	18	106	83
Changes in investment value	17	10,698	8,552
Realised gains and losses on investments	17	2,525	1,036
Total net income from investments in the investment selection portfolio	13	**14,950**	**10,313**
Other insurance related income	13,19	**1,963**	**2,126**
Gross claims paid		-18,802	-18,031
Claims paid - reinsurance		35	18
Premium reserves etc. transferred to other companies		-5,452	-6,101
Claims for own account	13	**-24,219**	**-24,114**
To (from) premium reserve, gross		1,205	-3,972
To/from additional statutory reserves		-1,376	-1,490
Change in value adjustment fund		-1,024	1,836
Change in premium fund, deposit fund and the pension surplus fund		-23	-11
To/from technical reserves for non-life insurance business		9	-34
Change in conditional bonus		-1,527	1,126
Transfer of additional statutory reserves and value adjustment fund from other insurance companies/pension funds		-16	2
Changes in insurance obligations recognised in the Profit and Loss Account - contractual obligations	13	**-2,752**	**-2,543**
Change in premium reserve		-23,673	-19,352
Changes in insurance obligations recognised in the Profit and Loss Account - investment portfolio separately	13	**-23,673**	**-19,352**
Profit on investment result		-441	-501
Risk result allocated to insurance contracts		4	
Other allocation of profit		-129	-263
Funds allocated to insurance contracts	13	**-566**	**-765**

(NOK million)	Note	2017	2016
Management expenses		-221	-218
Selling expenses	21	-727	-706
Change in pre-paid direct selling expenses	21	8	
Insurance-related administration expenses (incl. commissions for reinsurance received)		-1,507	-1,510
Insurance-related operating expenses	13	**-2,447**	**-2,435**
Other insurance related expenses	13,25	**-254**	**-222**
Technical insurance profit		**1,778**	**1,740**
NON-TECHNICAL ACCOUNT			
Income from investments in subsidiaries, associated companies and joint-controlled companies	31	75	24
Interest income and dividends etc. from financial assets	17	329	322
Net operating income from real estate	18		10
Changes in investment value	17	37	287
Realised gains and losses on investments	17	249	105
Net income from investments in company portfolio		**690**	**749**
Other income	20	**179**	**283**
Management expenses		-19	-29
Other costs	26	-1,027	-1,047
Management expenses and other costs linked to the company portfolio		**-1,046**	**-1,075**
Profit or loss on non-technical account		**-177**	**-44**
Profit before tax		**1,601**	**1,697**
Tax costs	27	204	-196
Profit before other comprehensive income		**1,805**	**1,501**
Change in actuarial assumptions		-91	-79
Change in value adjustment reserve own buildings		130	205
Adjustment of insurance liabilities		-130	-205
Tax on other profit elements not to be classified to profit/loss		-4	19
Total other profit elements not to be classified to profit/loss		**-95**	**-60**
Profit/loss cash flow hedging		23	-60
Translation differences		**379**	**-783**
Total other profit elements that may be classified to profit /loss		**402**	**-843**
Total other profit elements		**307**	**-902**
TOTAL COMPREHENSIVE INCOME		**2,112**	**598**
PROFIT IS ATTRIBUTABLE TO:			
Minority share of profit		1,800	1,482
Majority share of profit		5	19
COMPREHENSIVE INCOME IS ATTRIBUTABLE TO:			
Minority share of profit		2,105	586
Majority share of profit		7	12

Storebrand Livsforsikring Group
Statement of financial position
31 Desember

(NOK million)	Note	2017	2016
ASSETS			
ASSETS IN COMPANY PORTFOLIO			
Goodwill	28	797	757
Other intangible assets	28	3,573	3,753
Total intangible assets		**4,370**	**4,510**
Real estate at fair value	30	50	51
Equities and units in subsidiaries, associated companies and joint-controlled companies	31	88	265
Lending at amortised cost	10,12,29	2	1
Bonds at amortised cost	10,12,29,33	3,023	2,868
Deposits at amortised cost	10,29	400	146
Equities and other units at fair value	12,29,33	26	103
Bonds and other fixed-income securities at fair value	10,12,29,34	24,977	23,172
Derivatives at fair value	12,29,35	1,145	932
Total investments		**29,711**	**27,538**
Receivables in connection with direct business transactions		581	481
Receivables in connection with reinsurance transactions		40	9
Receivables with group company		81	61
Other receivables	37	3,270	2,016
Total receivables		**3,973**	**2,567**
Tangible fixed assets	36	504	458
Cash, bank	10,29	2,139	2,769
Tax assets	27	487	312
Other assets designated according to type		858	766
Total other assets		**3,988**	**4,306**
Deferred acquisition costs		537	502
Other pre-paid costs and income earned and not received		124	101
Total pre-paid costs and income earned and not received		**662**	**603**
Total assets in company portfolio		**42,704**	**39,524**
ASSETS IN CUSTOMER PORTFOLIOS			
Real estate at fair value	30	24,450	22,050
Real estate for own use	30	1,408	2,702
Equities and units in subsidiaries, associated companies and joint-controlled companies	31	2,513	1,718
Loans to and securities issued by subsidiaries, associated companies	31	39	37
Bonds held to maturity	10,12,29,32	15,128	15,644
Bonds at amortised cost	10,12,29,33	84,071	79,378
Lending at amortised cost	10,12,29	21,425	16,628
Deposits at amortised cost	10,29	4,603	4,159
Equities and other units at fair value	12,29,33	24,556	19,329
Bonds and other fixed-income securities at fair value	10,12,29,34	101,623	113,976
Financial derivatives at fair value	12,29,35	2,690	3,548
Lendings at fair value	10,12,29	4,940	2,346
Total investments in collective portfolio		**287,446**	**281,515**
Reinsurance share of insurance obligations		**63**	**106**

(NOK million)	Note	2017	2016
Real estate at fair value	30	2,954	2,060
Real estate for own use	30		161
Equities and units in subsidiaries, associated companies and joint-controlled companies	31	600	200
Lending at amortised cost	10,12,29		100
Deposits at amortised cost	10,29	355	216
Equities and other units at fair value	12,29,33	131,514	110,087
Bonds and other fixed-income securities at fair value	10,12,29,34	33,419	27,358
Lendings at fair value		165	
Financial derivatives at fair value	12,29,35	33	73
Total investments in investment selection portfolio		**169,040**	**140,255**
Total assets in customer portfolio		**456,485**	**421,770**
TOTAL ASSETS		**499,253**	**461,400**
EQUITY AND LIABILITIES			
Share capital		3,540	3,540
Share premium		9,711	9,711
Total paid in equity		**13,251**	**13,251**
Risk equalisation fund		143	140
Other earned equity		12,370	10,290
Minority's share of equity		114	114
Total earned equity		**12,627**	**10,545**
Perpetual subordinated loan capital		2,103	2,098
Dated subordinated loan capital		4,982	3,742
Hybrid tier 1 capital		1,506	1,504
Total subordinated loan capital and hybrid tier 1 capital	9,12,29	**8,591**	**7,344**
Premium reserves		262,513	259,661
Additional statutory reserves		8,254	6,794
Market value adjustment reserve		3,707	2,684
Premium fund, deposit fund and the pension surplus fund		2,564	2,671
Conditional bonus		9,176	7,241
Other technical reserve		631	684
Total insurance obligations in life insurance - contractual obligations	38,39	**286,845**	**279,734**
Premium reserve		168,949	141,162
Total insurance obligations in life insurance - investment portfolio separately	38,39	**168,949**	**141,162**
Pension liabilities etc.	22	143	96
Deferred tax	27	96	175
Other provisions for liabilities			3
Total provisions for liabilities		**239**	**274**
Liabilities in connection with direct insurance		1,448	1,204
Liabilities in connection with reinsurance		30	44
Financial derivatives	12,29,35	1,876	1,985
Liabilities to group companies		24	60
Other liabilities	40	4,908	5,252
Total liabilities		**8,286**	**8,545**
Other accrued expenses and received, unearned income		464	544
Total accrued expenses and received, unearned income		**464**	**544**
TOTAL EQUITY AND LIABILITIES		**499,253**	**461,400**

Lysaker, 6. February 2018
The Board of Directors of Storebrand Livforsikring AS

Translation - not to be signed

Odd Arlid Grefstad
- Chairman of the Board -

Ole Peik Norenberg

Vibeke Hammer Madsen

Bodil Catherine Valvik

Sigurd Nilsen Ribu

Jan Otto Risebrobakken

Hans Henrik Klouman

Geir Holmgren
- Chief Executive Officer -

Statement of change in equity for Storebrand Livsforsikring Group

	Majority's share of equity						
(NOK million)	Share capital	Share premium	Total paid in equity	Risk equalisation fund	Other equity	Minority interests	Total equity
Equity at 31.12.2015	**3,540**	**9,711**	**13,251**	**142**	**9,724**	**576**	**23,693**
Profit for the period				-2	1,484	19	1,501
Total other profit elements					-896	-7	-902
Total comprehensive income for the period				**-2**	**588**	**12**	**598**
Equity transactions with owner:							
Group contributions					-17	-14	-31
Derecognition minority						-459	-459
Other					-5		-5
Equity at 31.12.2016	**3,540**	**9,711**	**13,251**	**140**	**10,290**	**114**	**23,796**
Profit for the period				2	1,798	5	1,805
Total other profit elements					305	2	307
Total comprehensive income for the period				**2**	**2,102**	**7**	**2,112**
Equity transactions with owner:							
Shareholder contributions					-102	3	-99
Group contributions/dividend					79	-12	68
Other						1	1
Equity at 31.12.2017	**3,540**	**9,711**	**13,251**	**143**	**12,370**	**114**	**25,878**

Statement of cash flow Storebrand Livsforsikring 1 January - 31 December

Storebrand Livsforsikring Group			Storebrand Livsforsikring AS	
2016	2017	(NOK million)	2017	2016
		Cash flow from operational activities		
25,411	22,990	Net received - direct insurance	16,247	18,612
-18,150	-18,488	Net claims/benefits paid - direct insurance	-10,027	-9,963
-4,647	-2,995	Net receipts/payments - policy transfers	-2,625	-3,364
-1,784	4,501	Net change insurance liabilities	-546	-439
2,013	1,963	Receipts - interest, commission and fees from customers	551	454
-451	-254	Payments - interest, commission and fees to customers	-138	-412
-2,491	-2,431	Net receipts/payments operations	-1,402	-1,363
-294	-897	Net receipts/payments - other operational activities	-1,226	-335
-394	**4,389**	**Net cash flow from operational activities before financial assets**	**834**	**3,189**
-12,956	-7,405	Net receipts/payments - lendings to customers	-4,698	-10,709
11,721	2,830	Net receipts/payments - financial assets	3,003	7,866
2,058	-623	Net receipts/payments - real estate activities		
-323	-338	Net change bank deposits insurance customers	-514	-135
500	**-5,536**	**Net cash flow from operational activities from financial assets**	**-2,208**	**-2,978**
106	**-1,147**	**Net cash flow from operational activities**	**-1,374**	**210**
		Cash flow from investment activities		
	245	Net payments - sale/purchase of subsidiaries and associated companies	245	
-23	-62	Net receipts/payments - sale/purchase of fixed assets	-2	-1
-23	**183**	**Net cash flow from investment activities**	**243**	**-1**
		Cash flow from financing activities		
700	976	Repayment of subordinated loan captial	976	700
-356	-367	Payments - interest on subordinated loan capital	-367	-356
-14		Payment of dividend		
330	**609**	**Net cash flow from financing activities**	**609**	**344**
413	**-355**	**Net cash flow for the period**	**-522**	**553**
-88	5,181	of which net cash flow for the period before financial assets	1,686	3,531
413	-355	Net movement in cash and cash equivalent assets	-522	553
2,411	2,915	Cash and cash equivalents at start of the period	1,787	1,234
91	-20	Currency translation differences		
2,915	**2,540**	**Cash and cash equivalent assets at the end of the period**	**1,265**	**1,787**

Storebrand Livsforsikring AS
Statement of comprehensive income
1 January - 31 December

(NOK million)	Note	2017	2016
TECHNICAL ACCOUNT:			
Gross premiums written		16,357	16,589
Reinsurance premiums ceded		-31	-30
Premium reserves transferred from other companies	16	1,203	806
Premiums for own account	13,14	**17,529**	**17,365**
Income from investments in subsidiaries, associated companies and joint-controlled companies	31	1,819	1,948
of which from investment in real estate companies		1,750	1,965
Interest income and dividends etc. from financial assets	17	5,035	5,942
Changes in investment value	17	637	-1,597
Realised gains and losses on investments	17	2,073	2,209
Total net income from investments in the collective portfolio	13	**9,565**	**8,502**
Income from investments in subsidiaries, associated companies and joint-controlled companies	31	271	249
of which from investment in real estate companies		271	249
Interest income and dividends etc. from financial assets	17	1,581	615
Changes in investment value	17	3,827	1,999
Realised gains and losses on investments	17	2,520	1,039
Total net income from investments in the investment selection portfolio	13	**8,199**	**3,902**
Other insurance related income	13,19	**551**	**454**
Gross claims paid		-10,268	-9,962
Claims paid - reinsurance		13	12
Premium reserves etc. transferred to other companies	16	-3,829	-4,170
Claims for own account	13	**-14,084**	**-14,119**
To (from) premium reserve, gross	39	-832	-1,739
To/from additional statutory reserves	39	-1,371	-1,490
Change in value adjustment fund	39	-1,024	1,836
Change in premium fund, deposit fund and the pension surplus fund	39	-23	-11
To/from technical reserves for non-life insurance business	39	9	-34
Transfer of additional statutory reserves and value adjustment fund from other insurance companies/pension funds	16	-16	2
Changes in insurance obligations recognised in the Profit and Loss Account - contractual obligations	13	**-3,257**	**-1,437**
Change in premium reserve		-15,232	-11,256
Change in other provisions			
Changes in insurance obligations recognised in the Profit and Loss Account - investment portfolio separately	13,39	**-15,232**	**-11,256**
Profit on investment result	39	-441	-501
Risk result allocated to insurance contracts	39	4	
Other allocation of profit		-131	-259
Funds allocated to insurance contracts	13	**-568**	**-761**
Management expenses		-189	-171
Selling expenses	21	-283	-278
Insurance-related administration expenses (incl. commissions for reinsurance received)		-937	-918
Insurance-related operating expenses	13	**-1,409**	**-1,368**
Other insurance related expenses	13,25	**-138**	**-182**
Technical insurance profit		**1,156**	**1,100**

(NOK million)	Note	2017	2016
NON-TECHNICAL ACCOUNT			
Income from investments in subsidiaries, associated companies and joint-controlled companies	31	464	-536
Interest income and dividends etc. from financial assets	17	345	319
Changes in investment value	17	17	203
Realised gains and losses on investments	17	-55	736
Net income from investments in company portfolio		**771**	**722**
Other income	20	**16**	**24**
Management expenses		-17	-15
Other costs	26	-466	-373
Total management expenses and other costs linked to the company portfolio		**-468**	**-364**
Profit or loss on non-technical account		**304**	**359**
Profit before tax		**1,460**	**1,459**
Tax costs	27	210	-205
PROFIT BEFORE OTHER COMPREHENSIVE INCOME		**1,670**	**1,254**
Change in actuarial assumptions		-7	-18
Tax on other profit elements not to be classified to profit/loss		-4	19
Total other profit elements not to be classified to profit/loss		**-11**	**2**
Profit/loss cash flow hedging		23	-60
Total other profit elements that may be classified to profit /loss		**23**	**-60**
Total other profit elements		**12**	**-58**
TOTAL COMPREHENSIVE INCOME		**1,682**	**1,195**

Storebrand Livsforsikring AS
Statement of financial position
31 December

(NOK million)	Note	2017	2016
ASSETS			
ASSETS IN COMPANY PORTFOLIO			
Other intangible assets	28	94	133
Total intangible assets		**94**	**133**
Equities and units in subsidiaries, associated companies and joint-controlled companies	31	13,168	13,434
Loans to and securities issued by subsidiaries, associated companies	31		
Lendings at amortised cost	10,12,29	1	1
Bonds at amortised cost	10,12,29,32	3,023	2,868
Deposits at amoritsed cost	10	400	143
Equities and other units at fair value	12,29,33	17	83
Bonds and other fixed-income securities at fair value	10,12,29,34	15,801	13,529
Derivatives at fair value	10,12,29,35	1,145	932
Total investments		**33,555**	**30,989**
Receivables in connection with direct business transactions		503	419
Receivables in connection with reinsurance transactions		4	9
Receivables with group company		59	66
Other receivables	37	782	410
Total receivables		**1,347**	**903**
Tangible fixed assets	36	7	11
Cash, bank	10,29	865	1,644
Tax assets	27	381	175
Total other assets		**1,253**	**1,830**
Other pre-paid costs and income earned and not received		18	14
Total pre-paid costs and income earned and not received		**18**	**14**
Total assets in company portfolio		**36,267**	**33,870**
ASSETS IN CUSTOMER PORTFOLIOS			
Equities and units in subsidiaries, associated companies and joint-controlled companies	31	19,532	20,884
of which investment in real estate companies		18,683	20,104
Bonds held to maturity	10,12,29,32	15,128	15,644
Bonds at amortised cost	10,12,29,32	84,071	79,378
Lending at amortised cost	10,12,29	21,425	16,628
Deposits at amoritsed cost	10,29	2,530	2,133
Equities and other units at fair value	12,29,33	14,455	10,501
Bonds and other fixed-income securities at fair value	10,12,29,34	30,050	38,444
Financial derivatives at fair value	10,12,29,35	221	128
Total investments in collective portfolio		**187,412**	**183,739**
Reinsurance share of insurance obligations		**63**	**106**
Equities and units in subsidiaries, associated companies and joint-controlled companies	31	3,885	2,974
of which investment in real estate companies		3,885	2,974
Lending at amortised cost	10,12,29		100
Deposits at amoritsed cost	10,29	300	183
Equities and other units at fair value	12,29,33	48,963	39,626
Bonds and other fixed-income securities at fair value	10,12,29,34	27,550	21,807
Financial derivatives at fair value	10,12,29,35	33	73
Total investments in investment selection portfolio		**80,731**	**64,763**
Total assets in customer portfolios		**268,206**	**248,609**
TOTAL ASSETS		**304,473**	**282,478**

(NOK million)	Note	2017	2016
EQUITY AND LIABILITIES			
Share capital		3,540	3,540
Share premium		9,711	9,711
Total paid in equity		**13,251**	**13,251**
Risk equalisation fund		143	140
Other earned equity		11,422	11,042
Total earned equity		**11,564**	**11,182**
Perpetual subordinated loan capital		2,103	2,098
Dated subordinated loan capital		4,982	3,742
Hybrid tier 1 capital		1,506	1,504
Total subordinated loan capital and hybrid tier 1 capital	9,12,29	**8,591**	**7,344**
Premium reserves		169,843	168,884
Additional statutory reserves		8,254	6,794
Market value adjustment reserve		3,707	2,684
Premium fund, deposit fund and the pension surplus fund		2,564	2,671
Other technical reserve		631	684
Total insurance obligations in life insurance - contractual obligations	38,39	**184,999**	**181,716**
Premium reserves		80,372	65,144
Total insurance obligations in life insurance - investment portfolio separately	38,39	**80,372**	**65,144**
Pension liabilities etc.	22	42	59
Total provisions for liabilities		**42**	**59**
Liabilities in connection with direct insurance		1,079	898
Liabilities in connection with reinsurance		4	
Financial derivatives	10,12,29,35	1,007	1,047
Liabilities to group companies		1,323	199
Other liabilities	40	2,108	1,415
Total liabilities		**5,521**	**3,559**
Other accrued expenses and received, unearned income		133	224
Total accrued expenses and received, unearned income		**133**	**224**
TOTAL EQUITY AND LIABILITIES		**304,473**	**282,478**

Lysaker, 6. February 2018
The Board of Directors of Storebrand Livforsikring AS

Translation - not to be signed

Odd Arlid Grefstad
- Chairman of the Board -

Ole Peik Norenberg

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Jan Otto Risebrobakken

Geir Holmgren
- Chief Executive Officer -

Statement of change in equity for Storebrand Livsforsikring AS

(NOK million)	Share capital [1]	Share premium reserve	Total paid in equity	Risk equalisation fund	Other equity	Total equity
Equity at 31.12.2015	**3,540**	**9,711**	**13,251**	**142**	**9,845**	**23,238**
Profit for the period				-2	1,255	1,254
Total other profit elements					-58	-58
Total comprehensive income for the period				**-2**	**1,197**	**1,195**
Equity transactions with owner:						
Other						
Equity at 31.12.2016	**3,540**	**9,711**	**13,251**	**140**	**11,042**	**24,433**
Profit for the period				2	1,668	1,670
Total other profit elements					12	12
Total comprehensive income for the period				**2**	**1,680**	**1,682**
Dividend					-1,300	-1,300
Equity at 31.12.2017	**3,540**	**9,711**	**13,251**	**143**	**11,422**	**24,815**

1) 35 404 200 shares of NOK 100 par value.

Notes

Note 1 - Company information and accounting policies

1. COMPANY INFORMATION

Storebrand Livsforsikring Group offers products within life insurance to private individuals, companies and public sector entities in Norway and Sweden. The Group is divided into the segments Savings, Insurance, Guaranteed Pension and Other.

The Group's head office is located at Professor Kohts vei 9, in Lysaker, Norway.

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

The asset side of the Group's statement of financial position comprises, for the most part, financial instruments and investment properties.

A large majority of the financial instruments are measured at fair value (the fair value option is used), whilst other financial instruments that are included in the categories Loans and receivables and Held to maturity are measured at amortised cost. Financial instruments measured at amortised cost are largely related to Norwegian pension liabilities with annual interest rate guarantee. In addition, the majority of loans are measured at amortised cost.

Investment properties are measured at fair value.

The statement of financial position also includes capitalised intangible assets, which consist essentially of excess value related to insurance contracts acquired as part of a business combination and are associated with the acquisition of the Swedish group Storebrand Holding (SPP) in 2007. This excess value is measured at historical cost less annual amortisation and write-downs.

The liabilities side of the Group's statement of financial position comprises, for the most part, financial instruments (liabilities) and provisions relating to future pension and insurance payments (technical insurance reserves). With the exception of derivatives and insurance liabilities in Sweden that are measured at fair value, the majority of the financial liabilities are measured at amortised cost.

Technical insurance reserves must be adequate and cover liabilities relating to issued insurance contracts. Various methods and principles are used in the Group when assessing the reserves for different insurance contracts. A considerable part of the insurance liabilities relate to insurance contracts with interest guarantees. The recognised liabilities related to Norwegian insurance contracts with guaranteed interest rates are discounted by the basic interest rate (which corresponds to the guaranteed return / interest rate) for the respective insurance contracts.

The recognised liabilities related to the Swedish insurance contracts with guaranteed interest rates in the subsidiary SPP are discounted by an observable market interest rate and by an estimated market interest rate for terms to maturity when no observable interest rate is available. The yield curve that is used was changed in the fourth quarter of 2015 and now corresponds essentially to the interest rate that is used in the Solvency II calculations.

In the case of unit-linked insurance contracts, reserves for the savings element in the contracts will correspond to the value of related asset portfolios.

Due to the fact that the customers' assets in the life insurance business (guaranteed pension) have historically yielded a return that has exceeded the increased value in guaranteed insurance liabilities, the excess amount has been set aside as customer buffers (liabilities), including in the form of additional reserves, value adjustment reserve and conditional bonus.

Incurred But Not Settled (IBNS) reserves consist of amounts reserved for claims either incurred but not yet reported or reported but not yet settled (Incurred But Not Reported "IBNR" and Reported But Not Settled "RBNS"). IBNS reserves are included in both the premium reserve and claims reserve. The claims reserve must only cover amounts which might have been paid in the accounting year had the claim been settled.

IBNS reserves are measured using mathematical models based on historical information about the portfolio.

3. BASIS FOR PREPARATION OF THE FINANCIAL STATEMENTS

The accounting policies applied in the group accounts are described below. The policies are applied consistently to similar transactions and to other events involving similar circumstances. There is no required use of uniform accounting policies for insurance contracts.

The financial statements are prepared in accordance with accounting regulations for life insurance company from the FSA for the parent company and the consolidated financial statements are presented using EU-approved International Financial Reporting Standards (IFRS) and related interpretations, as well as other Norwegian disclosure requirements laid down in legislation and regulations.

Use of estimates when preparing the consolidated financial statements
The preparation of the consolidated financial statements in accordance with IFRS requires the management to make judgements, estimates and assumptions that affect assets, liabilities, revenue, expenses, the notes to the financial statements and information on potential liabilities. Actual amounts may differ from these estimates. See Note 2 for further information.

4. CHANGES IN ACCOUNTING POLICIES

Financial reporting regulations of FSA allow a great extent use of international accounting standards - IFRS. New accounting standards that have a significant impact on the consolidated financial statements have not been implemented in 2017. For changes in estimates, see Note 2 for further information.

Changes were made to the classification of certain types of transactions in the income statement, and comparable figures have been restated. This has resulted in some minor changes between lines in the income statement, but has no effect on the Group result or the classification in the segment note. Below are the most important result lines subject to the changes:

- interest income and dividend etc. on financial instruments - the collective portfolio
- realised gains and losses on investments – the collective portfolio
- other insurance related income
- gross claims paid
- to (from) premium reserve, gross
- management expenses
- insurance-related administration expenses
- realised gains and losses on investments – the company portfolio
- other income
- other costs

5. NEW IFRS STANDARDS

No new accounting standards that will have a significant impact on Storebrand Livsforsikring's consolidated financial statements are expected to be implemented in 2018.

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

IFRS9
IFRS 9 Financial Instruments will replace the current IAS39. IFRS 9 is applicable from 1 January 2018. For insurance-dominated groups and companies, IFRS 4 allows for either the implementation of IFRS 9 to be deferred (deferral approach) or to enter the differences between IAS39 and IFRS 9 through Other Comprehensive Income (overlay approach) until implementation of IFRS 17 on 1 January 2021. The Storebrand Group qualifies for temporary deferral of IFRS 9 because over 90 per cent of the Group's total liabilities as at 31 December 2015 were linked to the insurance business. For the Storebrand Group, IFRS 9 will be implemented together with IFRS 17, applicable from 1 January 2021.

IFRS 9 deals with recognition, classification and measurement, impairment, derecognition and hedge accounting of financial instruments. IFRS 9 involves rules for classification based on the business model, altered hedge accounting requirements and rules for write-downs of financial assets that result in losses being recorded earlier than under IAS39. Under IAS39, impairment losses will be entered when there are objective criteria for an actual loss having taken place, while under IFRS 9, the probability of loss (expected loss) must be calculated based on the elements relating to the financial instrument and elements relating to more general macroeconomic factors

Under IFRS 9, financial assets are classified into three measurement categories: fair value through profit or loss, fair value through other comprehensive income (OCI) and amortised cost. Instruments that, in principle, shall be measured at amortised cost or at fair value through OCI can be measured at fair value through profit or loss if this eliminates or significantly reduces a recognition inconsistency.

For financial liabilities, the rules are principally the same as for the current IAS39.

IFRS 9 simplifies the requirements for hedge accounting by the hedge effectiveness being more closely linked to the executive management's risk management practices.

Storebrand is working on preparing for the implementation of IFRS9, including assessing the effects implementation of IFRS9 will have for Storebrand's consolidated financial statements.

IFRS17
A key standard for the Storebrand consolidated financial statements will be IFRS17 Insurance Contracts, which shall replace the current IFRS4. The standard was published by IASB on 18 May 2017 and will apply from 1 January 2021.

In principle, IFRS17 shall be applied using a full retrospective approach. This means that all applicable insurance contracts shall be recalculated according to IFRS 17 as if IFRS 17 had been applicable from the date the contracts were entered into. However, if full retrospective application is close to impossible, the standard permits modification of the requirement and a modified retrospective approach or fair value approach may then be used.

IFRS 17 will entail significant changes to the method used for measuring insurance contracts and how earnings and financial position are presented.

The standard requires that the recognised value of insurance contracts shall consist of the following components:

- Probability weighted estimate of future contributions and payments related to the contracts.
- The cash flows are discounted by an interest rate that reflects the risk of the cash flows.
- A supplement is added for the risk margin.

When entering into a contract, the expected profit is also set aside as a liability. This is recognised as income over the duration of the contract (provided that the contract is not considered to be a loss contract on the issuing date).

Grouping of contracts will be important for recognition and measurement of insurance contracts. Grouping will take place based on contracts with equal risk and that are managed together creating a portfolio. Portfolios will then be divided into groups according to years, with a maximum of a one year spread for contract duration per group. There should also be a differentiation made between unprofitable, profitable without risk of becoming unprofitable and other contracts.

IFRS17 requires that components that are distinct from the insurance component are separated and recognised according to the rules in the relevant standard. In order to be distinct, the component must be able to be sold separately in the same market, either by a player that issues insurance or by others.

The standard introduces three models for measuring insurance contracts.
- General approach: The expected contractual service margin (CSM) of premiums is recognised as a liability at the entering into of the contract and recognised in the income statement in line with the provision of the insurance services.
- Premium allocation approach: Simplified approach whereby the insurance premium is recognised as income on a straight-line basis over the term of the contract. This can only be used for contracts with a duration of up to 12 months.
- Variable fee approach: Variant of the general approach, but whereby the return is included in the calculation of the expected contractual service margin (CSM).

Storebrand is working on preparing for implementation of IFRS17, including assessing the effects implementation of IFRS 17 will have for Storebrand's consolidated financial statements.

IFRS15
The new standard for recognising revenue from contracts with customers enters into force on 1 January 2018. IFRS 15 introduces a five-step model for recognising revenues from contracts with customers. Under IFRS 15, revenues are recognised in an amount that reflects the consideration to which an entity expects to be entitled in exchange for goods or services to a customer. The standard applies for all contracts that are entered into from and including 1 January 2018, and for existing contracts that are not concluded on this date. The purpose of the standard is to remove the inconsistency and weaknesses that exist in current revenue recognition standards and improve the comparability of revenue recognition between business enterprises, industries and geographic regions.

The new revenue recognition standard will replace all revenue recognition requirements in accordance with IFRS.

Revenue recognition in the Storebrand Group will be primarily regulated by IAS39/IFRS9 and IFRS4. Revenue that will be recognised under Other Income is assessed in relation to IFRS 15. The implementation of IFRS15 will not have any significant impact on the Group result in Storebrand's consolidation financial statements.

IFRS16
IFRS 16 Leases, replaces the current IAS 17 and is applicable from 1 January 2019. IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases. The new leasing standard will not result in major changes for lessors, but will however significantly change accounting by lessees. IFRS 16 requires that, in principle, lessees recognise all leases in the balance sheet according to a simplified model that resembles the accounting treatment of financial leases in accordance with IAS17.

The present value of the combined lease payments shall be recognised on the balance sheet as debt and an asset that reflects the right of use of the asset during the lease period. The recognised asset is amortised over the lease period and the depreciation expense is recognised as an operating expense on an ongoing basis. The interest expense on the lease commitment is recognised as a financial expense.

Storebrand is working on preparing for the implementation of IFRS 16, including assessing the effects implementation of IFRS 16 will have for Storebrand's consolidated financial statements.

6. CONSOLIDATION

For Storebrand Livsforsikring AS (the parent company), subsidiaries that are included in the collective portfolio are recognised according to the equity method, while subsidiaries that are included in the company portfolio are recognised according to the cost method. For subsidiaries that prepare accounts in accordance with principles other than those that apply to the insurance company, the subsidiary's financial statements are restated to comply with the principles under which the insurance company's accounts are prepared.

The consolidated financial statements combine Storebrand Livsforsikring AS and companies where Storebrand Livsforsikring AS has a controlling interest. Minority interests are included in the Group's equity, unless there are options or other conditions that entail that minority interests are measured as liabilities.

Storebrand Livsforsikring AS also owns the Swedish holding company Storebrand Holding AB, which in turn owns SPP Pension & Försäkring AB (publ). In connection with the acquisition of the Swedish business in 2007, the authorities instructed Storebrand to make an application to maintain a group structure by the end of 2009. Storebrand has filed an application to maintain the existing group structure. Investments in associated companies (normally investments of between 20 per cent and 50 per cent of the company's equity) in which the Group exercises significant influence are consolidated in accordance with the equity method. Investments in joint ventures are recognised in accordance with the equity method.

CURRENCY AND TRANSLATION OF FOREIGN COMPANIES

The Group's presentation currency is Norwegian kroner. Foreign companies included in the Group which use a different functional currency are translated into Norwegian kroner. The income statement figures are translated using an average exchange rate for the year and the statement of financial position is translated using the exchange rate prevailing at the end of the financial year. As differences will arise between the exchange rates applied when recording items in the statement of financial position and the income statement, any translation differences are recognised in total comprehensive income.

ELIMINATION OF INTERNAL TRANSACTIONS

Internal receivables and payables, internal gains and losses, interest, dividends and similar between companies in the Group are eliminated in the consolidated financial statements. Transactions between the customer portfolios and the company portfolio in the life insurance business and between the customer portfolios in the life insurance business and other companies in the Group will not be eliminated in the consolidated accounts. Pursuant to the life insurance regulations, transactions with customer portfolios are carried out a fair value.

7. BUSINESS COMBINATIONS

The acquisition method is applied when accounting for *acquisition of businesses*. The consideration is measured at fair value. The direct acquisition expenses are recognised when they arise, with the exception of expenses related to raising debt or equity (new issues).

When making investments, including purchasing investment properties, a decision is made as to whether the purchase constitutes acquisition of a business pursuant to IFRS 3. When such acquisitions are not regarded as an acquisition of a business, the acquisition method pursuant to IFRS 3 Business Combinations is not applied, which in turn means that provisions are not made for deferred tax as would have occurred in a business combination.

8. INCOME RECOGNITION

PREMIUM INCOME

Net premium income includes the year's premiums written (including savings elements, administration premium, fees for issuing Norwegian interest rate guarantees and profit element risk), premium reserves transferred and ceded reinsurance. Annual premiums are generally accrued on a straight-line basis over the coverage period.

INCOME FROM PROPERTIES AND FINANCIAL ASSETS

Income from properties and financial assets are described in Sections 11 and 12.

OTHER INCOME

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

9. GOODWILL AND INTANGIBLE ASSETS

Added value when acquiring a business that cannot be directly attributable to assets or liabilities on the date of the acquisition is classified as goodwill on the statement of financial position. Goodwill is measured at acquisition cost on the date of the acquisition. Goodwill arising from the acquisition of subsidiaries is classified as an intangible asset.

Goodwill is not amortised, instead it is tested for impairment. Goodwill is reviewed for impairment if there are indications that its value has become impaired. The review is conducted at least annually and determines the recoverable amount of goodwill.

If the discounted present value of the pertinent future cash flows is less than the carrying value, goodwill will be written down to its fair value. Reversal of an impairment loss for goodwill is prohibited even if information later comes to light showing that there is no longer a need for the write-down or the impairment loss has been reduced. Goodwill is allocated to the relevant cash flow generating units that are expected to benefit from the acquisition so that it can subsequently be tested for impairment.

Goodwill arising from the acquisition of interests in associated companies is included in investments in associated companies, and tested annually for impairment in connection with the assessment of book value.

Intangible assets with limited useful economic lives are measured at acquisition cost less accumulated amortisation and any write downs. The useful life and amortisation method are measured each year. With initial recognition of intangible assets in the statement of financial position, it must be demonstrated that probable future economic benefits attributable to the asset will flow to the Group. The cost of the asset must also be measured reliably. The value of an intangible asset is tested for impairment when there are indications that its value has been impaired. In other respects intangible assets are subject to write-downs and reversals of write-downs in the same manner as described for tangible fixed assets.

10. ADEQUACY TEST FOR INSURANCE LIABILITIES AND RELATED EXCESS VALUES

A liability adequacy test must be conducted of the insurance liability pursuant to IFRS 4 each time the financial statements are presented. The test conducted in Storebrand's consolidated financial statements is based on the Group's calculation of capital. The liability adequacy test was carried out prior to the implementation of IFRS. Intangible assets with unlimited useful economic lives are not amortised, but are tested for impairment annually or whenever there are indications that the value has been impaired.

11. INVESTMENT PROPERTIES

Investment properties are measured at fair value. Fair value is the amount for which an asset could be exchanged between well-informed, willing parties in an arm's length transaction. Income from investment properties consists of both changes in fair value and rental income.

Investment properties primarily consist of centrally located office buildings, shopping centres and logistics buildings. Properties leased to tenants outside the Group are classified as investment properties. In the case of properties partly occupied by the Group for its own use and partly let to tenants, the identifiable tenanted portion is treated as an investment property. All properties that are owned by the customer portfolios are measured at fair value and the changes in value are allocated to the customer portfolios.

12. FINANCIAL INSTRUMENTS

12.1 GENERAL POLICIES AND DEFINITIONS

Recognition and derecognition

Financial assets and liabilities are included in the statement of financial position from such time Storebrand becomes party to the instrument's contractual terms and conditions. Normal purchases and sales of financial instruments are recorded on the transaction date. When a financial asset or a financial liability is initially recognised in the financial statements, it is valued at fair value. Initial recognition includes transaction costs directly related to the acquisition or issue of the financial asset/liability if it is not a financial asset/liability at fair value through profit or loss.

Financial assets are derecognised when the contractual right to the cash flow from the financial asset expires, or when the company transfers the financial asset to another party in a transaction by which all, or virtually all, the risk and reward associated with ownership of the asset is transferred.

Financial liabilities are derecognised in the statement of financial position when they cease to exist, i.e. once the contractual liability has been fulfilled, cancelled or has expired.

Definition of amortised cost

Subsequent to initial recognition, held-to-maturity investments, loans and receivables as well as financial liabilities not at fair value in profit or loss, are measured at amortised cost using the effective interest method. The calculation of the effective interest rate involves estimating all cash flows and all of the contractual terms of the financial instruments (for example early repayment, call options and equivalent options). The calculation includes all fees and margins paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Definition of fair value

The fair value of financial assets listed on a stock exchange or on another regulated market in which regular trading takes place is determined as the bid price on the last trading day up to and including the reporting date.

If a market for a financial instrument is not active, fair value is determined by using valuation techniques. Such valuation techniques make use of recent arm's length market transactions between independent, unrelated, and well informed parties where available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis, and options pricing models. If a valuation technique is in common use by participants in the market and this method has proved to provide reliable estimates of prices actually achieved in market transactions, this method is used.

Impairment of financial assets

For financial assets carried at amortised cost, an assessment is made on each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

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

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

12.2 CLASSIFICATION AND MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES

Financial assets are classified into one of the following categories:

- Financial assets held for trading
- Financial assets at fair value through profit or loss in accordance with the fair value option (FVO)
- Financial assets held to maturity
- Financial assets, loans and receivables

Held for trading

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling or repurchasing it in the near term, is part of a portfolio of identified financial instruments that are managed together and there is evidence of a recent actual pattern of short-term profit-taking, or
- it is a derivative that is not designated and effective as a hedging instrument.

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

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

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

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

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

The accounting is equivalent to that of the held for trading category (the instruments are measured at fair value and changes in value are recognised in the income statement).

Investments held to maturity

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity and that a company has the intention and ability to hold to maturity, with the exclusion of:

- assets that are designated in initial recognition as assets at fair value through profit or loss, and
- assets that are defined as loans and receivables.

Assets held to maturity are recognised at amortised costs using the effective interest method. The category is used in the Norwegian life insurance business for assets linked to insurance contracts with interest rate guarantees.

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

Loans and receivables are recognised at amortised cost using the effective interest method. The category is used in the Norwegian life insurance business linked to insurance contracts with a guaranteed interest rate.

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

12.3 DERIVATIVES
Definition of a derivative
A derivative is a financial instrument or other contract within the scope of IAS39, and which has all three of the following characteristics:

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

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

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

Some of the Group's insurance contracts contain embedded derivatives such as interest rate guarantees. These insurance contracts do not follow the accounting standard IAS 39 Financial Instruments, but follow the accounting standard IFRS 4 Insurance Contracts, and the embedded derivatives are not continually measured at fair value.

12.4 HEDGE ACCOUNTING
Fair value hedging
Storebrand uses fair value hedging, where the items hedged are financial assets and financial liabilities measured at amortised cost. Derivatives are recognised at fair value through profit or loss or are included in total comprehensive income. Changes in the value of the hedged item that are attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognised through profit or loss.

Hedging of net investments
Hedging of net investments in foreign businesses is recognised in the accounts in the same way as cash flow hedging. Gains and losses on the hedging instrument that relate to the effective part of the hedging are recognised through total comprehensive income, while gains and losses that relate to the ineffective part are recognised immediately in the accounts in the profit and loss account. The total loss or gain in equity is recognised in the profit and loss account when the foreign business is sold or wound up.

Combined fair value and cash flow hedging
Some borrowing in foreign currency is hedged by means of hedging instruments (derivatives). The cash flows in the hedged item coincide with the cash flows of the hedging instruments. Derivatives are recognised at fair value. Hedge accounting is carried out by dividing the hedge into fair value hedging of the interest and a cash flow hedging of the margin. Net changes in the value of the cash flow hedge are recognised in the Statement of Total Comprehensive Income.

12.5 FINANCIAL LIABILITIES
Subsequent to initial recognition, all financial liabilities are primarily measured at amortised cost using an effective interest method.

13. ACCOUNTING FOR THE INSURANCE BUSINESS

The accounting standard IFRS 4 Insurance Contracts addresses the accounting treatment of insurance contracts. Storebrand's insurance contracts fall within the scope of this standard. IFRS 4 is meant to be a temporary standard and it allows the use of non-uniform principles for the treatment of insurance contracts in consolidated financial statements. In the consolidated financial statements, the technical insurance reserves in the respective subsidiaries are included, as calculated on the basis of the laws of the individual countries. This also applies to insurance contracts acquired via business combinations. In such cases, positive excess values, cf. IFRS 4 no. 31b), are capitalised as assets.

Pursuant to IFRS 4, the technical insurance reserves must be adequate. When assessing the adequacy associated with recognised acquired insurance contracts, reference must also be made to IAS37 Provisions, Contingent Liabilities and Contingent Assets, and Solvency II calculations.

An explanation of the accounting policies for the most important technical insurance reserves can be found below.

13.1 GENERAL – LIFE INSURANCE

Result for policyholders

Guaranteed return of the premium reserve and the premium fund and other returns to customers are recorded under the item guaranteed returns and allocations to policyholders.

Claims for own account

Claims for own account comprise claims settlements paid out, less reinsurance received, premium reserves transferred to other companies, reinsurance ceded and changes in claims reserves. Claims not settled or paid out are provided for by allocation to the claims reserve under the item, changes in insurance liabilities.

Changes in insurance liabilities

These comprise premium savings that are taken to income under premium income and that are paid under claims. This item also includes guaranteed returns on the premium reserve and the premium fund, as well as returns to customers beyond the guarantees.

Insurance liabilities

The premium reserve represents the present value of the company's total insurance liabilities, including future administration costs in accordance with the individual insurance contracts, after deducting the present value of agreed future premiums. In the case of individual account policies with flexible premium payments, the total policy value is included in the premium reserve. The premium reserve is equivalent to 100 per cent of the guaranteed surrender or transfer value of insurance contracts prior to any fees for early surrender or transfer and the policies' share of the market value adjustment reserve.

The premium reserve is calculated using the same assumptions as those used to calculate premiums for the individual insurance contracts, i.e. assumptions about mortality and disability rates, interest rates and costs. In addition, the provisions are increased due to expected increased life expectancy. Premium tariffs are based on the observed level of mortality and disability in the population with the addition of security margins that include expected future developments in this respect.

The premium reserve includes reserve amounts for future administration costs for all lines of insurance including settlement costs (administration reserve). In the case of paid-up contracts, the present value of all future administration costs is allocated in full to the premium reserve. In the case of contracts with future premium payments, a deduction is made for the proportion of future administration costs expected to be financed by future premium receipts.

A substantial proportion of the Norwegian insurance contracts have a one-year interest guarantee, meaning that the guaranteed return must be achieved every year. A substantial proportion of the Swedish insurance contracts have a guaranteed return up to the time of the pension payments.

Insurance liabilities, special investments portfolio

The insurance reserves allocated to cover liabilities associated with the value of the special investments portfolio must always equal the value of the investments portfolio assigned to the contract. The proportion of profit in the risk result is included. The company is not exposed to investment risk on customer assets, since the customers are not guaranteed a minimum return. The only exception is in the event of death, when the beneficiaries are repaid the amount originally paid in for annuity insurance and for guaranteed account (Garantikonto).

IBNS reserves

Included in the premium reserve for insurance risk are provisions for claims either occurred but not yet reported or reported but not yet settled. IBNR are reserves for potential future payments when Storebrand has yet to be informed about whether an instance of disability, death or other instance entailing compensation has occurred. Since Storebrand is neither aware of the frequency nor the amount payable, IBNR is estimated using mathematical models based on historical information about the portfolio. Correspondingly, RBNS is a provision for potential future payments when Storebrand has knowledge of the incident, but has not settled the claim. Mathematical models based on historical information are also used to estimate the reserves.

Transfers of premium reserves, etc. (transfers)

Transfers of premium reserves resulting from transfers of policies between insurance companies are recorded in the profit and loss account as net premiums for own account in the case of reserves received and claims for own account in the case of reserves paid out. The recognition of costs and income takes place on the date the insured risk is ceded. The premium reserve in the insurance liabilities is reduced / increased on the same date. The premium reserve transferred includes the policy's share of additional statutory reserves, the market value adjustment reserve, conditional bonus and the profit for the year. Transferred additional reserves are not shown as part of premium income, but are reported separately as changes in insurance liabilities. Transferred amounts are classified as current receivables or liabilities until the transfer takes place.

Selling costs

Selling costs in the Norwegian life insurance business are expensed, whilst in the Swedish subsidiaries selling costs are recorded in the statement of financial position and amortised over the expected duration of the product.

13.2 LIFE INSURANCE – NORWAY

Additional statutory reserves

The company is allowed to make allocations to the additional statutory reserves to ensure the solvency of its life insurance business. These additional reserves are divided among the contracts and can be used to cover a negative interest result up to the interest rate guarantee. In the event that the company does not achieve a return that equals the basic interest rate in any given year, the allocation can be reversed from the contract to enable the company to meet interest rate guarantee. This will result in a reduction in the additional statutory reserves and a corresponding increase in the premium reserve for the contract. For allocated annuities, the additional statutory reserves are paid in instalments over the disbursement period.

If additional reserves allocated to a contract entail that the total additional statutory reserves exceed 12 per cent of the premium reserve linked to the contract, the excess amount is assigned to the contract as surplus.

Premium fund, deposit reserve and pensioners' surplus fund

The premium fund contains premiums prepaid by policyholders as a result of taxation regulations for individual and group pension insurance and allocated profit shares. Credits and withdrawals are not recognised through the profit and loss account but are taken directly to the statement of financial position.

The pensioners' surplus fund comprises surplus assigned to the premium reserve in respect of pensions in group payments. The fund is applied each year as a single premium payment to secure additional benefits for pensioners.

Market value adjustment reserve

The current year's net unrealised gains / losses on financial assets at fair value in the group portfolio in Storebrand Livsforsikring AS are allocated to or reversed from the market value adjustment reserve in the statement of financial position assuming the portfolio has a net unrealised excess value. The portion of the current year's net unrealised gains / losses on financial current assets denominated in foreign currencies that can be attributed to fluctuations in exchange rates is not transferred to the market value adjustment reserve. The foreign exchange fluctuations associated with investments denominated in foreign currencies are largely hedged through foreign exchange contracts on a portfolio basis. Similarly, the change in the value of the hedging instrument is not transferred to the market value adjustment reserve, but is charged directly to the profit and loss account. Pursuant to the accounting standard for insurance contracts (IFRS4), the market value adjustment reserve is shown as a liability.

Reserves for undetermined insurance events

The reserves for incurred insurance events consist of reserves for disability and retirement pensions, established claims, undetermined claims and claims processing reserves. When assessing the reserves, the basic interest rate is used to determine the provision. In addition, provisions are made for calculated claims that have been incurred but not reported (IBNR).

Risk equalisation reserve

Up to 50 per cent of the risk result for group pensions and paid-up policies can be allocated in the risk equalisation fund to cover any future negative risk result. The risk equalisation reserve is not considered to be a liability according to IFRS and is included as part of the equity (undistributable equity). See Note 2 for further information on the use of the risk equalisation reserve to strengthen the longevity reserves.

13.3 LIFE INSURANCE SWEDEN

Life insurance reserves

The life insurance reserves are estimated as the present value of the expected future guaranteed payments, administrative expenses and taxes, discounted by the current risk-free interest rate (Solvency 2 yield curve). Insurance reserves with guaranteed interest rates in SPP use a modelled discount rate. A nominal risk-free interest rate is used to discount pure endowment insurance and health insurance in defined benefit schemes. For other risk insurance, a risk-free real interest rate, or nominal risk-free interest rate, is used in combination with the assumed inflation.

When calculating the life insurance reserves, the estimated future administrative expenses that may reasonably be expected to arise and can be attributed to the existing insurance contracts are taken into account. The expenses are estimated according to the company's own cost analyses and are based on the actual operating costs during the most recent year. Projection of the expected future costs follow the same principles on which Solvency II is based. Any future cost-rationalisation measures are not taken into account.

Reserves for undetermined insurance events
The reserves for incurred insurance events consist of reserves for disability pensions, established claims, unestablished claims and claims processing reserves. When assessing the reserves for disability pensions, a risk-free market interest rate is used, which takes into account future index adjustment of the payments. In addition, provisions are made for calculated claims that have been incurred but not reported (IBNR).

Conditional bonus and deferred capital contribution
The conditional bonus arises when the value of customer assets is higher than the present value of the liabilities, and thus covers the portion of the insurance capital that is not guaranteed. In the case of contracts where customer assets are lower than liabilities, the owners' result is charged via deferred capital contribution allocations. The conditional bonus and deferred capital contribution are recognised on the same line in the statement of financial position.

13.4. P&C INSURANCE
Costs related to insurance claims are recognised when the claims occur. The following allocations have been made:

Reserve for unearned premium for own account concerns on-going policies that are in force at the time the financial statements were closed and is intended to cover the contracts' remaining risk period.

The claims reserve is a reserve for expected claims that have been reported, but not settled. The reserve also covers expected claims for losses that have been incurred, but have not been reported at the expiry of the accounting period. The reserve includes the full amount of claims reported, but not settled. A calculated provision is made in the reserve for claims incurred but not reported (IBNR) and claims reported but not settled (RBNS). In addition, claims reserves shall include a separate provision for future claims on losses that have not been settled.

14. PENSION LIABILITIES FOR OWN EMPLOYEES

Storebrand has country-specific pension schemes for its employees. The schemes are recognised in the accounts in accordance with IAS 19. In Norway, the pension scheme from 1 January 2015 changed from a defined benefit to a defined contribution scheme. The effect of this change was recognised in the accounts as at 31 December 2014. Storebrand is a member of the Norwegian contractual early retirement (AFP) pension scheme. The Norwegian AFP scheme is regarded as a defined-benefit scheme, but there is insufficient quantitative information to be able to estimate reliable accounting obligations and costs.

In Sweden, SPP has agreed, in accordance with the Finance Companies' Service Pension Plan (BTP Plan), to collective, defined-benefit pension plans for its employees. A group defined-benefit pension implies that an employee is guaranteed a certain pension based on the pay scale at the time of retirement on termination of the employment.

14.1 DEFINED-BENEFIT SCHEME
Pension costs and pension obligations for defined-benefit pension schemes are determined using a linear accrual formula and expected final salary as the basis for the entitlements, based on assumptions about the discount rate, future salary increases, pensions and National Insurance benefits, future returns on pension plan assets as well as actuarial estimates of mortality, disability and voluntary early leavers. The net pension cost for the period comprises the total of the accrued future pension entitlements during the period, the interest cost on the calculated pension liability and the expected return on pension plan assets.

Actuarial gains and losses and the effects of changes in assumptions are recognised in total comprehensive income in the income statement for the period in which they occur. The Group has insured and uninsured pension schemes. The insured scheme in Norway is managed by the Group. Employees who resign before reaching retirement age or leave the scheme will be issued ordinary paid-up policies. The paid-up policies that are included in technical insurance reserves are measured in accordance with the accounting standard IFRS 4.

14.2 DEFINED-CONTRIBUTION SCHEME
The defined-contribution pension scheme involves the Group in paying an annual contribution to the employees' collective pension savings. The future pension will depend upon the size of the contribution and the annual return on the pension savings. The Group does not have any further work-related obligations after the annual contribution has been paid. No provisions are made for ongoing pension liabilities for these types of schemes. Defined-contribution pension schemes are recognised directly in the financial statements.

15. TANGIBLE FIXED ASSETS AND INTANGIBLE ASSETS

The Group's tangible fixed assets comprise equipment, fixtures and fittings, IT systems and properties used by the Group for its own activities.

Equipment, inventory and IT systems are valued at acquisition cost less accumulated depreciation and any write-downs.

Properties used for the Group's own activities are measured at appreciated value less accumulated depreciation and write-downs. The fair value of these properties is tested annually in the same way as described for investment properties. The increase in value for buildings used by the Group for its own activities is recognised through total comprehensive income. Any write-down of the value of such a property is recognised first in the revaluation reserve for increases in the value of the property in question. If the write-down exceeds the revaluation reserve for the property in question, the excess is expensed over the profit and loss account.

The write-down period and method are reviewed annually to ensure that the method and period being used both correspond to the useful economic life of the asset. The disposal value is similarly reviewed. Properties are split into components if different parts have different useful economic lives. The depreciation period and method of depreciation are measured then separately for each component.

The value of a tangible fixed asset is tested when there are indications that its value has been impaired. Any impairment losses are charged to the income statement as the difference between the carrying value and the recoverable amount. The recoverable amount is the greater of the fair value less costs of sale and the value in use. On each reporting date it is determined as to whether there is the option to reverse previous impairment losses on non-financial assets.

16. TAX

The tax expense in the income statement comprises current tax and changes to deferred tax and is based on the accounting standard IAS12 Income Taxes. Tax is recognised in the income statement, except to the extent that it relates to items recognised in total comprehensive income. Deferred tax and deferred tax assets are calculated on the differences between accounting and tax values of assets and liabilities.

Deferred tax is calculated on the basis of the Group's tax loss carryforwards, deductible temporary differences and taxable temporary differences. The Group's tax-increasing temporary differences also include temporary differences linked to the Group's investment properties. These properties are primarily found in the Norwegian life company's customer portfolio and in companies that are owned by holding companies, which in turn is directly owned by Storebrand Livsforsikring AS. Even though these property companies are included in the customer portfolio and can be sold virtually free of tax, the tax-increasing temporary differences linked to the underlying properties which are also included in the Norwegian tax group, are included in the Group's temporary differences where provisions have been made for deferred tax. See also Section 7 above, which concerns business combinations.

Any deferred tax assets shall be recognised if it is considered probable that the tax asset will be recovered. Assets and liabilities associated with deferred tax are recognised as a net amount when there is a legal right to offset assets and liabilities for tax payable and the Group has the ability and intention to settle net tax payable.

Changes in assets and liabilities associated with deferred tax that are due to changes in the tax rate are generally recognised in the income statement.

FINANCIAL TAX

In connection with the national budget for 2017, it was agreed to introduce a financial tax consisting of two elements:

- Financial tax on salaries. This is set at 5 per cent and follows the rules for employer's National Insurance contributions.
- The tax rate on the ordinary income for companies subject to the financial tax will be continued at the 2016 level (25 per cent), while it will otherwise be further reduced from 24 per cent to 23 per cent from 1 January 2018.

The financial tax applies from and including the 2017 financial year.

The Storebrand Livsforsikring Group includes companies that are both subject to and not subject to the financial tax. Therefore, when capitalising deferred tax/deferred tax assets in the consolidated financial statements, the company tax rate that applies for the individual companies is used (23 or 25 per cent).

17. PROVISION FOR DIVIDENDS

Pursuant to IAS10, which deals with events after the balance sheet date, proposed dividends and/or group contributions are classified as equity until approved by the general meeting.

18. LEASING

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

19. STATEMENT OF CASH FLOWS

The statement of cash flows is prepared using the direct method and shows cash flows grouped by sources and use. Cash is defined as cash, receivables from central banks and receivables from credit institutions with no agreed period of notice. The statement of cash flows is classified according to operating, investing and financing activities.

20. BIOLOGICAL ASSETS

Pursuant to IAS41, investments in forestry are measures as biological assets. Biological assets are measured at fair value, which is defined based on alternative fair value estimates, or the present value of expected net cash flows. Changes in the value of biological assets are recognised in the profit and loss account. Ownership rights to biological assets are recognised at the point in time when the purchase agreement is signed. Annual income and expenses are calculated for forestry and outlying fields.

Note 2 - Critical accounting estimates and judgements

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

A description of the most important elements and assessments in which discretion is used and which may influence recognised amounts or key figures is provided below and in Note 45 for Solvency II.

Actual results may differ from these estimates.

LIFE INSURANCE IN GENERAL

Insurance risk is the risk of higher than expected payments and/or unfavourable changes in the value of an insurance liability due to the actual development differing from what was expected when premiums or provisions were calculated.

In the consolidated accounts, insurance liabilities with a guaranteed interest rate are included, but using different principles in the Norwegian and the Swedish activities. An intangible asset (value of business in-force – VIF) linked to the insurance contracts in the Swedish activities is also included. This asset relates to Storebrand's purchase of SPP (acquisition of a business). There are several factors that may have an impact on the size of the insurance liabilities including VIF, such as biometric factors relating to longevity, future returns and invalidity, as well as the development of future costs and legal aspects, such as amendments to legislation and judgments handed down in court cases, etc. In the long term, a low interest rate will represent a challenge for insurance contracts with a guaranteed interest rate and, together with a reduced customer buffer, may have an impact on the amount recorded that is linked to the insurance contracts. The Norwegian insurance contracts with guaranteed interest rates are discounted at the premium calculation rate (around 3.2 per cent on average). The Swedish insurance liabilities with guaranteed interest rates have been discounted by a yield curve that coincides with the Solvency II yield curve.

In accordance with the accounting standard IFRS 4 Insurance Contracts, liability adequacy test shall be performed. The insurance liabilities are calculated in accordance with rules stipulated by the national supervisory authorities, including the Insurance Activity Act with regulations in Norway and the Insurance Business Act in Sweden. For the life insurance liabilities a test is performed at an overall, total level by conducting an analysis based on the Norwegian premium reserve principles. The established analysis is based on the assumptions that apply correspondingly to the calculation of the Solvency II liability, in which the company uses the best estimates for the future basic elements based on the current experience. The test entails then that the company analyses the current margins between the assumptions used as a basis for reserves and the assumptions based on the Solvency II calculations. This test was also performed for the introduction of IFRS.

Upon the acquisition of the Swedish insurance group SPP, excess values and goodwill related to the value of the SPP Group's insurance contracts were capitalised, while the SPP Group's recognised insurance reserves were maintained in Storebrand's consolidated financial statements. These excess values (Value of business in-force) are tested for their adequacy together with the associated capitalised selling costs and insurance liabilities. The test is satisfied if the recognised liabilities in the financial statements are greater than or equal to the net liabilities valued at an estimated market value, including the expected owner's profit. In this test, the Solvency II calculations and IAS37 are taken into account. A key element of this assessment involves calculating future profit margins using Solvency II calculations. The Solvency II calculations will be affected by, among other things, volatility in the financial markets, interest rate expectations and the amount of buffer capital. Storebrand satisfies the adequacy tests for 2017, and they have thus no impact on the results in the financial statements for 2017. Reference is made to further information in Note 28.

The IBNR and RBNS reserves for insurance risk are estimated and there is uncertainty associated with the estimates. This uncertainty relates to the frequency and amounts of the claims. Changes in estimates and valuations may entail a reduction or increase in the reserves. Changes will be included as part of the risk result.

In 2015, Storebrand received approval for the plan to strengthen longevity reserves linked to group pensions and paid-up policies from in the Norwegian business. The maximum reserve strengthening period was from 1 January 2014 to 1 January 2021, but during 2017 Storebrand completed reserve strengthening pursuant to K2013. Of the financial and risk profit for group pensions for the year, NOK 710 million has been used to strengthen the longevity reserves. Final settlement of the reserve requirement will occur per contract in connection with account management as of year-end 2017, but that is completed in the first half of 2018. Until then, there will be some uncertainty associated with the final reserve requirement.

In Storebrand's life insurance activities, a change in the estimates related to technical insurance reserves, financial instruments or investment properties allocated to life insurance customers will not necessarily affect the owner's result, but a change in the estimates and valuations may affect the owner's result. A key factor will be whether the assets of the life insurance customers, including the realised return for the year, exceed the guaranteed liabilities.

In the Norwegian business, a significant share of the insurance contracts have annual interest rate guarantees. Changes in estimates and valuations may entail a change in the return on the customer portfolios. Depending on the size of any impairment in value, such impairment may be offset by a reduction in the market value adjustment reserve and additional statutory reserves, so that the effect on the owner's result may be limited. Correspondingly, increases in values could, to a large extent, increase the size of such funds.

In the Swedish business, there are no contracts with an annual interest rate guarantee. However, there are insurance contracts with a terminal value guarantee. These contracts are discounted by a market-based calculated interest rate where parts of the yield curve used are not liquid. Changes in the discount rate may have a significant impact on the size of the insurance liabilities and impact the results. If the associated customer assets have a higher value than the recognised value of these insurance liabilities, then the difference will represent a conditional customer allocated fund – conditional bonus (buffer capital). Changes in the assumptions for future administrative expenses (cost assumptions) may also have a significant impact on the recognised insurance liabilities. Changes in estimates and valuations may entail a change in the return on the customer portfolios. Depending on the size of any impairment in value, such impairment may be offset by a reduction in the conditional bonus, so that the effect on the owner's result may be limited. If the value of the individual insurance contract is higher than the associated customer assets, the owner will have to cover the deficient capital.

The discount rate used for the Swedish business is essentially calculated by the same methods used for calculation of the discount rate under Solvency II:

- For terms to maturity up to 10 years, the discount rate is determined based on the quoted swap interest rates, adjusted for both credit risk (credit adjustment) and illiquidity (volatility adjustment). The credit and volatility adjustment is based on the most recently available values that are published by EIOPA.
- For terms to maturity ranging from 10 to 20 years, interpolated forward interest rates are used to ensure a smooth transition from the most recent liquid market interest rate (at the 10-year point) to the long-term forward interest rate. The interpolation is carried out by means of the so-called Smith-Wilson model.
- For terms to maturity in excess of 20 years, an equilibrium interest rate is determined based on the sum of the long-term expectations for inflation and real growth.

There are also insurance contracts without an interest guarantee in the life insurance activities in which customers bear the return guarantee. Changes in estimates and valuations may entail a change in the return on the associated customer portfolios. The recognition of such value changes does not directly affect the owner's result. However, a change in the estimates related to risk cover (disability and death) will affect the owner's result. This uncertainty relates to the frequency and amounts of the claims. Changes in estimates and valuations may entail a reduction or increase in the reserves.

Further information about insurance liabilities is provided in Notes 7, 38 and 39.

INVESTMENT PROPERTIES

Investment properties are measured at fair value. The commercial real estate market in Norway and Sweden is not particularly liquid, nor is it transparent. Uncertainty will be linked to the valuations, and they require exercise of professional judgement, especially in periods with turbulent finance markets.

Key elements included in valuations that require exercising judgement are:

- Market rent and vacancy trends
- Quality and duration of rental income
- Owners' costs
- Technical standard and any need for upgrading
- Discount rates for both certain and uncertain cash flows, as well as residual value

External valuations are also obtained for parts of the portfolio every quarter. All properties must have an external valuation during at least a 3 year period.

Reference is also made to Note 12 in which the valuation of investment properties at fair value is described in more detail.

FINANCIAL INSTRUMENTS AT FAIR VALUE

There will be some uncertainty associated with the pricing of financial instruments, particularly instruments that are not priced in an active market. This is particularly true for the types of securities priced on the basis of non-observable assumptions, and for these investments various valuation techniques are applied in order to fix fair value. These include private equity investments, investments in foreign properties, and other financial instruments where theoretical models are used in pricing. Any changes to the assumptions could affect recognised amounts. The majority of such financial instruments are included in the customer portfolio.

There is uncertainty linked to fixed-rate loans recorded at fair value, due to variation in the interest rate terms offered by banks and since individual borrowers have different credit risk.

Reference is also made to Note 12 in which the valuation of financial instruments at fair value is described in more detail.

FINANCIAL INSTRUMENTS AT AMORTISED COST

Financial instruments valued at amortised cost are measured on the reporting date to see whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Discretion must be used in assessing whether impairment has occurred and the amount of the impairment loss. Uncertainty grows when there is turmoil in financial markets. The assessments include credit, market and liquidity risk. Changes in assumptions for these factors will affect an assessment of whether impairment is indicated. There will thus be uncertainty concerning the recognised amounts of individual and group write-downs. This will apply to provisions relating to loans in the private and the corporate markets and to bonds that are measured at amortised cost.

OTHER INTANGIBLE ASSETS WITH UNDEFINED USEFUL ECONOMIC LIVES

Goodwill and other intangible assets with undefined useful economic lives are tested annually for impairment. Goodwill is allocated to the Group's cash generating units. The test's valuation method involves estimating cash flows arising in the relevant cash flow generating unit, as well as applying the relevant discount rate. Tangible fixed assets and other intangible assets are measured annually to ensure that the method and time period used correspond with economic realities.

PENSIONS FOR OWN EMPLOYEES

The present value of pension obligations depends upon the financial and demographic assumptions used in the calculation. The assumptions must be realistic, mutually consistent and up to date as they should be based on a cohesive set of estimates about future financial performance. The Group has both insured and uninsured pension schemes (direct pensions). There will be uncertainty associated with these estimates.

DEFERRED TAX AND UNCERTAIN TAX POSITIONS

The consolidated accounts contain significant temporary differences between the values of assets for accounting purposes and for tax purposes. The current Norwegian tax regulations have been applied when calculating deferred tax in the Norwegian business. This will apply, for example, in particular to investments in foreign companies assessed as partnerships and investments in property. The actual income tax expense will also depend on the form in which the underlying assets will be realised, including whether there will be future input and share transactions. There are also different tax rules between the companies that are part of the Norwegian business, whereby the Norwegian tax exemption method does not apply to customer portfolios in life insurance companies. Calculation of deferred tax assets, deferred tax liabilities and the income tax expense is based on the interpretation of rules and estimates.

The Group's business activities may give rise to disputes etc. related to tax positions with an uncertain outcome. The Group makes provisions for uncertain and disputed tax positions with best estimates of expected amounts, subject to notices or decisions by the tax authorities. The provisions are reversed if the disputed tax position is decided to the benefit of the Group and can no longer be appealed.

Reference is made to further information in Note 27.

Note 3 - Acquisition

On 24 October 2017 Storebrand Livsforsikring AS entered into an agreement to acquire Silver's insurance portfolios. Silver was put under administration on 17 February 2017. The acquisition also includes the company Silver AS after the company is released from administration The transaction was completed in January 2018. The transaction was completed in two parts, with one part as an acquisition of the portfolio, and the other part as an acquisition of Silver AS with its remaining operations.

Storebrand Livsforsikring AS paid a purchase price of NOK 520 million financed by the company portfolio. The purchase price has been transferred to Silver's customers as a part of the administration solution, and contributes to maintaining good pensions for the customers.

The amount of NOK 520 million has been transferred to Silver's customers, and in the acquisition analysis the excess value of the acquisition will be allocated to the insurance contracts (VIF –value of business in force) and deferred tax asset.

Silver's approximately. 21,000 contracts and approximately. NOK 10 billion in pension assets have been moved to Storebrand. Approximately NOK 8.5 billion of the portfolio consists of pension products with no interest guarantee. The remainder is related to risk cover.

As a part of the administration solution, Silver's portfolio of paid-up policies has been converted to paid-up policies with investment options (FMI) for retirement pension coverage. Risk cover is continued based on a reduced base rate of 2.75%. Storebrand Livsforsikring has taken over FMI and associated risk cover from Silver as a portfolio.

Storebrand Livsforsikring has also taken over the company Silver AS, including the remaining portfolio of pension capital certificates and individual pension contracts with no guarantee. As a part of the administration solution, equity in Silver was written down to zero. Storebrand Livsforsikring has supplied new equity of NOK 40 million. .

Note 4 - Segments - result by business area

SEGMENTS

Storebrand's operation includes the segments: Savings, Insurance, Guaranteed Pension and Other.

SAVINGS

The savings segment includes products for retirement savings with no interest rate guarantees. The segment consists of defined contribution pensions in Norway and Sweden, asset management and retail banking products. In addition, certain other subsidiaries are included in Savings.

INSURANCE

The insurance segment provides health insurance in the Norwegian and Swedish corporate and retail markets, P&C insurance and personal risk products in the Norwegian retail market and employer's liability insurance and pension-related insurance in the Norwegian and Swedish corporate markets.

GUARANTEED PENSION

The guaranteed Pension segment includes long-term pension savings products that give customers a guaranteed rate of return. The area includes defined benefit pensions in Norway and Sweden, paid-up policies and individual capital and pension insurances.

OTHER

Under the segment 'Other', the performance of the company's portfolios in Storebrand Livsforsikring and SPP are reported. It also includes results related to operations in subsidiaries including BenCo, which through Nordben and Euroben offer pension products to multi-national companies.

RECONCILIATION WITH THE OFFICIAL PROFIT AND LOSS ACCOUNTING

The results in the segments are reconciled against the Group result before amortisation and write-downs of intangible assets. The corporate profit and loss account includes gross income and costs linked to both the insurance customers and owners (shareholders). The alternative statement of the result only includes result elements relating to owners (shareholders) which are the result elements that the Group has performance measures and follow-up for. The result lines that are used in segment reporting will therefore not be identical with the result lines in the corporate profit and loss account. Below is an overall description of the most important differences.

Fee and administration income consists of fees and fixed administrative income. In the Group's income statement, the item is classified as premium income, net interest income from bank or other income depending on the type of activity. The Group's income statement also includes savings elements for insurance contracts and possibly transferred reserve.

Price of return guarantee and profit risk (fee incomes) – Storebrand Life Insurance AS
The return guarantees in group pension insurance with a return guarantee must be priced upfront. The level of the return guarantee, the size of the buffer capital (additional statutory reserves and unrealised gains), and the investment risk of the portfolio in which the pensions assets are invested determine the price that the customer pays for his or her return guarantee. Return guarantees are priced on the basis of the risk to which the equity is exposed. The insurance company bears all the downside risk and must carry reserves against the policy if the buffer reserves are insufficient or unavailable.

The insurance result consists of insurance premiums and claims
Insurance premiums consist of premium income relating to risk products (insurance segment) that are classified as premium income in the Group's income statement.

Claims consist of paid-out claims and changes in claims incurred but not reported (IBNR) and claims reported but not settled (RBNS) relating to risk products that are classified as claims in the Group's income statement.

Administration costs consist of the Group's operating costs in the Group's income statement minus operating costs allocated to traditional individual products with profit sharing.

Risk result life and pensions consists of the difference between risk premium and claims for products relating to defined-contribution pension, unit linked contracts (savings segment) and defined-benefit pension (guaranteed pension segment). Risk premium is classified as premium income in the Group's income statement.

The financial result consists of the return for the company portfolios ofStorebrand Livsforsikring AS and SPP Pension & Försäkring AB (Other segment), while returns for the other company portfolios in the Group are a financial result within the segment which the business is associated with. Returns on company portfolios are classified as net income from financial assets and property for companies in the Group's income statement. The financial result also includes returns on customer assets relating to products within the insurance segment, and in the Group's income statement this item will be entered under net income from financial assets and property for customers. In the alternative income statement, the result before tax of certain unimportant subsidiaries is included in the financial result, while in the Group's income statement, this is shown as other income, operating costs and other costs.

Net profit sharing

Storebrand Livsforsikring AS

A modified profit-sharing regime was introduced for old and new individual contracts that have left group pension insurance policies (paid-up policies), which allows the company to retain up to 20 per cent of the profit from returns after any allocations to additional statutory reserves. The modified profit-sharing model means that any negative risk result can be deducted from the customers' interest profit before sharing, if it is not covered by the risk equalisation fund.

Individual endowment insurance and pensions written by the Group prior to 1 January 2008 will continue to apply the profit rules effective prior to 2008. New contracts may not be established in this portfolio. The Group can retain up to 35 per cent of the total result after allocations to additional statutory reserves.

Any negative returns on customer portfolios and returns lower than the interest guarantee that cannot be covered by additional statutory reserves must be covered by the company's equity and will be included in the net profit-sharing and losses line.

SPP Pension & Försäkring AB

For premiums paid from and including 2016, previous profit sharing is replaced by a guarantee fee. The guarantee fee is annual and is calculated as a percentage of the capital. It goes to the company.

For contributions agreed to prior to 2016, the profit sharing is maintained, i.e. that if the total return on assets in one calendar year for a premium-determined insurance (IF portfolio) exceeds the guaranteed interest, profit sharing will be triggered. When profit sharing is triggered, 90 per cent of the total return on assets passes to the policyholder and 10 per cent to the company. The company's share of the total return on assets is included in the financial result.

In the case of defined-benefit contracts (KF portfolio), the company is entitled to charge an indexing fee if the group profit allows the indexing of the insurance. Indexing is allowed up to a maximum equalling the change in the consumer price index (CPI) between the previous two Septembers. Pensions that are paid out are indexed if the consolidated figures on 30 September exceed 107 per cent, and half of the fee is charged. The whole fee is charged if the consolidated figures on 30 September exceed 120 per cent, in which case paid-up policies can also be included. The total fee equals 0.8 per cent of the insurance capital.

The guaranteed liability is continuously monitored. If the guaranteed liability is higher than the value of the assets, a provision must be made in the form of a deferred capital contribution. If the assets are lower than the guaranteed liability when the insurance payments start, the company supplies capital up to the guaranteed liability in the form of a realised capital contribution. Changes in the deferred capital contribution are included in the financial result.

In the case of defined-benefit contracts (KF portfolio), the company is entitled to charge an indexing fee if the group profit allows the indexing of the insurance.

Loan losses:

Loan losses that are on the balance sheet of the Storebrand Livforsikring Group, will not be included on this line in either the alternative income statement or in the Group's income statement, but in the Group's income statement will be included in the item, net income from financial assets and property for customers.

Strengthening of longevity reserves consists of the owner's equity contributions in connection with the conversion to a new mortality tariff in 2013, K2013. In the Group's income statement, the item is classified under the item, changes in insurance liabilities.

Amortisation of intangible assets includes depreciation and possible write-downs of intangible assets established through acquisitions of enterprises.

RESULT BY BUSINESS AREA

	1.1 - 31.12	
(NOK million)	2017	2016
Savings	536	418
Insurance	462	429
Guaranteed pension	766	870
Other	228	377
Profit before amortisation	**1,992**	**2,093**
Amortisation intangible assets	-391	-396
Profit before tax	**1,601**	**1,697**

SEGMENT INFORMATION AS AT 31.12

	Savings		Insurance		Guaranteed pension	
(NOK million)	2017	2016	2017	2016	2017	2016
Fee and administration income	1,543	1,378			1,483	1,566
Insurance result			837	689		
- Insurance premiums f.o.a.			2,797	2,759		
- Claims f.o.a.			-1,960	-2,070		
Operational cost	-1,013	-966	-472	-418	-889	-981
Operating profit	**530**	**412**	**365**	**271**	**595**	**585**
Financial items and risk result life & pension	7	6	97	158	171	284
- Risk result life & pensions	7	6			67	-37
- Financial result			97	158		
- Net profit sharing					104	322
Profit before amortisation	**536**	**418**	**462**	**429**	**766**	**870**
Amortisation of intangible assets						
Profit before tax	**536**	**418**	**462**	**429**	**766**	**870**

	Other		Storebrand Livsforsikring group	
(NOK million)	2017	2016	2017	2016
Fee and administration income	75	94	3,101	3,038
Insurance result			837	689
- Insurance premiums f.o.a.			2,797	2,759
- Claims f.o.a.			-1,960	-2,070
Operational cost	-50	-48	-2,424	-2,412
Operating profit	**25**	**46**	**1,514**	**1,315**
Financial items and risk result life & pension	203	331	477	779
- Risk result life & pensions	-4	7	69	-24
- Financial result	207	333	304	491
- Net profit sharing		-9	104	312
Profit before amortisation	**228**	**377**	**1,992**	**2,093**
Amortisation of intangible assets			-391	-396
Profit before tax	**228**	**377**	**1,601**	**1,697**

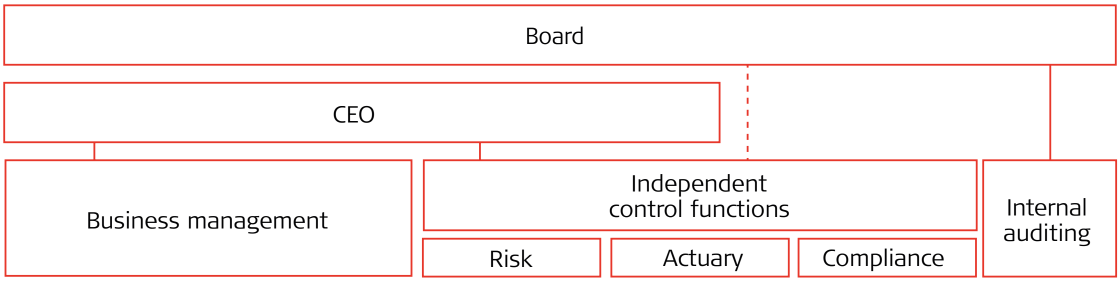
Note 5 - Risk management and internal control

Storebrand's income and performance are dependent on external factors that are associated with uncertainty. The most important external risk factors are the developments in the financial markets and changes in life expectancy in the Norwegian and Swedish populations. Certain internal operational factors can also result in losses, e.g. errors linked to the management of the customers' assets or payment of pension.

Continuous monitoring and active risk management are core areas of the Group's activities and organisation. The basis for risk management is laid down in the Board's annual review of the strategy and planning process, which sets the appetite for risk, risk targets and overriding risk limits for the operations. At the Storebrand group, responsibility for risk management and internal control is an integral part of management responsibility.

ORGANISATION OF RISK MANAGEMENT

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



The boards of directors of both Storebrand ASA and the group companies have the overall responsibility for limiting and following up the risks associated with the activities. The boards set annual limits and guidelines for risk-taking in the company, receive reports on the actual risk levels, and perform a forward-looking assessment of the risk situation.

The Board of Storebrand ASA has established a Risk Committee consisting of 3-4 Board members. The main task of the Risk Committee is to prepare matters to be considered by the Board in the area of risk, with a special focus on the Group's appetite for risk, risk strategy and investment strategy. The Committee should contribute forward-looking decision-making support related to the Board's discussion of risk taking, financial forecasts and the treatment of risk reporting.

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

INDEPENDENT CONTROL FUNCTIONS

Independent control functions have been established for risk management for the business (Risk Management Function / Chief Risk Officer), for compliance with the regulations (Compliance Function), for ensuring the insurance liabilities are calculated correctly (Actuary Function) and for the bank's lending. The functions have been established for both the Storebrand Group (the Group) and all of the companies requiring a licence. The independent control functions are organised directly under the companies' managing director and report to the respective company's board.

In terms of function the independent control functions are affiliated with the Group CRO, who is responsible to the group CEO and reports to the board of Storebrand ASA. The Group CRO shall ensure that all significant risks are identified, measured and appropriately reported. The Group CRO function shall be actively involved in the development of the Group's risk strategy and maintain a holistic view of the company's risk exposure. This includes responsibility for ensuring compliance with the relevant regulations for risk management and the consolidated companies' operations.

The internal audit function is organised directly under the Board and shall provide the boards of the relevant consolidated companies with confirmation concerning the appropriateness and effectiveness of the company's risk management, including how well the various lines of defence are working.

Note 6 - Operational risk

Operational risk is the risk of loss due to inadequate or failing internal processes or systems, human error or external events. The definition includes compliance risk: Compliance risk is the risk of loss or public sanctions as a result of non-compliance with external or internal rules.

Risk management shall ensure that the risk level at any time is compatible with the appetite for risk and within internal and regulatory frameworks. The Group seeks to reduce operational risk through an effective system for internal control. Risks are followed up through the management's risk reviews, with documentation of risks, measures and the follow-up of incidents. In addition, Internal Audit carries out independent checks through audit projects adopted by the Board.

Contingency plans have been prepared to deal with serious incidents in business-critical processes and recovery plans.

Storebrand's IT systems are vital for operations and reliable financial reporting. Errors and disruptions may have consequences for operations and can impact on the trust the Group has from both customers and shareholders. In the worst case, abnormal situations can result in penalties from the supervisory authorities. Storebrand's IT platform is characterised by complexity and integration between different specialist systems and joint systems. The operation of the IT systems has largely been outsourced to different service providers. A management model has been established with close follow-up of providers and internal control activities in order to reduce the risk associated with the development, administration and operation of the IT systems, as well as information security. The bank platform and insurance platform are based on purchased standard systems that are operated and monitored through outsourcing agreements. There is a greater degree of own development for the life insurance activities, but parts of the operation of this have also been outsourced. The individual portfolio is handled in a purchased standard system.

Note 7 - Insurance risk

Storebrand offers traditional life and pension insurance as both group and individual contracts. Contracts are also offered in which the customer has the choice of investment.

The insurance risk in Norway is largely standardised between the contracts in the same industry as a result of detailed regulation from the authorities. In Sweden, the framework conditions for insurance contracts entail major differences between the contracts within the same industry. The risk of long life expectancy is the greatest insurance risk in the Group. Other risks include the risk of disability and risk of mortality. The life insurance risks are:

1. Long life expectancy – The risk of erroneously estimating life expectancy and future pension payments. Historical developments have shown that an increasing number of people attain retirement age and live longer as pensioners than was previously the case. There is a great deal of uncertainty surrounding future mortality development. In the event of longer life expectancy beyond that assumed in the premium tariffs, the owner could risk higher charges on the owner's result in order to cover necessary statutory provisions.
2. Disability – The risk of erroneous estimation of future illness and disability. There will be uncertainty associated with the future development of disability, including disability pensioners who are returned to the workforce.
3. Death – The risk of erroneous estimation of mortality or erroneous estimation of payment to surviving relatives. Over the last few years, a decrease in mortality and fewer young surviving relatives have been registered, compared with earlier years.

In the Guaranteed Pensions segment, the Group has a significant insurance risk relating to long life expectancy for group and individual insurance agreements. In addition, there is an insurance risk associated with disability and pensions left to spouses and/or children. The disability coverage in Guaranteed Pensions is primarily sold together with a retirement pension. The risk of mortality is low in Guaranteed Pensions when viewed in relation to other risks. In SPP it is possible to change the future premiums for the IF portfolio, reducing the risk significantly. In Norway it is also possible to change the future premiums of group policies, but only for new accumulation, entailing reduced risk.

Occupational pension agreements (hybrid) are reported in the Guaranteed Pension segment when a customer has an agreement without a choice for investment of the pension assets. This is a small portfolio with limited insurance risk.

In the Savings segment the Group has a low insurance risk. Insurance risk is associated with death

In the Insurance segment, the Group has an insurance risk associated with disability and death. In addition, there are insurance risks associated with occupational injury, critical illness, cancer insurance, child insurance, accident insurance and health insurance. For occupational injury, the risk is first and foremost potential errors in the assessment of the level of provisions, because the number of claim years can be up to 25 years. The risk within critical illness, cancer, accident and health insurance is considered to be limited based on the volume and underlying volatility of the products. Within P&C insurance, the risk of house fire and personal injury for motor vehicle insurance constitute the main risks.

The Other segment includes the insurance risk at BenCo. BenCo offers pension products to multinational companies through Nordben and Euroben. The insurance risk at BenCo primarily relates to group life insurance, early retirement pensions and pensions for expatriate employees. These are defined-benefit pensions that can be time-limited or lifelong. Many of the agreements have short durations, typically five-year early retirement pensions, and the insurance risk is therefore limited.

DESCRIPTION OF PRODUCTS

GROUP CONTRACTS

Savings

1. Group defined-contribution pensions are pensions where the premium is stated as a percentage of pay, while the payments depend on the actual added return. Customers have the option of choosing a guaranteed annual return.
2. Pension capital certificates are individual contracts with accrued rights that are issued upon withdrawal from or termination of group defined-contribution pension agreements.
3. A hybrid pension (occupational pension scheme) is where the premium is stated as a percentage of salary, while the payments depend on the contributions and adjustment/return. The insured person selects the investment profile him/herself. The product is only offered in Norway.
4. Pension certificates are individual contracts with accrued rights that are issued upon withdrawal from or termination of hybrid pension agreements.

Guaranteed Pension

5. Group defined-benefit pensions are guaranteed pension benefits as a percentage of the final salary from a specified age for as long as the insured person lives. Alternatively, it can be agreed that the pension will end at a specified age. The product is offered within the private sector. Cover options that can be chosen include retirement, disability (including premium/contribution waivers) and survivor pensions. Paid-up policies (Sweden only) remain in the group contract.
6. Paid-up policies (Norway only) are individual contracts with accrued rights that are issued upon withdrawal from or termination of group defined-benefit pension agreements. Holders of a paid-up policy can choose to convert their paid-up policy to a paid-up policy with investment options.

7. A hybrid pension (occupational pension scheme) is where the premium is stated as a percentage of salary, while the payments depend on the contributions and adjustment/return. The pension assets are managed collectively. The product is only offered in Norway.
8. Pension certificates are individual contracts with accrued rights that are issued upon withdrawal from or termination of hybrid pension agreements.

Insurance – lump-sum payments (Norway only)

9. Group life consists of group contracts with lump-sum payments in the event of death or disability.
10. Health and P&C insurance contracts are group contracts with lump-sum payments for occupational injury insurance, critical illness, child insurance or accident insurance.
11. Disability and survivor products in the payment phase without accrual of a paid-up policy.

INDIVIDUAL CONTRACTS

Savings

1. Individual unit-linked insurance is endowment insurance or allocated annuity in which the customer bears the financial risk. Related cover can be linked in the event of death.

Guaranteed Pension

2. Individual allocated annuity or pension insurance provides guaranteed payments for as long as the insured person lives. Alternatively, it can be agreed that the pension will end at a specified age. Premiums or payments may be waived in the event of disability. The product can be linked to disability pensions.
3. Individual endowment insurance provides lump sum payments in the event of attaining a specified age, death or disability.

Insurance

4. Individual P&C insurance contracts are individual contracts with lump-sum payments in the event of critical illness, child insurance or accident insurance.
5. Disability and survivor products without savings

RISK PREMIUMS AND TARIFFS

GUARANTEED PENSION

There was a need to strengthen the premium reserves as they relate to long life expectancy for Norwegian group defined-benefit pensions, including paid-up policies. The need for reserves applies in general to products that involve a guaranteed benefit, but the impact varies depending on the product composition and characteristics, as well as amendments to regulations, as a result of the pension reform, for example.

A new mortality tariff for group insurance (K2013) was developed in 2014. The tariff is based on three elements: Initial mortality, safety margin and future increase in life expectancy. Initial mortality is determined on the basis of actual mortality in the insurance portfolio in the period 2005–2009. The safety margin will take into account the difference in mortality based on income, random variation in mortality and the company's margins. The future increase in life expectancy entails that the projected life expectancy is also dependent on the year of birth. Today's 50-year-olds are not expected to live as long as 50-year-olds in 20 years' time. This factor is referred to as dynamic improvement in life expectancy. K2013 is thus a dynamic tariff.

Starting from 2014 group pension insurance schemes in Norway follow the premiums for traditional retirement and survivor coverage in the industry tariff K2013. The premiums for disability pensions are based on the company's own experience. Expense premiums are determined annually with a view to securing full cover for the next year's expected costs.

For individual insurance, the premiums for death risk and long life expectancy risk are based on tariffs produced by insurance companies on the basis of their shared experience. This applies to both endowment and pension insurance. Disability premiums are based on the company's own experience.

The risk premium for group insurance in Sweden is calculated as an equalised premium within the insurance group, based on the group distribution of age and gender, as well as the requirement for coverage of next of kin. The risk premium for individual insurance is determined individually and is based on age and gender.

In 2016, SPP revised the mortality assumptions it uses to calculate insurance technical reserves. The company's assumptions are based on the general mortality tariff DUS 14, adjusted for the company's own observations.

INSURANCE

Tariffs for group life insurance and certain risk insurances within group pensions also depend on the industry or occupation, in addition to age and gender. Group life insurance also applies tariffs based on claims experience. The company's standard tariff for group life insurance, both for life and disability cover, is based on the company's own experience.

From December 2014, Storebrand has priced new individual endowment policies without taking gender into account. In other words, gender will not be considered when calculating the premium.

For P&C insurance (occupational injury) the tariffs are based on the company's own experiences.

MANAGEMENT OF INSURANCE RISK

Insurance risk is monitored separately for every line of insurance in the current insurance portfolio. The development of the risk results is followed throughout the year. For each type of risk, the ordinary risk result for a period represents the difference between the risk premiums the company has collected for the period and the sum of provisions and payments that must be made for insured events that occur in the period. The risk result takes into account insured events that have not yet been reported, but which the company, on the basis of experience, assumes have occurred.

When writing individual risk cover in Norway, the customer is subject to a health check. The result of the health check is reflected in the level of premium quoted. When arranging group policies with risk cover, all employees of small companies are subject to a health check, while for companies with many employees a declaration of fitness for work is required. In the assessment of risk (underwriting), the company's industrial category, sector and sickness record are also taken into account.

Large claims or special events constitute a major risk for all products. The largest claims will typically be in the group life, occupational injury and personal injury segments. The company manages its insurance risk through a variety of reinsurance programs. Through catastrophe reinsurance (excess of loss), the company covers losses (single claims and reserves provisions) where a single event causes more than two deaths or disability cases. This cover is also subject to an upper limit. A reinsurance agreement for life policies covers death and disability risk that exceeds the maximum risk amount for own account the company practises. The company's maximum risk amount for own account is relatively high, and the risk reinsured is therefore relatively modest.

The company also manages its insurance risk through international pooling. This implies that multinational corporate customers can equalise the results between the various units internationally. Pooling is offered for group life and risk cover within group defined-benefit and defined-contribution pensions.

RISK RESULT

The risk result consists of premiums the company charges to cover insurance risks less the actual costs in the form of insurance reserves and payments for insured events such as death, pensions, disability and accidents.

The table below specifies the risk result for the largest entities in the Group and also states the effect of reinsurance and pooling on the result.

Specification of risk result

	Storebrand Livsforsikring		SPP Pension & Försäkring AB	
(NOK million)	2017	2016	2017	2016
Survival	-52	-8	67	-53
Death	440	310	21	55
Disability	218	185	84	88
Reinsurance	-18	-17	-3	-3
Pooling	19	-59	-1	
Other	-3	-25	-8	-15
Total risk result	**603**	**386**	**161**	**72**

The risk result for Storebrand Livsforsikring AS in the table above shows the total risk result before distribution to customers and the owner (the insurance company).

Storebrand Livsforsikring AS

In the case of group defined-benefit pensions and paid-up policies, any positive risk result passes to the customers, while any deficit in the risk result must, in principle, be covered by the insurance company. However, up to half of any risk profit on a particular line of insurance may be retained in a risk equalisation fund. A deficit due to risk elements can be covered by the risk equalisation fund. The risk equalisation fund can, as a maximum, amount to 150 per cent of the total annual risk premium. The risk equalisation fund is classified as equity in the balance sheet.

SPP Pension & Försäkring AB

The risk result is paid to the owners in its entirety for all insurance products

Note 8 - Financial market risk

Market risk means changes in the value of assets as a result of unexpected volatility or changes in prices on the financial markets. It also refers to the risk that the value of the insurance liability develops differently to that of the assets.

The most significant market risks for Storebrand are equity market risk, credit risk, property price risk, interest rate risk and exchange rate risk.

For the life insurance companies, the financial assets are invested in a variety of sub-portfolios. Market risk affects Storebrand's income and profit differently in the different portfolios. There are three main types of sub-portfolio: company portfolios, customer portfolios without a guarantee (unit linked insurance) and customer portfolios with a guarantee.

The market risk in the company portfolios has a direct impact on the profit.

The market risk in unit linked insurance is at the customers' risk and expense, meaning Storebrand is not directly affected by changes in value. Nevertheless, changes in value do affect Storebrand's profit indirectly. Income is based largely on the size of the reserves, while the costs tend to be fixed. Lower returns on the financial market than expected will therefore have a negative effect on Storebrand's future income and profit.

For customer portfolios with a guarantee, the net risk for Storebrand will be lower than the gross market risk. The measures to reduce risk depends on several factors, the most important being the size and flexibility of the customer buffers and level and duration of the return guarantee. If the investment return is not sufficient to meet the guaranteed interest rate, the shortfall may be met by using customer buffers built up from previous years' surpluses. Customer buffers primarily consist of unrealised gains and additional statutory reserves in Norway (one year's interest rate guarantee) and conditional bonus in Sweden. Storebrand must cover any deviations between return and interest rate guarantee if the return is lower than the interest rate guarantee and the difference cannot be covered by customer buffers or the return will be negative.

For guaranteed customer portfolios, the risk is affected by changes in the interest rate level. Falling interest rates are positive for the investment return in the short term due to price appreciation for bonds, but negative in the long term because it reduces the probability of achieving a return higher than the guarantee. Interest rates at the end of 2017 were at approximately the same level now as at the start of the year in both Norway and Sweden. In Sweden, the money market rate is negative. Sveriges Riksbank (Swedish National Bank) and Norges Bank have indicated that interest rates will be kept low for several years to come. Paid-up policies have a particularly high risk in a low interest rate scenario, because there are very limited opportunities for changing the price or terms. In Norway, the effect of low interest rates will be dampened in the coming years by a large proportion of amortised cost portfolios that will greatly benefit from securities purchased at interest rate levels higher than the current levels.

The composition of the financial assets within each sub-portfolio is determined by the company's investment strategy. The investment strategy also establishes guidelines and limits for the company's risk management, credit exposure, counterparty exposure, currency risk, use of derivatives and requirements regarding liquidity.

ASSET ALLOCATION

(NOK million)	Customer portfolios with guarantee	Customer portfolios without guarantee	Company portfolios
Real estate at fair value	11%	2%	0%
Bonds at amortised cost	36%	0%	10%
Money market	3%	5%	36%
Bonds at fair value	31%	14%	53%
Equities at fair value	7%	79%	0%
Lending at amortised cost	11%	0%	0%
Other	1%	0%	0%
Total	**100%**	**100%**	**100%**

Storebrand aims to take low financial risk for the company portfolios, and most of the funds were invested in short and medium-term fixed income securities with low credit risk.

The financial risk related to customer portfolios without a guarantee is borne by the insured person, and the insured person can choose the risk profile. Storebrand's role is to offer a good, broad range of funds, to assemble profiles adapted to different risk profiles, and to offer systematic reduction of risk towards retirement age. The most significant market risks are share market risk and exchange rate risk.

The most significant market risks facing guaranteed customer portfolios are linked to equity risk, interest rate risk, credit risk and property price risk. There were no major changes in the investment allocation during 2017. In Norway most of the credit risk is linked to securities, which are carried at amortised cost. This reduces the risk to the company's profit significantly.

The market risk is managed by segmenting the portfolios in relation to risk-bearing capacity. For customers who have large customer buffers, investments are made with higher market risk that give increased expected returns. Equity risk is also managed by means of dynamic risk management, the objectives of which are to maintain good risk-bearing capacity and to adjust the financial risk to the buffer situation and the company's financial strength. By exercising this type of risk management, Storebrand expects to create good returns both for individual years and over time.

For company portfolios and guaranteed customer portfolios, most of the assets that are in currencies other than the domestic currency are hedged. This limits the currency risk from the investment portfolios. Foreign exchange risk primarily arises as a result of investments in international securities, including as a result of ownership in companies in different countries. Hedging is performed by means of forward foreign exchange contracts at the portfolio level, and the currency positions are monitored continuously against a total limit. Negative currency positions are closed out no later than the day after they arose. In addition, separate limits have been defined so that active currency positions can be taken. Storebrand employs a currency hedging principle called block hedging, which makes the execution of currency hedging more efficient.

In the consolidated financial statements, the value of assets and results from the Swedish operations are affected by changes in the value of the Swedish krona. Storebrand Livsforsikring AS has hedged parts of the value of SPP through forward foreign exchange contracts and borrowings in Swedish kroner.

FINANCIAL ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

	Storebrand Livsforsikring Group				Storebrand Livsforsikring AS			
	Balance sheet items excluding currency derivatives	Forward contracts	Net position		Balance sheet items excluding currency derivatives	Forward contracts	Net position	
(NOK million)	Net balance sheet	Net sales	in currency	in NOK	Net balance sheet	Net sales	in currency	in NOK
AUD	76	-121	-45	-289	68	-110	-42	-268
CAD	107	-243	-136	-891	99	-223	-124	-809
CHF	91	-101	-10	-87	70	-92	-23	-189
DKK	1,522	-167	1,355	1,808	100	-167	-67	-89
EUR	1,220	-1,429	-209	-2,046	1,016	-1,263	-247	-2,423
GBP	134	-183	-49	-536	107	-163	-56	-620
HKD	192	-512	-321	-359	170	-276	-106	-111
JPY	23,649	-38,087	-14,437	-1,054	21,102	-35,677	-14,575	-1,058
SEK	183,953	1,660	185,613	185,429	20,284	-5,405	14,879	14,865
USD	3,252	-4,299	-1,047	-8,510	2,708	-3,861	-1,153	-9,429
NOK[1)]	26,369	-558	25,810	25,772	20,018		20,018	20,018
Other currencies				-43				-54
Insurance liabilities in foreign currency	-190,177		-190,177	-189,989	-520		-520	-520
Total net currency position 2017				**9,205**				**19,312**
Total net currency position 2016				**5,227**				**15,765**

1) Equity and bond funds denominated in NOK with foreign currency exposure in i.a. EUR and USD NOK 20 billion.

Guaranteed customer portfolios in more detail

Storebrand Livsforsikring:
The annual guaranteed return to the customers follows the interest rate guarantee. In 2017, new premiums were taken in with a interest rate guarantee of 2.0 per cent, and pensions were adjusted upwards with a interest rate guarantee of 0.5 per cent.

The percentage distribution of the insurance reserves by the various basic annual interest rates as at 31 December is as follows:

Interest rate	2017	2016
6 %	0.3 %	0.3 %
5 %	0.3 %	0.4 %
4 %	47.8 %	49.3 %
3.4 %	0.4 %	0.4 %
3 %	30.1 %	30.6 %
2.75 %	1.1 %	1.1 %
2.50 %	11.3 %	11.4 %
2 %	7.6 %	5.7 %
0.5 %	7.0 %	0.3 %
0 %	0.4 %	0.5 %

The table includes premium reserve excluding IBNS

Average interest rate guarantee in per cent	2017	2016
Individual endowment insurance	2.7 %	2.7 %
Individual pension insurance	3.8 %	3.8 %
Group pension insurance	2.7 %	2.8 %
Paid-up policy	3.4 %	3.4 %
Group life insurance	0.1 %	0.1 %
Total	**3.2 %**	**3.3 %**

The table includes premium reserve excluding IBNS

There is a 0 per cent interest rate guarantee for premium funds, defined-contribution funds, pensioners' surplus funds and additional statutory reserves.

The interest rate guarantee must be fulfilled on an annual basis. If the company's investment return in any given year is lower than the guaranteed interest rate, the equivalent of up to one year's guaranteed return for the individual policy can be covered by transfers from the policy's additional statutory reserves.

A new mortality tariff (K2013) has been introduced for group pensions and paid-up policies from 2014. For the existing reserves, the Financial Supervisory Authority of Norway has approved a seven-year escalation plan, and customer returns exceeding the guarantee can contribute to reserve strengthening. At least 20 per cent of the individual customer's increase in reserves must be covered by Storebrand. The strengthening of reserves was completed during 2017.

To achieve adequate returns, it is necessary to take an investment risk. This is primarily done by investing in equities, property and corporate bonds. It is possible to reduce market risk in the short term, but then the probability of achieving the necessary level of return is reduced. Risk management shall balance out these considerations.

Interest rate risk is in a special position, because changes in interest rates also affect the value of the insurance liability (even if the book value of the Norwegian liabilities with guaranteed interest rates is not recognised at market value). Since pension disbursements may be many years in the future, the insurance liability is particularly sensitive to changes in interest rates. In the Norwegian business, greater interest rate sensitivity from the investments will entail increased risk that the return is below the guaranteed level. The risk management must therefore balance the risk of the profit for the year (interest rate increase) with the reinvestment risk if interest rates fall below the guarantee in the future. Bonds at amortised cost are an important risk management tool.

SPP PENSION & INSURANCE

The guaranteed interest rate is determined by the insurance company and is used when calculating the premium and the guaranteed benefit. The guaranteed interest rate does not entail that there is an annual minimum guarantee for the return as is the case in Norway.

New premiums in individual defined-contribution pensions (IF) have a guarantee of 1.25% for 85% of the premium. Group defined-benefit pension (KF) is closed to new members.

SPP bears the risk of achieving a return equal to the guaranteed interest on the policyholders' assets over time and that the level of the contracts' assets is greater than the present value of the insurance liabilities. For IF, profit sharing becomes relevant in SPP if the return exceeds the guaranteed yield. The contracts' buffer capital must be intact in order for profit sharing to represent a net income for SPP. In the case of KF, a certain degree of consolidation, i.e. that the assets are greater than the present value of the liabilities by a certain percentage, is required in order for the owner to receive profit-sharing income (indexing fee).

If the assets in an insurance contract in the company are smaller than the market value of the liability, an equity contribution is allocated that reflects this shortfall. This is termed a deferred capital contribution (DCC), and changes in DCC are recognised in the profit and loss account as they occur. When the contracts' assets exceed the present value of the liabilities, a buffer, which is termed the conditional bonus, is established. Changes in this customer buffer are not recognised in the profit and loss account.

Customer portfolio divided on annual guaranteed return

Interest rate	2017	2016
5.20 %	13.4 %	14.2 %
4.5%-5.2%	0.4 %	0.5 %
4.00 %	1.5 %	1.6 %
3.00 %	49.4 %	49.9 %
2.75%-4.0%	7.1 %	7.1 %
2.70 %	0.1 %	0.1 %
2.50 %	7.2 %	7.3 %
1.60 %	0.1 %	0.2 %
1.50 %	4.0 %	4.0 %
1.25 %	4.9 %	5.0 %
1.25% *	2.8 %	1.2 %
0.5%-2.5%	4.6 %	4.7 %
0%	4.3 %	4.3 %

* 1,25 per cent on 85 per cent of the premium

Average interest rate guarantee in per cent	2017	2016
Individual pension insurance	3.4 %	3.4 %
Group pension insurance	2.6 %	2.6 %
Individual occupational pension insurance	3.2 %	3.0 %
Total	**2.90 %**	**2.90 %**

In the Swedish operations management of interest rate risk is based on the principle that the interest rate risk from assets shall approximately correspond to the interest rate risk from the insurance liabilities.

SENSITIVITY ANALYSES

The tables show the fall in value for Storebrand Life Insurance and SPP's investment portfolios as a result of immediate value changes related to financial market risk. The calculation is model-based and the result is dependent on the choice of stress level for each asset class and assumptions for diversification. The stresses have been applied to the company portfolio and guaranteed customer portfolios as at 31 December 2017. The effect of each stress changes the return in each profile.

Unit linked insurance without a guaranteed annual return is not included in the analysis. For these products, the customers bear the market risk and the effect of a falling market will not directly affect the result or buffer capital

The amount of stress is the same that is used for the company's risk management. The stresses include a 12 per cent fall in equities, 7 per cent fall in property, and an increase in credit spreads of 60 basis points. For interest rates, the stresses include both an increase and fall of 50 basis points, where the most negative is used. The increase in interest rates is negative for the result, while the solvency position is negatively affected by a fall in interest rates.The stresses are applied individually, but the overall market risk is less than the sum of the individual stresses, because diversification is assumed. The correlation between the stresses is the same that is used for Solvency II.

Because it is the immediate market changes that are calculated, dynamic risk management will not affect the outcome. If it is assumed that the market changes occur over a period of time, then dynamic risk management would reduce the effect of the negative outcomes and reinforce the positive to some extent.

	Storebrand Livsforsikring		SPP Pension & Försäkring	
Resultrisk	NOK million	Share of portfolio	SEK million	Share of portfolio
Interest rate risk	1,907	1.0,%	372	0.4,%
Equity price risk	1,657	0.9,%	852	1.0,%
Property price risk	1,347	0.7,%	582	0.7,%
Credit risk	726	0.4,%	750	0.8,%
Diversification	-764	-0.4,%	-384	-0.4,%
Result	**4,873**	**2.5,%**	**2,172**	**2.4,%**

As a result of customer buffers, the effect of the stresses on the result will be lower than the combined change in value in the table. As at 31 December 2017, the customer buffers are of such a size that the effects on the result are significantly lower.

STOREBRAND LIVSFORSIKRING

Based on the stress test, Storebrand Life Insurance has an overall market risk of NOK 4.9 billion, which is equivalent to 2.5 per cent of the investment portfolio.

If the stress causes the return to fall below the guarantee, it will have a negative impact on the result if the customer buffer is not adequate. Other negative effects on the result are a lower return from the company portfolio and that there is no profit sharing from paid-up policies and individual contracts.

SPP PENSION & INSURANCE

Based on the stress test, SPP has an overall market risk of SEK 2.2 billion, which is equivalent to 2.4 per cent of the investment portfolio.

The buffer situation for the individual contracts will determine if all or portions of the fall in value will affect the financial result. Only the portion of the fall in value that cannot be settled against the customer buffer will be charged to the result. In addition, the reduced profit sharing or loss of the indexing fees may affect the financial result.

OTHER OPERATIONS

The other companies in the Storebrand Group are not included in the sensitivity analysis, as there is little market risk in these areas. The equity of these companies is invested with little or no allocation to high-risk assets, and the products do not entail a direct risk for the company as a result of price fluctuations in the financial market.

Note 9 - Liquidity Risk

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

For the insurance companies, the life insurance companies in particular, the insurance liabilities are long-term and the cash flows are generally known long before they fall due. In addition, liquidity is required to handle payments related to operations, and there are liquidity needs related to derivative contracts. The liquidity risk is handled by liquidity forecasts and the fact that portions of the investments are in very liquid securities, such as government bonds. The liquidity risk is considered low based on these measures.

Separate liquidity strategies have also been drawn up for other subsidiaries in accordance with the statutory requirements. These strategies specify limits and measures for ensuring good liquidity and a minimum allocation to assets that can be sold at short notice. The strategies define limits for allocations to various asset types and mean the companies have money market investments, bonds, equities and other liquid investments that can be disposed of as required.

In addition to clear strategies and the risk management of liquidity reserves in each subsidiary, the Group's holding company has established a liquidity buffer. The development of the liquid holdings is continuously monitored at the Group level in relation to internal limits. A particular risk is the fact that during certain periods the financial markets can be closed for new borrowing. Measures for minimising the liquidity risk are to maintain a regular maturity structure for the loans, low costs, an adequate liquidity buffer and credit agreements with banks which the company can draw on if necessary.

STOREBRAND LIVSFORSIKRING GROUP

UNDISCOUNTED CASH FLOWS FOR FINANCIAL LIABILITIES

(NOK million)	0-6 months	6-12 months	1-3 years	3-5 years	Over 5 years	Total	Book value
Subordinated loan capital	1,795	57	1,604	2,283	4,298	10,038	8,591
Other current liabilities	6,874					6,874	6,874
Uncalled residual liabilities Limited partnership	5,451					5,451	
Total financial liabilities 2017	**14,120**	**57**	**1,604**	**2,283**	**4,298**	**22,363**	**15,464**
Derivatives related to funding 2017	**-125**	**78**	**-91**	**-93**	**-125**	**361**	
Total financial liabilities 2016	**10,356**	**92**	**2,124**	**2,261**	**4,295**	**19,129**	**14,451**

The agreed remaining term provides limited information about the company's liquidity risk since the vast majority of investment assets can be realised more quickly in the secondary market than the agreed remaining term. The cash flow from perpetual subordinated loans is calculated up to the first call.

SPECIFICATION OF SUBORDINATED LOAN CAPITAL AND HYBRID TIER 1 CAPITAL

(NOK million)	Nominal value	Currency	Interest rate	Call date	Book value
Issuer					
Hybrid tier 1 capital					
Storebrand Livsforsikring AS	1,500	NOK	Variable	2018	1,506
Perpetual subordinated loan capital					
Storebrand Livsforsikring AS	1,000	NOK	Variable	2020	1,000
Storebrand Livsforsikring AS	1,100	NOK	Variable	2024	1,103
Dated subordinated loan capital					
Storebrand Livsforsikring AS	300	EUR	Fixed	2023	3,227
Storebrand Livsforsikring AS	1,000	SEK	Variable	2022	998
Storebrand Livsforsikring AS	750	SEK	Variable	2021	757
Total subordinated loan capital and hybrid tier 1 capital 2017					**8,591**
Total subordinated loan capital and hybrid tier 1 capital 2016					**7,344**

STOREBRAND LIVSFORSIKRING AS

UNDISCOUNTED CASH FLOWS FOR FINANCIAL LIABILITIES

(NOK million)	0-6 months	6-12 months	1-3 years	3-5 years	Over 5 years	Total	Book value
Subordinated loan capital	1,795	57	1,604	2,283	4,298	10,038	8,591
Other current liabilities	4,643					4,643	4,643
Uncalled residual liabilities Limited partnership	4,647					4,647	
Total financial liabilities 2017	**11,085**	**57**	**1,604**	**2,283**	**4,298**	**19,327**	**13,233**
Derivatives related to funding 2017	**-125**	**78**	**-91**	**-93**	**-125**	**-355**	
Total financial liabilities 2016	**5,264**	**92**	**2,124**	**2,261**	**4,295**	**14,036**	**10,080**

The agreed remaining term provides limited information about the company's liquidity risk since the vast majority of investment assets can be realised more quickly in the secondary market than the agreed remaining term. The cash flow from perpetual subordinated loans is calculated up to the first call.

Note 10 - Credit risk

Storebrand is exposed to risk of losses as a result of counterparties not fulfilling their debt obligations. This risk also includes losses on lending and losses related to the failure of counterparties to fulfil their financial derivative contracts.

The maximum limits for credit exposure to individual counterparties and for overall credit exposure to rating categories are set by the boards of the individual companies in the Group. Particular attention is paid to ensuring diversification of credit exposure in order to avoid concentrating credit exposure on any particular debtors or sectors. Changes in the credit standing of debtors are monitored and followed up. Thus far, the Group has used published credit ratings wherever possible, supplemented by the company's own credit evaluation.

Underlying investments in funds managed by Storebrand are included in the tables.

STOREBRAND LIVSFORSIKRING GROUP

CREDIT RISK BY COUNTERPARTY

Bonds and other fixed-income securities at fair value **Category by issuer or guarantor** (NOK million)	AAA Fair value	AA Fair value	A Fair value	BBB Fair value	Other Fair value	NIG Fair value	Total fair value
Government bonds	19,117	7,006	10,540	5,164		985	42,811
Corporate bonds	17,502	13,270	19,530	23,815	734	722	75,573
Structured notes				81			81
Collateralised securities	28,292	55		122	5		28,474
Total interest bearing securities stated by rating	**64,911**	**20,331**	**30,070**	**29,182**	**739**	**1,708**	**146,940**
Bond funds not managed by Storebrand							8,770
Non-interest bearing securities managed by Storebrand							4,310
Total 2017	**64,911**	**20,331**	**30,070**	**29,182**	**739**	**1,708**	**160,019**
Total 2016	**64,991**	**25,727**	**31,898**	**30,417**	**0**	**1,141**	**164,506**

Interest bearing securities at amortised cost Category of issuer or guarantor (NOK million)	AAA Fair value	AA Fair value	A Fair value	BBB Fair value	Other Fair value	NIG Fair value	Total fair value
Government bonds	13,755	6,111	7,187	4,068		2,369	33,491
Corporate bonds	13,355	12,465	11,164	6,304		5,710	48,998
Structured notes		945			925		1,869
Collateralised securities	13,252	4,990	7,081	1,043			26,366
Total 2017	**40,363**	**24,511**	**25,432**	**11,415**	**925**	**8,079**	**110,725**
Total 2016	**40,241**	**22,646**	**25,678**	**11,400**	**0**	**6,716**	**106,681**

COUNTERPARTIES

(NOK million)	AAA Fair value	AA Fair value	A Fair value	BBB Fair value	Other Fair value	NIG Fair value	Total fair value
Derivatives		3,189	731	24		75	4,018
Of which derivatives in bond funds, managed by Storebrand		126	22			2	150
Total derivatives excluding derivatives in bond funds 2017		**3,063**	**709**	**24**		**73**	**3,868**
Total derivatives excluding derivatives in bond funds 2016		**1,766**	**2,151**	**130**		**506**	**4,553**
Bank deposits		6,802	699	11		35	7,547
Of which bank deposits in bond funds, managed by Storebrand		50					50
Total bank deposits excluding bank deposits in bond funds 2017		6,753	699	11		35	7,498
Total bank deposits excluding bank deposits in bond funds 2016		**5,663**	**1,602**	**15**		**10**	**7,290**

Rating classes based on Standard & Poor's.

NIG = Non-investment grade.

STOREBRAND LIVSFORSIKRING AS

CREDIT RISK BY COUNTERPARTY

Bonds and other fixed-income securities at fair value Category by issuer or guarantor (NOK million)	AAA Fair value	AA Fair value	A Fair value	BBB Fair value	Other Fair value	NIG Fair value	Total fair value
Government bonds	14,421	1,743	83				16,247
Corporate bonds	74	1,140	18,705	23,367	694	643	44,625
Structured notes							
Collateralised securities	9,111	55		122	5		9,294
Total interest bearing securities stated by rating	**23,606**	**2,939**	**18,788**	**23,489**	**699**	**643**	**70,165**
Bond funds not managed by Storebrand							2,061
Non-interest bearing securities managed by Storebrand							1,175
Total 2017	**23,606**	**2,939**	**18,788**	**23,489**	**699**	**643**	**73,401**
Total 2016	**20,825**	**6,319**	**19,254**	**23,741**	**0**	**60**	**73,780**

Interest bearing securities at amortised cost
Category of issuer or guarantor

(NOK million)	AAA Fair value	AA Fair value	A Fair value	BBB Fair value	Other Fair value	NIG Fair value	Total fair value
Government bonds	13,755	6,111	7,187	4,068		2,369	33,491
Corporate bonds	13,355	12,465	11,164	6,304		5,710	48,998
Structured notes		945			925		1,869
Collateralised securities	13,252	4,990	7,081	1,043			26,366
Total 2017	**40,363**	**24,511**	**25,432**	**11,415**	**925**	**8,079**	**110,725**
Total 2016	**40,241**	**22,646**	**25,678**	**11,400**	**0**	**6,716**	**106,681**

COUNTERPARTIES

(NOK million)	AAA Fair value	AA Fair value	A Fair value	BBB Fair value	Other Fair value	NIG Fair value	Total fair value
Derivatives		1,358	163	24			1,545
Of which derivatives in bond funds, managed by Storebrand		126	20				146
Total derivatives excluding derivatives in bond funds 2017		**1,232**	**143**	**24**			**1,399**
Total derivatives excluding derivatives in bond funds 2016		**982**	**12**	**24**		**115**	**1,133**
Bank deposits		4,109				35	4,144
Of which bank deposits in bond funds, managed by Storebrand		50				0	50
Total bank deposits excluding bank deposits in bond funds 2017		**4,060**				**35**	**4,095**
Total bank deposits excluding bank deposits in bond funds 2016		**4,093**				**10**	**4,103**

Rating classes based on Standard & Poor's.
NIG = Non-investment grade.

COUNTERPARTY RISK - DERIVATIVES

The Group has entered into framework agreements with all its counterparties to reduce the risk inherent in outstanding derivative transactions. These regulate how collateral is to be pledged against changes in market values that are calculated on a daily basis, among other things.

STOREBRAND LIVSFORSIKRING GROUP

INVESTMENTS SUBJECTED TO NETTING AGREEMENTS/CSA

				Collateral		
(NOK million)	Booked value fin. assets	Booked value fin. liabilities	Net booked fin. assets/liabilities	Cash (+/-)	Securities (+/-)	Net exposure
Investments subject to netting agreements	**3,868**	**1,876**	**1,991**		**-928**	**2,919**
Investments not subject to netting agreements						
Total counterparts 2017	**3,868**	**1,876**	**1,991**			
Total counterparts 2016	**4,553**	**1,985**	**2,568**	**2,875**	**-238**	**59**

STOREBRAND LIVSFORSIKRING AS

Investments subjected to netting agreements/CSA

(NOK million)	Booked value fin. assets	Booked value fin. liabilities	Net booked fin. assets/liabilities	Collateral Cash (+/-)	Collateral Securities (+/-)	Net exposure
Total counterparts 2017	**1,399**	**1,007**	**392**		**-875**	**1,267**
Total counterparts 2016	**1,133**	**1,047**	**86**	**763**	**-1,102**	**425**

THE LOAN PORTFOLIO

The loan portfolio consists of income-generating real estate and development real estate with few customers and few defaults, and there is comprehensive and complex risk assessment of debtors. The Corporate Market portfolio is generally secured on commercial property.

In the retail market, most of the loans are secured by means of home mortgages. Customers are evaluated according to their capacity and intent to repay the loan. In addition to their capacity to service debt, customers are checked regarding policy regulations, and customers are scored using a scoring model.

The weighted average loan-to-value ratio for retail market loans is approximately 55 per cent on home loans. Over 90 per cent of home loans have a loan to value ratio within 70 per cent and approximately 99 per cent are within a 80 per cent loan to value ratio. About 58 per cent of the home loans are within a 60 per cent LVR. The portfolio is considered to have low to moderate credit risk.

STOREBRAND LIVSFORSIKRING GROUP

LOANS
Commitments by customer groups

(NOK million)	Loans to and receivables from customers	Unused creditlimits	Total commitments
Sale and operation of real estate	9,019		9,019
Other service providers			0
Wage-earners and others	15,158	99	15,257
Others	2,365		2,365
Total	**26,542**	**100**	**26,642**
- Individual write-downs	-11		-11
Total lending to and receivables from customers 2017	**26,531**	**100**	**26,631**
Total lending to and receivables from customers 2016	**19,074**	**105**	**19,180**

STOREBRAND LIVSFORSIKRING AS

LOANS
Commitments by customer groups

(NOK million)	Loans to and receivables from customers	Unused creditlimits	Total commitments
Sale and operation of real estate	5,100		5,100
Other service providers			0
Wage-earners and others	15,158	99	15,258
Others	1,179		1,179
Total	**21,437**	**100**	**21,537**
- Individual write-downs	-11		-11
Total lending to and receivables from customers 2017	**21,426**	**100**	**21,527**
Total lending to and receivables from customers 2016	**16,728**	**105**	**16,834**

Note 11 - Concentrations of risk

Most of the risk for the Storebrand Group relates to the guaranteed pension products in the life insurance companies. These risks are consolidated in the Storebrand Life Insurance Group, which includes the Storebrand Livsforsikring AS, SPP Livförsäkring AB and the business in Ireland and Guernsey (BenCo).

For the life insurance businesses, the greatest risks are largely the same in Norway and Sweden. The financial market risk will depend significantly on global circumstances that influence the investment portfolios in all businesses. The insurance risk may be different for the various companies, and longevity risk in particular can be influenced by universal trends.

The financial market and investment risks are largely related to the customer portfolios in the life insurance business. The risk associated with a negative outcome in the financial market is described and quantified in Note 8, financial market risk.

In the short term, an interest rate increase will negatively impact on the returns for the life insurance companies.

Note 12 - Valuation of financial instruments and properties

The 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. Fund units are generally valued at the updated official NAV prices when such prices exist. 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 and Bloomberg.

The Group carries out continual checks to safeguard the quality of market data that has been collected from external sources. This involves controlling and assessing the likelihood of unusual changes.

The Group categorises financial instruments valued at fair value on three different levels, which are described in more detail below. The levels express the differing degrees of liquidity and different measurement methods used. The company has established valuation models to gather information from a wide range of well-informed sources with a view to minimising the uncertainty of valuations.

LEVEL 1: FINANCIAL INSTRUMENTS VALUED ON THE BASIS OF QUOTED PRICES FOR IDENTICAL ASSETS IN ACTIVE MARKETS
This category encompasses listed equities that over the previous three months have experienced average daily trading equivalent to approximately NOK 20 million or more. Based on this, the equities are regarded as sufficiently liquid to be included at this level. Bonds, certificates or equivalent instruments issued by national governments are generally classified as level 1. When it comes to derivatives, standardised stock index futures and interest rate futures will also be included at this level.

LEVEL 2: FINANCIAL INSTRUMENTS VALUED ON THE BASIS OF OBSERVABLE MARKET INFORMATION NOT COVERED BY LEVEL 1
This category encompasses financial instruments that are valued on the basis of market information that can be directly observable or indirectly observable. Market information that is indirectly observable means that the prices can be derived from observable related markets. Level 2 includes shares or equivalent equity instruments for which market prices are available, but where the volume of transactions is too limited to fulfil the criteria in level 1. Shares in this level will normally have been traded during the last month. Bonds and equivalent instruments are generally classified in this level. Moreover, interest rate and foreign exchange swaps, as well as non-standardised interest rate and foreign exchange derivatives are classified as level 2. Fund investments, with the exception of private equity funds, are generally classified as level 2, and encompass equity, interest rate, and hedge funds.

LEVEL 3: FINANCIAL INSTRUMENTS VALUED ON THE BASIS OF INFORMATION THAT IS NOT OBSERVABLE IN ACCORDANCE WITH LEVEL 2
Equities classified as level 3 encompass investments in primarily unlisted/private companies. These include investments in forestry, real estate, microfinance and infrastructure. Private equity is generally classified as level 3 through direct investments or investments in funds.

The types of mutual funds classified as level 3 are discussed in more detail below with a reference to the type of mutual fund and the valuation method. Storebrand is of the opinion that the valuation method used represents a best estimate of the mutual fund's market value.

EQUITIES
Forestry represents a large portion of the shares at level 3. External valuations were carried out as at 31 December which form the basis for the valuation of the company's investments. These valuations are based on models that include non-observable assumptions.

Alternative investments organised as limited liability companies (such as microfinance, property and infrastructure) are equity investments that are valued based on the value-adjusted equity reported by external sources when available.

In the case of direct private equity investments, the valuation is normally based on either the most recent transaction or a model in which a company that is in continuous operation is assessed by comparing the key figures with equivalent listed companies or groups of equivalent listed companies. In some instances, the value is reduced by a liquidity discount.

FUND UNITS
Of the fund units, it is primarily private equity investments and property funds that represent the majority at level 3. Moreover, there are also some other types of funds, such as infrastructure funds and microfinance funds here. The majority of Storebrand's private equity investments are investments in private equity funds. These fund investments are valued based on the value reported by the funds. Most of the funds report on a quarterly basis, while a few report less often. Reporting typically takes place with a few months' delay. The most recently received valuations are used as a basis, adjusted for cash flows and possible market effects in the period from the most recent valuation until the reporting date. For private equity, the market effect is calculated based on the development in value in the relevant index, multiplied by the estimated beta in relation to the relevant index.

Indirect real estate investments are primarily investments in funds with underlying real estate investments where Storebrand's intention is to own the investments throughout the fund's lifetime. The valuation of the property funds is carried out based on information received from each fund manager, adjusted for cash flows in the period from the most recent valuation until the reporting date. Estimated values prepared by the fund companies will be used if these are available.

LOANS TO CUSTOMERS

For loans where the interest rate, also credit margin, can change at short notice valued the loans at par as interest on the loan is equal to relevant discount rate. The fair value of loans where credit margin is fixed based on the pricing of the banks that have been manager of the loans. Price assessment through cash flow models with discount rates consisting of swap rates for the relevant maturity plus a credit premium. The credit premium is issuing specific and based on the credit margin of the banks that have been manager of the loans. The credit margin will remain fixed between each reporting date, but swap rates will follow market regularly.

CORPORATE BONDS

Among the bonds at level 3, we find microfinance investments structured as loans. In addition, there are a small number of private equity investments organised as loans that are valued at the most recent reported value. In addition, non-performing loans will be left for estimated expected payment.

INVESTMENT PROPERTIES

The investment properties primarily consist of office buildings located in Oslo and Stockholm and shopping centres in Southern Norway.

Office properties and shopping centres in Norway:

When calculating fair value, Storebrand uses an internal cash flow model. Net cash flows for the individual property are discounted by an individual required rate of return. A future income and expense picture for the first 10 years has been estimated for the office properties and a final value has been calculated for the end of the 10th year based on market rent and normal operating costs for the property. In the net income stream, consideration has been made to existing and future loss of income due to vacancy, necessary investments and an assessment of the future development in the market rent. The majority of contracts have a duration of five or ten years. The cash flows from these lease agreements (contractual rent) are included in the valuations. To estimate the long-term, future non-contractual rental incomes, a forecasting model has been developed. The model is based on historical observations in Dagens Næringsliv's property index (adjusted by CPI) and market estimates. A long-term, time-weighted average of the annual observations is calculated in which the oldest observations are weighted with the lowest importance. For non-contractual rent in the short-term, the current rental prices and market situation are used.

An individual required rate of return is determined for each property. The required rate of return is viewed in connection with the related cash flow for the property. The knowledge available about the market's required rate of return, including transactions and appraisals, is used when determining the cash flow.

The required rate of return is divided into the following elements:

- Risk-free interest
- Risk premium, adjusted for:
    - Type of property
    - Location
    - Structural standard
    - Environmental standard
    - Duration of contract
    - Quality of tenant
    - Other factors such as transactions and perception in the market, vacancy and general knowledge about the market and the individual property.

External valuation:

For properties in Norwegian activities, a methodical approach is taken to a selection of properties that are to be externally valued each quarter such that all properties have had an external valuation at least every three years. In 2017, external valuations were obtained for properties worth NOK 14 billion (72 per cent of the portfolio's value as at 31 December 2017).

External valuations are obtained for properties in the Swedish business. Shopping centres and commercial premises are valued annually, while other wholly-owned property investments are valued on a quarterly basis.

STOREBRAND LIVSFORSIKRING GROUP

(NOK million)	Quoted prices (level 1)	Observable assumptions (level 2)	Non-observable assumptions (level 3)	Total fair value 2017	Fair value 2016
Assets					
Equities and units					
- Equities	22,135	430	750	23,316	21,935
- Units	135	124,966	7,679	132,780	107,584
Total equities and units 2017	**22,271**	**125,396**	**8,429**	**156,096**	
Total equities and units 2016	**20,614**	**99,803**	**9,101**		**129,518**
Total lending to customers [1)]			**5,104**	**5,104**	**2,346**
Bonds and other fixed income securities					
- Government bonds	23,617	23,844		47,460	46,095
- Corporate bonds	165	47,550	108	47,823	31,632
- Structured notes		81		81	29
- Collateralised securities		25,632		25,632	29,145
- Bond funds	9	39,013		39,023	57,604
Total bonds and other fixed income securities 2017	**23,792**	**136,119**	**108**	**160,019**	
Total bonds and other fixed income securities 2016	**22,952**	**141,305**	**249**		**164,506**
Derivatives:					
- Equity derivatives					
- Interest derivatives		2,742		2,742	3,225
- Currency derivatives		-751		-751	-657
- Credit derivatives					
Total derivatives 2017		**1,991**		**1,991**	**2,568**
- derivatives with a positive market value		3,868		3,868	4,553
- derivatives with a negative market value		-1,876		-1,876	-1,985
Total derivatives 2016		**2,568**			**2,568**
Real estate:					
- real estate at fair value			27,453	27,453	24,161
- real estate for own use			1,408	1,408	2,863
Total real estate 2017			**28,861**	**28,861**	
Total real estate 2016			**27,024**		**27,024**

Movements between quoted prices and observable assumptions

(NOK million)	From quoted prices to observable assumptions	From observable assumptions to quoted prices
Equities and units	6	18

Movements from level 1 to level 2 reflect reduced sales value in the relevant equities in the last measuring period.

On the other hand, movements from level 2 to level 1 indicate increased sales value in the relevant equities in the last measuring period.

Movement level 3

(NOK million)	Equities	Units	Loans to customers	Corporate bonds	Investment real estate	Real estate for own use
Book value 01.01	1,052	8,050	2,346	249	24,284	2,895
Net profit/loss	-31	749	-65	-36	376	69
Supply/disposal		725	3,047		4,056	168
Sales/overdue/settlement	-295	-1,974	-350	-115	-1,856	-2,239
Translation differences	23	129	128	11		
Other					593	514
Book value 31.12.17	**750**	**7,679**	**5,104**	**108**	**27,453**	**1,408**

As of 31.12.17, Storebrand Livsforsikring had NOK 3 069 million invested in Storebrand Eiendomsfond Norge KS and Ruseløkkveien 26, Oslo
The investment is classified as "Investment in Associated Companies" in the Consolidated Financial Statements.

STOREBRAND LIVSFORSIKRING AS

(NOK million)	Quoted prices (level 1)	Observable assumptions (level 2)	Non-observable assumptions (level 3)	Total fair value 2017	Fair value 2016
Assets					
Equities and units					
- Equities	18,512	179	488	19,179	17,879
- Fund units		38,956	5,300	44,256	32,330
Total equities and units 2017	**18,512**	**39,135**	**5,788**	**63,436**	
Total equities and units 2016	**17,121**	**26,784**	**6,305**		**50,210**
Bonds and other fixed income securities					
- Government bonds	12,569	9		12,578	11,512
- Corporate bonds		25,096	42	25,138	10,457
- Collateralised securities		7,792		7,792	5,907
- Bond funds		27,893		27,893	45,905
Total bonds and other fixed income securities 2017	**12,569**	**60,790**	**42**	**73,401**	
Total bonds and other fixed income securities 2016	**11,512**	**62,217**	**51**		**73,780**
Derivatives:					
- Interest derivatives		1,122		1,122	803
- Currency derivatives		-730		-730	-716
Total derivatives 2017		**392**		**392**	
- derivatives with a positive market value		1,399		1,399	
- derivatives with a negative market value		-1,007		-1,007	
Total derivatives 2016		**86**			**86**

Movements between quoted prices and observable assumptions

(NOK million)	From quoted prices to observable assumptions	From observable assumptions to quoted prices
Equities and units	6	17

Movements from level 1 to level 2 reflect reduced sales value in the relevant equities in the last measuring period.
On the other hand, movements from level 2 to level 1 indicate increased sales value in the relevant equities in the last measuring period.

Movement level 3

(NOK million)	Equities	Units	Corporate bonds
Book value 01.01	621	5,683	51
Net profit/loss	-31	565	-2
Supply/disposal	-102	-949	-7
Sales/overdue/settlement			
Book value 31.12.17	**488**	**5,300**	**42**

(NOK million)	Quoted prices (level 1)	Observable assumptions (level 2)	Non-observable assumptions (level 3)	Total fair value 2017	Fair value 2016	Book value 2017	Book value 2016
Financial assets							
Loans to customers - corporate		1	6,201	6,202	6,997	6,210	7,004
Loans to customers - retail			15,217	15,217	9,724	15,217	9,724
Bonds held to maturity		16,933		16,933	17,537	15,128	15,644
Bonds classified as loans and receivables		93,837		93,837	89,144	87,094	82,246
Total fair value 2017		**110,771**	**21,418**	**132,189**		**123,649**	
Total fair value 2016		**106,681**			**123,402**		**114,618**
Financial liabilities							
Subordinated loan capital		8,711		8,711	7,443	8,591	7,344
Total fair value 2017		**8,711**		**8,711**		**8,591**	
Total fair value 2016		**7,443**			**7,443**		**7,344**

SENSITIVITY OF FINANCIAL INSTRUMENTS AND PROPERTY AT FAIR VALUE

EQUITIES

It is primarily investments in forestry that are classified as equities at level 3. Forestry investments are characterised by, among other things, very long cash flow periods. There can be some uncertainty associated with future cash flows due to future income and costs growth, even though these assumptions are based on recognised sources. Nonetheless, valuations of forestry investments will be particularly sensitive to the discount rate used in the estimate. The company bases its valuation on external valuations. These utilise an estimated market-related required rate of return. As a reasonable alternative assumption with regard to the required rate of return used, a change in the discount rate of 0.25 per cent would result in an estimated change of around 5.7 per cent in value, depending on the maturity of the forest and other factors.

	Storebrand Livsforsikring Group Change in value at change in discount rate		Storebrand Livsforsikring AS Change in value at change in discount rate	
(NOK million)	Increase + 25 bp	Decrease - 25 bp	Increase + 25 bp	Decrease - 25 bp
Change in fair value as at 31.12.17	45	-43	-18	20
Change in fair value as at 31.12.16	44	-42	-20	22

FUND UNITS

Large portions of the portfolio are priced using comparable listed companies, while smaller portions of the portfolio are listed. The valuation of the private equity portfolio will thus be sensitive to fluctuations in global equity markets. The private equity portfolio has an estimated beta relative to MSCI World (Net – currency hedged to NOK) of around 0.5.

	Storebrand Livsforsikring Group		Storebrand Livsforsikring AS	
	Change MSCI World		Change MSCI World	
(NOK million)	Increase +10%	Decrease - 10%	Increase +10%	Decrease - 10%
Change in fair value as at 31.12.17	323	-323	245	-245
Change in fair value as at 31.12.16	349	-349	263	-263

The valuation of indirect property investments will be sensitive to a change in the required rate of return and the expected future cash flow. The indirect property investments are leveraged structures. The portfolio is leveraged 1 per cent on average.

	Storebrand Livsforsikring Group		Storebrand Livsforsikring AS	
	Change in indirect property investment		Change in indirect property investment	
(NOK million)	+ 10 %	- 10 %	+ 10 %	- 10 %
Change in fair value as at 31.12.17	19	-19	19	-19
Change in fair value as at 31.12.16	35	-35	35	-35

LOANS TO CUSTOMERS

Loans are measured at fair value. The value of these is determined by future cash flows are discounted with the corresponding swap curve adjusted for a customer-specific credit spread.

	Storebrand Livsforsikring Group		Storebrand Livsforsikring AS	
	Change in marketspread		Change in marketspread	
(NOK million)	Increase +10 bp	Decrease - 10 bp	Increase +10 bp	Decrease - 10 bp
Change in fair value as at 31.12.17	-17	17		
Change in fair value as at 31.12.16	-11	11		

CREDIT BONDS

Securities registered as corporate bonds at level 3 are typical microfinance funds, private equity debt funds and convertible bonds. They are not priced by a discount rate as bonds normally are, and therefore these investments are included in the same sensitivity test as private equity.

	Storebrand Livsforsikring Group		Storebrand Livsforsikring AS	
	Change MSCI World		Change MSCI World	
(NOK million)	Increase +10%	Decrease - 10%	Increase +10%	Decrease - 10%
Change in fair value as at 31.12.17	6	-6	2	-2
Change in fair value as at 31.12.16	12	-12	3	-3

REAL ESTATE

The sensitivity assessment for real estate includes both investments real estate and owner occupied real estate.
The valuation of property is particularly sensitive to a change in the required rate of return and the expected future cash flow. A change of 0.25 per cent in the required rate of return when everything else remains unchanged will result in a change in the value of Storebrand's real estate portfolio of approximately 4.8 per cent.

	Storebrand Livsforsikring Group		Storebrand Livsforsikring AS	
	Change in required rate of return		Change in required rate of return	
(NOK million)	0.25%	-0.25%	0.25%	-0.25%
Change in fair value as at 31.12.17	-1,317	1,459	-956	1,061
Change in fair value as at 31.12.16	-1,231	1,344	-1,002	1,108

Note 13 - Profit and Loss account by class of business

(NOK million)	Group pension private insurance	Group pension public insurance	Group life insurance	Endowment insurance	Annuity/ pension insurance	Non-life insurance
Premium income	13,562	181	737	2,256	482	311
Net income from financial assets – collective portfolio	8,643	150	86	175	487	23
Net income from financial assets with investment choice	7,229			555	415	
Other insurance related income	454	1	1	55	41	
Claims	-10,502	-297	-514	-1,194	-1,420	-157
– Of which agreements terminated/withdrawals from endowment policies	-136	-24		-699	-22	
Changes in insurance obligations recognised in the Profit and Loss account						
contractual obligations	-4,087	45	-85	158	699	12
Changes in insurance obligations recognised in the						
Profit and Loss account with investment choice	-13,218			-1,497	-518	
Funds allocated to insurance contracts						
contractual obligations	-407	-27		-104	-31	
Insurance related operating costs	-891	-37	-87	-191	-119	-84
Other insurance related costs	-137	-1	3	-3		-1
Technical result 2017	**647**	**15**	**141**	**211**	**37**	**105**
Technical result 2016	**665**	**-45**	**54**	**244**	**90**	**91**

(NOK million)	Storebrand Livsforsikring AS	BenCo	SPP	Storebrand Livsforsikring group
Premium income	17,529	182	7,865	25,577
Net income from financial assets – collective portfolio	9,564,6	710	2,972	13,200
Net income from financial assets with investment choice	8,199	-73	6,824	14,950
Other insurance related income	551	55	1,357	1,963
Claims	-14,084	-1,277	-8,858	-24,219
– Of which agreements terminated/withdrawals from endowment policies	-882		90	-792
Changes in insurance obligations recognised in the Profit and Loss account				
contractual obligations	-3,257	-3	456	-2,752
Changes in insurance obligations recognised in the				
Profit and Loss account with investment choice	-15,232	539	-8,980	-23,673
Funds allocated to insurance contracts				
contractual obligations	-568	2		-566
Insurance related operating costs	-1,409	-50	-936	-2,447
Other insurance related costs	-138	-58	-58	-254
Technical result 2017	**1,156**	**26**	**642**	**1,778**
Technical result 2016	**1,100**	**49**	**579**	**1,740**

ENDOWMENT INSURANCE

(NOK million)	Profit allocation	Not eligible for profit allocation	Investment choice	2017	2016
Premium income	235	444	1,576	2,256	2,345
Net income from financial assets – collective portfolio	113	63		175	177
Net income from financial assets with investment choice			555	555	195
Other insurance related income	1		54	55	40
Claims	-407	-157	-630	-1,194	-1,243
Changes in insurance obligations recognised in the Profit and Loss account					
contractual obligations	276	-115	-2	158	185
Changes in insurance obligations recognised in the					
Profit and Loss account with investment choice			-1,497	-1,497	-1,140
Funds allocated to insurance contracts					
contractual obligations	-104			-104	-140
Insurance related operating costs	-57	-99	-35	-191	-168
Other insurance related costs	-1	-2		-3	-5
Technical result	**56**	**134**	**21**	**211**	**244**

ANNUITY/PENSION INSURANCE

(NOK million)	Profit allocation	Investment choice	2017	2016
Premium income	23	459	482	203
Net income from financial assets – collective portfolio	487		487	539
Net income from financial assets with investment choice		415	415	167
Other insurance related income	2	38	41	37
Claims	-1,092	-328	-1,420	-1,426
Changes in insurance obligations recognised in the Profit and Loss account				
contractual obligations	700	-1	699	802
Changes in insurance obligations recognised in the				
Profit and Loss account with investment choice		-518	-518	-8
Funds allocated to insurance contracts				
contractual obligations	-31		-31	-119
Insurance related operating costs	-67	-52	-119	-104
Other insurance related costs				-1
Technical result	**23**	**14**	**37**	**90**

GROUP PENSION PRIVATE INSURANCE

(NOK million)	Company pension without investment choice	Paid-up policies without investment choice	Paid-up policies with investment choice	Company pension without profitsharing	Occupational pension without investment choice	Occupational pension with investment choice	Occupational pension without profitsharing
Premium income	2,884	-342	485		73	127	1,021
Net income from financial assets – collective portfolio	1,861	6,488			135		147
Net income from financial assets with investment choice			792			20	
Other insurance related income	11	27	58			1	3
Claims	-1,280	-4,968	-15		-481	-1	-30
Changes in insurance obligations recognised in the Profit and Loss account							
contractual obligations	-2,617	-749			307		-1,006
Changes in insurance obligations recognised in the							
Profit and Loss account with investment choice			-1,267			-146	
Funds allocated to insurance contracts							
contractual obligations	-280	-75	5		-14		-41
Insurance related operating costs	-208	-260	-43		-19		-111
Other insurance related costs	-89				-2		15
Technical result	**282**	**122**	**15**	**0**	**-0**	**1**	**-3**

(NOK million)	Defined contribution pension with investment choice	Pension capital certificate without investment choice	Pension capital certificate with investment choice	2017	2016
Premium income	8,865	70	380	13,562	13,521
Net income from financial assets – collective portfolio		11		8,643	7,567
Net income from financial assets with investment choice	4,117		2,300	7,229	3,540
Other insurance related income	191		164	454	375
Claims	-2,872	-54	-800	-10,502	-8,798
Changes in insurance obligations recognised in the Profit and Loss account					
contractual obligations		-23		-4087	-3,718
Changes in insurance obligations recognised in the					
Profit and Loss account with investment choice	-10,061		-1,744	-13,218	-10,108
Funds allocated to insurance contracts					
contractual obligations		-2		-407	-494
Insurance related operating costs	-179		-72	-891	-881
Other insurance related costs	-60			-137	-339
Technical result	**1**	**2**	**228**	**647**	**665**

Group pension public insurance

(NOK million)	Defined benefit without investment choice	2017	2016
Premium income	181	181	224
Net income from financial assets – collective portfolio	150	150	129
Other insurance related income	1	1	1
Claims	-297	-297	-1,947
Changes in insurance obligations recognised in the Profit and Loss account			
Contractual obligations	45	45	1,642
Funds allocated to insurance contracts			
Contractual obligations	-27	-27	-8
Insurance related operating costs	-37	-37	-74
Other insurance related costs	-1	-1	-13
Technical result	**15**	**15**	**-45**

Note 14 - Profit analysis by class of insurance

(NOK million)	Group pension private insurance	Group pension public insurance	Group life insurance	Endowment insurance	Annuity/ pension insurance	Non-life insurance	Storebrand Livsforsikring AS 2017	Storebrand Livsforsikring AS 2016	BenCo 2017	SPP 2017	Storebrand Livsforsikring group 2017	Storebrand Livsforsikring group 2016
Financial income [1]	14,789	137	101	744	942	27	16,740	14,240	510	2,990	20,193	17,081
Guaranteed yield	-12,350	-66	-26	-711	-816	-12	-13,981	-9,887	-528	-2,921	-17,430	-12,627
- of which transferred to premium fund	-23						-23	-11	-76	-2,216	-2,315	-2,396
Investment result before drawing on buffer capital	2,439	70	75	33	126	15	2,759	4,354	-18	69	2,763	4,285
To/from additional statutory reserves and buffer capital												169
Investment result after drawing on additional statutory reserves	**2,439**	**70**	**75**	**33**	**126**	**15**	**2,759**	**4,354**	**-18**	**69**	**2,763**	**4,454**
Risk premium	360	-4	679	588	-91	273	1,805	1,925		323	2,128	2,287
Risk addition [1]	-363	4	-590	-251	140	-143	-1,203	-1,462	4	-165	-1,364	-1,758
Net reinsurance etc. [1]	12		-5	-1		-6	1	-76		-2	-1	-79
Risk result	**10**	**1**	**85**	**336**	**48**	**124**	604	386	**3**	**156**	**763**	**450**
Administration premium [1]	1,196	32	69	166	118	50	1,630	1,554	88	1,352	3,070	3,106
Operating expenses	-891	-37	-87	-191	-119	-84	-1,409	-1,368	-48	-935	-2,392	-2,445
Administration result	305	-5	-18	-25	-1	-34	222	186	39	417	678	660
Other results	-3						-3	-68			-2	-65
Premium for guaranteed interest	265	14					279	342			279	342
Risk profit	60	5					65	106			65	106
Gross result for sector	**3,075**	**86**	**141**	**345**	**173**	**105**	**3,925**	**5,306**	**25**	**642**	**4,547**	**5,947**
Investment result and risk result to policyholders	-2,402	-71		-134	-136		-2,742	-4,122			-2,742	-4,122
Owners contribution to strengthen the longevity reserve	-26						-26	-85	2		-26	-85
Covered by the risk equalisation fund												
Profit for the year	**647**	**15**	**141**	**211**	**37**	**105**	**1,156**	**1,100**	**26**	**642**	**1,778**	**1,741**

1) The items other insurance-related income (in note 19) and other insurance-related costs (in note 25) are allocated in accordance with their purpose.

ENDOWMENT INSURANCE

(NOK million)	Profit allocation Policy-holders	Profit allocation Ow-ner	Not eligible for profit allocation Policy-holders	Not eligible for profit allocation Owner	Investment choice Policy-holders	Investment choice Owner	2017 Policy-holders	2017 Owner	2016 Policy-holders	2016 Owner
Administration result	-2			-44		21	-2	-23	1	-16
Investment result	26			7			26	7	64	30
Risk result	165			171			165	171	172	154
Profit allocation	-56	56					-56	56	-76	76
To/from additional statutory reserves and buffer capital										
Other									-5	
Technical result	**134**	**56**	**0**	**134**	**0**	**21**	**134**	**211**	**156**	**244**

ANNUITY/PENSION INSURANCE

(NOK million)	Profit allocation Policy-holders	Profit allocation Owner	Investment choice Policy-holders	Investment choice Owner	2017 Policy-holders	2017 Owner	2016 Policy-holders	2016 Owner
Administration result	-16			14	-16	14	-9	21
Investment result	126				126		341	
Risk result	48				48		54	
Profit allocation	-23	23			-23	23	-70	70
To/from additional statutory reserves and buffer capital								
Other							-1	
Technical result	**136**	**23**	**0**	**14**	**136**	**37**	**315**	**90**

GROUP PENSION PRIVATE INSURANCE

(NOK million)	Company pension without investment choice Policy-hol-ders	Company pension without investment choice Owner	Paid-up policies without invest-ment choice Policy-holders	Paid-up policies without invest-ment choice Ow-ner	Paid-up policies with investment choice Policy-holders	Paid-up policies with investment choice Owner	Company pension without profitsharing Policy-holders	Company pension without profitsharing Owner	Occupational pension without investment choice Policy-holders	Occupational pension without investment choice Owner	Occupational pension with investment choice Policy-holders	Occupational pension with investment choice Owner
Administration result		-25		120		15				-9		1
Investment result	822	2	1 549	-11					31			
Risk result					-5							
Premium for guaranteed interest and risk profit		305								8		
Profit allocation			-12	12								
To/from additional statu-tory reserves and buffer capital												
Other			-3									
Technical result	**822**	**282**	**1 534**	**122**	**-5**	**15**	**0**	**0**	**32**	**0**	**0**	**1**

GROUP PENSION PRIVATE INSURANCE

(NOK million)	Occupational pension without profitsharing		Defined contribution pension with investment choice		Pension capital certificate without investment choice		Pension capital certificate with investment choice		2017		2016	
	Policyholders	Owner	Policyholders	Owner	Policyholders	Owner	Policyholders	Owner	Policyholders	Owner	Policyholders	Owner
Administration result		-28		1		2		228		305		255
Investment result	44				2				2,448	-9	3,650	120
Risk result		13							-4	14	1	-74
Premium for guaranteed interest and risk profit		12								325		427
Profit allocation									-12	12	-29	29
To/from additional statutory reserves and buffer capital												
Other									-3		40	-92
Technical result	**44**	**-3**	**0**	**1**	**2**	**2**	**0**	**228**	**2,428**	**647**	**3,662**	**665**

GROUP PENSION PUBLIC INSURANCEW

(NOK million)	Defined benefit without investment choice		2017		2016	
	Policyholders	Owner	Policyholders	Owner	Policyholders	Owner
Administration result		-5		-5		-66
Investment result	70		70		84	
Premium for guaranteed interest and risk profit						
Profit allocation		20		20		22
To/from additional statutory reserves and buffer capital						
Other						
Technical result					-11	
Resultat av teknisk regnskap	**71**	**15**	**71**	**15**	**73**	**-45**

Note 15 - Sales of insurance (new business)

(NOK million)	Group pension private insurance	Group life insurance	Endowment insurance	Annuity/ pension insurance	Non-life insurance	Storebrand Livs-forsikring Group	Storebrand Livsforsikring AS
2017	148		3	1,407	283	7	1,848
2016	260		2	1,227	3	10	1,502

Sales consist of new and additional sales, with deductions for policies where the first premium has not been paid. Premium reserves transferred to the company (note 16) are not included in these figures.

Note 16 - Transfers of insurance reserves

					Storebrand Livsforsikring AS	
(NOK million)	Group pension private insurance	Group pension public insurance	Endowment insurance	Annuity/ pension insurance	2017	2016
Funds received						
Premium reserve	1,063		6	134	1,203	806
Additional statutory reserves	-15				-15	2
Transfers of premium reserve etc.	**1,048**	**0**	**6**	**134**	**1,188**	**807**
Premium funds					0	0
Number of policies/customers	6,593	0	69	397	7,059	5,151
Funds transferred out						
Premium reserve	-3,574	-165	-33	-21	-3,793	-4,030
Additional statutory reserves	-18	-11	-1		-30	-118
Value adjustment fund	-5				-6	-21
Transfers of premium reserve etc.	**-3,597**	**-175**	**-34**	**-22**	**-3,829**	**-4,170**
Premium funds	-62	-58			-120	-120
Number of policies/customers	-9,557	-48	-158	-307	-10,070	6,650

Note 17 - Net financial income

(NOK million)	Storebrand Livsforsikring Group 2017	2016	Storebrand Livsforsikring AS 2017	2016
Interest lending	568	306	468	290
Interest bank	24	41	12	20
Interest bonds and other fixed-income securities at fair value	3,082	3,265	2,203	2,362
Interest bonds amortised cost	4,056	4,035	4,056	4,035
Interest derivatives	1,322	898	149	60
Interest income other	-454	-250	-355	-261
Equity dividends	495	990	428	370
Total interest income and equity dividends etc. financial assets	**9,091**	**9,284**	**6,961**	**6,876**
Revaluation of real estate	1,474	1,314		
Revaluation of equities	13,735	7,944	6,209	1,493
Revaluation bonds and other fixed-income securities	-2,010	-269	-1,791	-611
Revaluation derivatives	-678	1,027	64	-277
Revaluation loans	-12	2		
Total revaluation on investments	**12,510**	**10,018**	**4,482**	**605**
Profit on equities	2,687	2,467	2,353	1,936
Profit on bonds and other fixed-income securities at fair value	2,349	1,715	1,561	910
Profits on derivatives	397	509	5	943
Profit on bonds at amortised cost	319	331	319	331
Profit on other investments	124	-8	96	-1
Currency gains, equities	-49	221	148	
Currency gains, bonds and other fixed-income securities	89	-805	59	-999
Currency gains, derivatives	-95	214	-31	845
Currency gains, bonds at amortised cost	17	-57	17	-57
Currency gains, other	10	-37	9	76
Total gains and losses on financial assets	**5,850**	**4,550**	**4,538**	**3,984**
Interest costs subordinated loans	-452	-390	-437	-373
Total interest costs	**-452**	**-390**	**-437**	**-373**

Note 18 - Net income from real estate

(NOK million)	Storebrand Livsforsikring Group 2017	2016
Rent income from real estate [1]	1,376	1,282
Operating costs (including maintenance and repairs) relating to real estate that have provided rent income during the period [2]	-294	-292
Total	**1,082**	**990**
Change in fair value	1,474	1,314
Total income real estate	**2,556**	**2,304**
1) Of which real estate for own use	184	181
2) Of which real estate for own use	-40	-42

Note 19 - Other insurance related income

	Storebrand Livsforsikring Group		Storebrand Livsforsikring AS	
(NOK million)	2017	2016	2017	2016
Interest income insurance	2	8	2	4
Management fee	925	913		
Other insurance relates fees	27	125		
Indexing fees	7	3		
Return commissions	847	706	531	437
Other income	156	370	18	13
Total other insurance related income	**1,963**	**2,126**	**551**	**454**

Note 20 - Other income

	Storebrand Livsforsikring Group		Storebrand Livsforsikring AS	
(NOK million)	2017	2016	2017	2016
Interest income on management bank deposits	7	14	6	14
Revenue from companies other than insurance	134	241		
Other income	39	29	10	11
Total other income	**179**	**284**	**16**	**24**

Note 21 - Sales cost

	Storebrand Livsforsikring Group		Storebrand Livsforsikring AS	
(NOK million)	2017	2016	2017	2016
Salaries and personnel costs own sales resources	-325	-362	-190	-220
Other sales costs own resources	-232	-189	-79	-46
Commissions to external distributors	-169	-155	-14	-12
Total sales costs	**-726**	**-706**	**-283**	**-278**
Change in deferred acquisition costs	-8	1		

Note 22 - Pension costs and pension liabilities

STOREBRAND LIVSFORSIKRING GROUP

Storebrand Group has country-specific pension schemes.

Storebrand's employees in Norway have a defined-contribution pension scheme. In a defined-contribution scheme, the company allocates an agreed contribution to a pension account. The future pension depends upon the amount of the contributions and the return on the pension account. When the contributions have been paid, the company has no further payment obligations relating to the defined-contribution pension and the payment to the pension account is charged as an expense on an ongoing basis. For regulatory reasons, there can be no savings in the defined-contribution pension for salaries that exceed 12G (G = National Insurance Scheme basic amount). Storebrand has pension savings in the savings product Extra Pension for employees with salaries exceeding 12G.

The premiums and content of the defined-contribution pension scheme are as follows:
– Saving starts from the first krone of salary.
– Savings rate of 7 per cent of salary from 0 to 12 G (the National Insurance basic amount "G" was NOK 93,634 at 31 December 2017)
– In addition, 13 per cent of salary between 7.1 and 12 G is saved.
– Savings rate for salary over 12 G is 20 per cent

Employees and former employees who had salaries in excess of 12G until 31 December 2014 were offered a cash redemption option for their accrued rights with payment at the start of 2015. For employees who were a part of the executive management team, these payments were distributed over 5 years.

The Norwegian companies participate in the Joint Scheme for Collective Agreement Pensions (AFP). The private AFP scheme provides a lifelong supplement to an ordinary pension and is a multi-employer pension scheme, but there is no reliable information available for inclusion of this liability on the statement of financial position. The scheme is financed by means of an annual premium that is defined as a percentage of salaries from 1 G to 7.1 G, and the premium rate was 2.5 % in 2017. Storebrand employees in Norway who were born before 1 January 1956 can choose between drawing an AFP scheme pension or retiring at the age of 65 and receiving a direct pension from the company until they reach the age of 67. Employees can choose to receive benefits from the AFP scheme from the age of 62 and still continue to work.

Employees who were on sick leave and partiality disabled during the transition to the defined-contribution pension, remain in the defined-benefit pension scheme. There are also pension liabilities for the defined-benefit scheme related to direct pensions for certain former employees and former board members.

The pension plan for employees at SPP in Sweden follows the plan for bank employees in Sweden (BTP).

SPP has a defined-contribution occupational pension known as BTP1. All new employees were enrolled in this pension agreement from and including 1 January 2014. In BTP1, the employer pays a premium for pension savings that is calculated based on pensionable salary up to 30 times the ”basic income amount” (inkomstbasbelopp). The insurance includes retirement pension with or without mortality inheritance, disability pension and children's pension. The premium is calculated independently of age and is calculated primarily based on the monthly salary. The premium is paid monthly in two parts, a fixed part that is 2.5 per cent of the pensionable salary up to and including 7.5 times the "basic income amount". The optional part of the premium is 2 per cent of salary up to and including 7.5 times the "basic income amount" and 30 per cent of salary between 7.5 and 30 times the "basic income amount".

The pension in the BTP2 agreement (defined-benefit occupational pension that is a closed scheme) amounts to 10 per cent of the annual salary up to 7.5 times the "basic income amount" (which was SEK 61,500 in 2016 7nd will be SEK 62.500 in 2018), 65 per cent of salary in the interval from 7.5 to 20, and 32.5 per cent in the interval from 20 to 30. No retirement pension is paid for the portion of salary in excess of 30 times the ”basic income amount". Full pension entitlement is reached after 30 years of membership in the pension scheme. In addition to the defined-benefit part, the BTP plan has a smaller defined-contribution component. Here the employees can decide themselves how assets are to be invested (traditional insurance or unit-linked insurance). The defined-contribution part is 2 per cent of the annual salary.

The ordinary retirement age is 65 in accordance with the pension agreement between the Employer's Association of the Swedish Banking Institutions (BAO) and the trade unions that are part of BTP.

The retirement age for SPP's CEO is 65 years. The CEO is covered by BTP1. In addition, the CEO has a defined-contribution based additional pension with SPP. The premium for this insurance is 20 per cent of salary that exceeds 30 times the "basic income amount".

The pension for the employees at Nordben Life and Pension Insurance Company LTD and Euroben Life and Pension LTD is covered by a defined-contribution scheme. In addition, the employees of Nordben are covered by a lump sum upon death during their period of service.

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

(NOK million)	2017	2016
Present value of insured pension liabilities	953	893
Fair value of pension assets	-879	-867
Net pension liabilities/assets insured scheme	**75**	**26**
Present value of unsecured liabilities	66	70
Net pension liabilities recognised in statement of financial position	**140**	**96**

A pension asset of NOK 3 million is classified as other assets.

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

BOOKED IN STATEMENT OF FINANCIAL POSITION:

(NOK million)	2017	2016
Pension assets	3	2
Pension liabilities	143	98

CHANGES IN THE NET DEFINED BENEFIT PENSION LIABILITIES IN THE PERIOD

(NOK million)	2017	2016
Net pension liabilities 01.01	962	1,140
Pensions earned in the period	16	27
Pension cost recognised in period	26	32
Estimate deviations	32	63
Gain/loss on insurance reductions		-121
Pensions paid	-60	-56
Changes to pension scheme		-45
Pension liabilities additions/disposals and currency adjustments	43	-73
Payroll tax of employer contribution, assets		-4
Net pension liabilities 31.12	**1,019**	**963**

CHANGES IN THE FAIR VALUE OF PENSION ASSETS

(NOK million)	2017	2016
Pension assets at fair value 01.01	867	923
Expected return	25	28
Estimate deviation	-61	-18
Gain/loss on insurance reductions		
Premiums paid	29	70
Pensions paid	-31	-28
Changes to pension scheme		-43
Pension liabilities additions/disposals and currency adjustments	51	-61
Payroll tax of employer contribution, assets		-4
Net pension assets 31.12	**879**	**867**

Expected premium payments (pension assets) in 2018	26
Expected premium payments (contributions) in 2018	129
Expected AFP early retirement scheme payments in 2018	11
Expected payments from operations (uninsured scheme) in 2018	46

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

	Storebrand Livsforsikring AS		SPP Pension & Försäkring AB	
(NOK million)	2017	2016	2017	2016
Real estate at fair value	12 %	15 %	11 %	8 %
Bonds at amortised cost	32 %	40 %		
Loans at amortised cost	12 %	6 %		
Equities and units at fair value	15 %	12 %	8 %	6 %
Bonds at fair value	27 %	27 %	81 %	86 %
Other short-term financial assets	0 %	0 %		
Total	**100 %**	**100 %**	**100 %**	**100 %**
Realised return on assets	4.9 %	6.4 %	3.7 %	5.4 %

The table shows the percentage asset allocation of pension assets at year-end managed by Storebrand Livsforsikring and SPP Pension & Försäkring AB.
Financial instruments are measured at three different levels. Allocation of the different classes of financial instruments at levels are shown in note 12.

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

(NOK million)	2017	2016
Current service cost	16	26
Net interest cost/expected return	2	4
Changes to pension scheme		-123
Total for defined benefit schemes	**17**	**-92**
The period's payment to contribution scheme	103	125
The period's payment to contractual pension	10	12
Net pension cost recognised in profit and loss account in the period	**130**	**44**

OTHER COMPREHENSIVE INCOME (OCI) IN THE PERIOD

(NOK million)	2017	2016
Actuarial loss (gain) - change in discount rate	95	100
Actuarial loss (gain) - change in other financial assumptions	-10	-2
Actuarial loss (gain) - experience DBO	-53	-34
Loss (gain) - experience Assets	61	16
Investment management cost		2
Remeasurements loss (gain) in the period	**94**	**82**

MAIN ASSUMPTIONS USED WHEN CALCULATING NET PENSION LIAILITY 31.12:

	Storebrand Livsforsikring AS		SPP Pension & Försäkring AB	
(NOK million)	2017	2016	2017	2016
Discount rate	2.6 %	2.3 %	2.3 %	2.8 %
Expected earnings growth	2.25 %	2.00 %	3.5 %	3.5 %
Expected annual increase in social security pensions	2.25 %	2.00 %	3.0 %	3.0 %
Expected annual increase in pensions payment	0.00 %	0.00 %	2.0 %	2.0 %
Disability table	KU	KU		
Mortality table	K2013BE	K2013BE	DUS14	DUS14

FINANCIAL ASSUMPTIONS:
The financial assumptions have been determined on the basis of the regulations in IAS 19. Long-term assumptions such as future inflation, real interest rates, real wage growth and adjustment of the basic amount are subject to a particularly high degree of uncertainty.

In Norway, a discount rate based on covered bonds is used. Based on the market and volume trends observed, the Norwegian covered bond market must be perceived as a deep market.

Specific company conditions including expected direct wage growth are taken into account when determining the financial assumptions.

ACTUARIAL ASSUMPTIONS:
In Norway standardised assumptions on rates of mortality and disability as well as other demographic factors are prepared by Finance Norway. With effect from 2014 a new mortality basis, K2013, has been introduced for group pension insurance in life insurance companies and pension funds. Storebrand has used the mortality table K2013BE (best estimate) in the actuarial calculations at 31 December 2017.

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

SENSITIVITY ANALYSIS PENSION CALCULATIONS
Storebrand's risk associated with the pension scheme relates to the changes in the financial and actuarial assumptions that must be used in the calculations and the actual return on the pension funds. The pension liabilities are particularly sensitive to changes in the discount rate. A reduction of the discount rate will in isolation entail an increase in pension liabilities. For the Norwegian companies that have converted to defined contribution pensions as of 1 January 2015, the sensitivity has not been calculated, and the figures below illustrate the sensitivity for the Swedish companies.

The following estimates are based on facts and circumstances as of 31 December 2017, and are calculated for each individual when all other assumptions are kept constant.

Sweden	Discount rate		Expected earnings growth		Expected annual increase in pensions payment	Mortality - change in expected life expectancy	
	1.0 %	-1.0 %	1.0 %	-1.0 %	1.0 %	+1 YEAR	-1 YEAR
Percentage change in pension:							
Pension liabilities	-16 %	25 %	1 %	-5 %	15 %	4 %	-4 %
The period's net pension costs	-26 %	25 %	4 %	-14 %	10 %	-2 %	-9 %

STOREBRAND LIVSFORSIKRING AS

Storebrand Group has country-specific pension schemes.

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The premiums and content of the defined-contribution pension scheme are as follows:
– Saving starts from the first krone of salary.
– Savings rate of 7 per cent of salary from 0 to 12 G (the National Insurance basic amount "G" was NOK 93,634 at 31 December 2017)
– In addition, 13 per cent of salary between 7.1 and 12 G is saved.
– Savings rate for salary over 12 G is 20 per cent.

Employees and former employees who had salaries in excess of 12G until 31 December 2014 were offered a cash redemption option for their accrued rights with payment at the start of 2015. For employees who were a part of the executive management team, these payments were distributed over 5 years.

The Norwegian companies participate in the Joint Scheme for Collective Agreement Pensions (AFP). The private AFP scheme provides a lifelong supplement to an ordinary pension and is a multi-employer pension scheme, but there is no reliable information available for inclusion of this liability on the statement of financial position. The scheme is financed by means of an annual premium that is defined as a percentage of salaries from 1 G to 7.1 G, and the premium rate was 2.5 % in 2017. Storebrand employees in Norway who were born before 1 January 1956 can choose between drawing an AFP scheme pension or retiring at the age of 65 and receiving a direct pension from the company until they reach the age of 67. Employees can choose to receive benefits from the AFP scheme from the age of 62 and still continue to work.

Employees who were on sick leave and partiality disabled during the transition to the defined-contribution pension, remain in the defined-benefit pension scheme. There are also pension liabilities for the defined-benefit scheme related to direct pensions for certain former employees and former board members.

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

(NOK million)	2017	2016
Present value of insured pension liabilities	27	93
Fair value of pension assets	-48	-101
Net pension liabilities/assets insured scheme	**-21**	**-8**
Present value of unsecured liabilities	63	67
Net pension liabilities recognised in statement of financial position	**42**	**59**

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

BOOKED IN STATEMENT OF FINANCIAL POSITION

(NOK million)	2017	2016
Pension liabilities	42	59

CHANGES IN THE NET DEFINED BENEFIT PENSION LIABILITIES IN THE PERIOD

(NOK million)	2017	2016
Net pension liabilities 01.01	160	354
Pensions earned in the period	2	13
Pension cost recognised in period	3	7
Estimate deviations	-45	-35
Gain/loss on insurance reductions		-116
Pensions paid	-30	-29
Changes to pension scheme		-31
Payroll tax of employer contribution, assets		-4
Net pension liabilities 31.12	**90**	**160**

CHANGES IN THE FAIR VALUE OF PENSION ASSETS

(NOK million)	2017	2016
Pension assets at fair value 01.01	101	158
Expected return	2	3
Estimate deviation	-53	-52
Premiums paid		31
Pensions paid	-3	-4
Changes to pension scheme		-31
Payroll tax of employer contribution, assets		-4
Net pension assets 31.12	**48**	**101**

Expected premium payments (pension assets) in 2018	1.0
Expected premium payments (contributions) in 2018	54.2
Expected AFP early retirement scheme payments in 2018	9.2
Expected payments from operations (uninsured scheme) in 2018	19.3

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

	Storebrand Livsforsikring AS	
	2017	2016
Real estate at fair value	12 %	15 %
Bonds at amortised cost	32 %	40 %
Loans at amortised cost	12 %	6 %
Equities and units at fair value	15 %	12 %
Bonds at fair value	27 %	27 %
Other short-term financial assets	0 %	0 %
Total	**100 %**	**100 %**
Realised return on assets	4,9 %	6,4 %

The table shows the percentage asset allocation of pension assets at year-end managed by Storebrand Livsforsikring.

Financial instruments are measured at three different levels. Allocation of the different classes of financial instruments at levels are shown in note 12.

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

(NOK million)	2017	2016
Current service cost	2	13
Net interest cost/expected return	1	4
Changes to pension scheme		-116
Total for defined benefit schemes	**3**	**-99**
The period's payment to contribution scheme	68	57
The period's payment to contractual pension	10	11
Net pension cost recognised in profit and loss account in the period	**81**	**-32**

AOTHER COMPREHENSIVE INCOME (OCI) IN THE PERIOD

(NOK million)	2017	2016
Actuarial loss (gain) - experience DBO	-45	-35
Loss (gain) - experience Assets	53	50
Investment management cost		2
Remeasurements loss (gain) in the period	**7**	**18**

MAIN ASSUMPTION USED WHEN CALCULATING NET PENSION LIABILITY 31.12:

(NOK million)	2017	2016
Discount rate	2.6 %	2.3 %
Expected earnings growth	2.25 %	2.00 %
Expected annual increase in social security pensions	2.25 %	2.00 %
Disability table	KU	KU
Mortality table	K2013BE	K2013BE

FINANCIAL ASSUMPTIONS:
The financial assumptions have been determined on the basis of the regulations in IAS 19. Long-term assumptions such as future inflation, real interest rates, real wage growth and adjustment of the basic amount are subject to a particularly high degree of uncertainty.

In Norway, a discount rate based on covered bonds is used. Based on the market and volume trends observed, the Norwegian covered bond market must be perceived as a deep market.

Specific company conditions including expected direct wage growth are taken into account when determining the financial assumptions.

ACTUARIAL ASSUMPTIONS:
In Norway standardised assumptions on rates of mortality and disability as well as other demographic factors are prepared by Finance Norway. With effect from 2014 a new mortality basis, K2013, has been introduced for group pension insurance in life insurance companies and pension funds. Storebrand has used the mortality table K2013BE (best estimate) in the actuarial calculations at 31 December 2017.

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

For the Norwegian companies that have converted to defined contribution pensions as of 1 January 2015, the sensitivity has not been calculated.

Note 23 - Remuneration of senior employees and elected officers of company

Geir Holmgren is CEO of Storebrand Livsforsikring AS. He has a guaranteed salary for 12 months after the ordinary period of notice. All work-related income including consulting assignments will be deducted. He has an agreement on a performance-related bonus which is linked to the Group's value-based management system (see item 1 below).

The company has no obligations towards the Chairman of the Board in the event of resignation or change of succession. The company pays management liability insurance for its board members.

Storebrand has set up a bonus scheme for employees. The bonus scheme is linked to the company's value creation as well as individual performances.

NOK thousand	Ordinary salary [1]	Other benefits [2]	Total remuneration for the year	Pension accrued for the year	Post termination salary (months)	Loan [3]	No. of shares owned [4]
Geir Holmgren	4,335	215	4,550	692	12	6,774	39,283
Lars Aa. Løddesøl	4,819	214	5,033	863	18	8,997	70,144
Heidi Skaaret	4,391	198	4,589	688	12	3,481	38,014
Jostein Chr. Dalland	2,757	148	2,904	483	12		9,959
Wenche Annie Martinussen	2,751	169	2,920	386	12	7,850	7,227
Staffan Hansèn	4,762	17	4,780	1,066	12		37,788
Jan Erik Saugestad	4,901	164	5,065	878	12	1,200	32,882
Total 2017	**28,716**	**1,125**	**29,841**	**5,056**		**28,302**	**235,297**
Total 2016	31,081	1,271	32,352	6,187		23,353	246,814

1) A proportion of the executive management's fixed salary will be linked to the purchase of physical STB shares with a lock-in period of three years. The purchase of shares will take place once a year.

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

3) Employees can borrow up to NOK 3,5 million with subsidised rates while excess loanamount hold market rate. From 2018 the amount has increased to NOK 7 million.

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

NOK thousand	Remuneration	No. of shares owned [1]	Loan [2]
Board of Directors			
Odd Arild Grefstad		114,486	3,508
Bodil Catherine Valvik	157	500	3,045
Jan Otto Risebrobakken		6,802	6,091
Tove Margrete Storrødvann	86		
Peik Norenberg	210		
Erik Haug Hansen	53	6,917	1,500
Hans Henrik Klouman	210		
Sigurd Nilsen Ribu	104	500	4,002
Vibeke Hammer Madsen	124		
Total 2017	**944**	**129,205**	**18,146**
Total 2016	935	105,321	14,934

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

2) Loan up to NOK 3.5 million hold ordinary employee terms while excess loan amount hold market rate. From 2018 the amount has increased to NOK 7 million.

Loans to Storebrand Livsforsikring group employees totalled NOK 1 187 million.

Note 24 - Remuneration paid to auditors

The remuneration paid to Deloitte AS and coadjutant companies amounts to:

	Storebrand Livsforsikring Group		Storebrand Livsforsikring AS	
(NOK million)	2017	2016	2017	2016
Statutory audit	-7.4	-9.3	-2.1	-3.0
Other reporting duties	-0.2	-0.9		
Tax advice	-0.4	-1.2	-0.3	-0.6
Other non-audit services	-0.2	-0.4	-0.1	
Total remuneration to auditors	**-8.2**	**-11.8**	**-2.6**	**-3.7**

The amounts are excluding VAT.

Note 25 - Other insurance related expenses

	Storebrand Livsforsikring Group		Storebrand Livsforsikring AS	
(NOK million)	2017	2016	2017	2016
Pooling	6	-60	19	-59
Interest cost for insurance	-38	-37	-38	-37
Management fee discount		-46		-46
Yield tax	-3	-5		-1
Losses on policyholders	-119	-38	-119	-38
Other expenses	-100	-36		-2
Total other insurance related expenses	**-254**	**-222**	**-138**	**-182**

Note 26 - Other costs

	Storebrand Livsforsikring Group		Storebrand Livsforsikring AS	
(NOK million)	2017	2016	2017	2016
Borrowing costs	-452	-390	-437	-373
Amortisation of intangible assets	-391	-396		
Other costs	-83		-29	-15
Operational costs - non insurance	-101	-260		
Total other costs	**-1 027**	**-1047**	**-466**	**-388**

Note 27 - Tax

	Storebrand Livsforsikring Group		Storebrand Livsforsikring AS	
(NOK million)	2017	2016	2017	2016
Tax payable	19	-1		
Deferred tax	184	-195	210	-205
Total tax charge	**204**	**-196**	**210**	**-205**

RECONCILIATION OF EXPECTED AND ACTUAL TAX COST

	Storebrand Livsforsikring Group		Storebrand Livsforsikring AS	
(NOK million)	2017	2016	2017	2016
Ordinary pre-tax profit	1,601	1,692	1,460	1,459
Expected income tax at nominal rate	-400	-423	-365	-365
Tax effect of				
realised/unrealised shares	109	-108	4	-651
share dividends received	142	-45	120	565
associated companies	3	4		
permanent differences	437	309	545	179
recognition/write-down of tax assets				
change in tax rate	104	111	97	111
Changes from previous years	-190	-44	-190	-44
Total tax charge	**204**	**-196**	**210**	**-205**
Effective tax rate [1]	-13 %	12 %	-14 %	14 %

CALCULATION OF DEFERRED TAX ASSETS AND DEFERRED TAX ON TEMPORARY DIFFERENCES AND LOSSES CARRIED FORWARD

	Storebrand Livsforsikring Group		Storebrand Livsforsikring AS	
(NOK million)	2017	2016	2017	2016
Tax-increasing temporary differences				
Securities	15,160	9,769	15,160	9,769
Real estate [2]	10,452	11,062	10,452	11,062
Fixed assets	8	153		
Other	593	980	157	157
Total tax-increasing temporary differences	**26,212**	**21,964**	**25,769**	**20,988**
Tax-reducing temporary differences				
Operating assets	-15	-14	-13	-12
Provisions	-10,657	-6,860	-10,650	-6,835
Accrued pension liabilities	-43	-60	-42	-59
Gain-/loss account	-6	-7	-5	-7
Other	-69		-69	
Total tax-reducing temporary differences	**-10,790**	**-6,941**	**-10,778**	**-6,913**
Carry forward losses	-16,142	-14,932	-15,685	-14,333
Total tax loss and assets carried forward	**-16,142**	**-14,932**	**-15,685**	**-14,333**
Basis for net deferred tax and tax assets	**-720**	**91**	**-694**	**-257**
Net deferred tax assets/liabilities in balance sheet [3]	**-391**	**-137**	**-381**	**-175**
Recognised in balance sheet				
Deferred tax assets	486	312	381	175
Deferred tax	95	175		

1) During the year, property shares were sold (covered by the exemption method) which resulted in a reduction in tax-increasing temporary differences and related allocations for deferred tax being reversed.

The equity includes a risk equalisation reserve, and tax deductions related to the build-up of this reserve are treated as a permanent difference between the financial and tax accounts (see further information on this under "Reconciliation of the Group's equity"). Use of the fund will, in isolation, entail a higher effective tax rate.

The effective tax rate is also affected by the fact that the Group has operations in countries with tax rates that are different from Norway (25 per cent). In addition, the income tax expense is also influenced by tax effects relating to previous years.

2) The Group's tax-increasing temporary differences also include temporary differences linked to the Group's investment properties. These properties are primarily found in the Norwegian life insurance company's customer portfolio and in companies that are owned by holding companies, which in turn are owned by Storebrand Livsforsikring AS. If these limited companies that own the properties were to be sold, they could be disposed of practically tax-free. The tax-increasing temporary differences related to the difference between the fair value and taxable value of investment properties that have arisen during the period of ownership (around NOK 10.5 billion), are included in the Group's temporary differences, on which deferred tax is calculated at a nominal tax rate of 23 per cent. In accordance with IAS 12, no provisions have been set aside for deferred tax related to temporary differences that existed when companies were acquired and the transaction was not defined as a business transfer (basis of around NOK 0.8 billion).

3) In December 2017, the Norwegian Parliament (Storting) agreed to reduce the company tax rate from 24 to 23 per cent with effect from 1 January 2018. It was also agreed to keep the rate at 25 per cent for companies subject to the financial tax.

The Storebrand Group includes companies that are both subject to and not subject to the financial tax. Therefore, when capitalising deferred tax/deferred tax assets in the consolidated financial statements, the company tax rate that applies for the individual companies is used (23 or 25 per cent).

UNCERTAIN TAX POSITIONS

I In 2015, Storebrand Livsforsikring AS discontinued a wholly-owned Norwegian subsidiary, Storebrand Eiendom Holding AS, with a tax loss of approximately NOK 6.5 billion and with a corresponding increase in the loss carryforward. In January 2018, Storebrand Livsforsikring received notice of an adjustment to the tax assessment for 2015 (dated 21 December 2017) which claimed that the calculated loss was excessive, but provided no further quantification. Storebrand Livsforsikring AS disagrees with the arguments that were put forward and will submit its reply to the tax authorities by the deadline that has been set.

The notice is unclear. Based on the notice, a provision was made for an uncertain tax position in the annual financial statements for 2017. The best estimate of the reduction in the loss, where Storebrand's interpretation of the Norwegian Tax Administration's notice is used as a basis, is approximately NOK 1.6 billion (appears as a reduction in the loss carryforward and, in isolation, gives an associated increased tax expense for 2017 of approximately NOK 400 million).

Note 28 - Intangible assets and excess value om purchased insurance contracts

STOREBRAND LIVSFORSIKRING GROUP

(NOK million)	Intangible assets: IT- systems	Intangible assets: Value of business in force	Intangible assets: Other intangible assets	Goodwill	2017	2016
Acquisition cost 01.01	405	9,380	641	757	11,183	12,351
Additions in the period:	78					
Developed in-house	10				10	44
Purchased separately	68				68	27
Disposals in the period						-73
Currency differences	3	510	35	40	588	-1,165
Other changes						
Acquisition cost 31.12	**486**	**9,890**	**675**	**797**	**11,849**	**11,183**
Accumulated depreciation & write-downs 01.01	-217	-5,880	-577		-6,673	-6,912
Amortisation in the period	-51	-325	-65		-442	-457
Disposals in the period						25
Translation differences from converting foreign units		-330	-33		-363	671
Other changes						
Accumulated depreciation & write-downs 31.12	**-268**	**-6,535**	**-675**	**0**	**-7,478**	**-6,673**
Book value 31.12	**218**	**3,355**	**0**	**797**	**4,370**	**4,510**

SPECIFICATION OF INTANGIBLE ASSETS

(NOK million)	Useful economic life	Depreciation rate	Depreciation method	Book value 2017
IT- systems	5/10 years	20%/10%	Straight line	218
Value of business inforce SPP	20 years	5 %	Straight line	3,355
Other intangible assets	5 years	20 %	Straight line	0

GOODWILL DISTRIBUTED BY BUSINESS ACQUISITION

(NOK million)	Acquisition cost 01.01	Book value 01.01	Additions/ disposals	Translation differences	Book value 31.12
Goodwill on acquisitions of SPP	757	757		40	797
Total	**757**	**757**		**40**	**797**

Goodwill is not amortised but rested annualy for impairment.

STOREBRAND LIVSFORSIKRING AS

(NOK million)	IT-systems	2017	2016
Acquisition cost 01.01	345	345	382
Additions in the period:	6	6	
Developed in-house	6	6	36
Translation differences from converting foreign units			-73
Other changes			
Acquisition cost 31.12	**350**	**350**	**345**
Accumulated depreciation & write-downs 01.01	-211	-211	-181
Amortisation in the period	-45	-45	-55
Disposals in the period			25
Other changes			8
Accumulated depreciation & write-downs 31.12	**-256**	**-256**	**-211**
Book value 31.12.	**94**	**94**	**133**

(NOK million)	Useful economic life	Depreciation rate	Depreciation method	Book value 2017
IT - systems	5 years	20 %	Straight line	94

Intangible assets linked to acquisition of SPP

Storebrand Livsforsikring AS acquired SPP Livförsäkring AB and its subsidiaries in 2007. The majority of the intangible assets associated with SPP comprise the value of in-force business (VIF), for which a separate liability adequacy test has been performed in accordance with the requirements of IFRS 4. In order to determine whether goodwill and other intangible assets associated with SPP have suffered an impairment in value, estimates are made of the recoverable amount for the relevant cash-flow generating units. Recoverable amounts are established by calculating the enterprise's utility value. SPP is regarded as a single cash flow generating unit, and the development of future administration results, risk results and financial results for SPP will affect its utility value.

In calculating the utility value, the management have made use of budgets and forecasts approved by the Board for the next three years (2018 to 2020). The management has made assessments for the period from 2021 to 2027, and the annual growth for each element in the income statement has been estimated. The primary drivers of improved long-term results will be the return on total assets, underlying inflation and wage growth in the market (which drive premium growth). The utility value is calculated using a required rate of return after tax of 5.8 per cent. The required rate of return is calculated based on the risk-free interest rate and added to a premium that reflects the risk of the business.

Calculations related to the future will be uncertain. The value will be affected by various growth parameters, expected return and what required rate of return is assumed, etc. It is pointed out that the aim of the calculations is to ensure adequate reliability that the utility value, cf. IAS 36, is not lower than the recognised value in the accounts. Simulation with reasonable, as well as conservative, assumptions indicates a value for the investment that justifies the book value.

Note 29 - Classification of financial assets and liabilities

STOREBRAND LIVSFORSIKRING GROUP

(NOK million)	Loans and receivables	Investments, held to maturity	Fair value, held for trading	Fair value, FVO	Liabilities at amortised cost	Total
Financial assets						
Bank deposits	7,498					7,498
Shares and units				156,096		156,096
Bonds and other fixed-income securities	87,094	15,128		160,019		262,241
Loans to customers	21,427			5,104		26,531
Accounts receivable and other short-term receivables	4,635					4,635
Derivatives			3,868			3,868
Total financial assets 2017	**120,653**	**15,128**	**3,868**	**321,220**		**460,868**
Total financial assets 2016	**109,435**	**15,644**	**4,553**	**296,370**		**426,002**
Financial liabilities						
Subordinated loan capital					8,591	8,591
Derivatives			1,876			1,876
Other current liabilities					6,874	6,874
Total financial liabilities 2017			**1,876**		**15,464**	**17,341**
Total financial liabilities 2016			**1,985**		**14,451**	**16,436**

STOREBRAND LIVSFORSIKRING AS

(NOK million)	Loans and receivables	Investments, held to maturity	Fair value, held for trading	Fair value, FVO	Liabilities at amortised cost	Total
Financial assets						
Bank deposits	4,095					4,095
Shares and units				63,436		63,436
Bonds and other fixed-income securities	87,094	15,128		73,401		175,623
Loans to customers	21,426					21,426
Accounts receivable and other short-term receivables	1,365					1,365
Derivatives			1,399			1,399
Total financial assets 2017	**113,980**	**15,128**	**1,399**	**136,836**		**267,343**
Total financial assets 2016	**103,995**	**15,644**	**1,133**	**123,990**		**244,761**
Financial liabilities						
Subordinated loan capital					8,591	8,591
Derivatives			1,007			1,007
Other current liabilities					4,647	4,647
Total financial liabilities 2017			**1,007**		**13,237**	**14,244**
Total financial liabilities 2016			**1,047**		**10,079**	**11,126**

Note 30 - Real estate

TYPE OF REAL ESTATE

			2017		
(NOK million)	2017	2016	Required rate of return % 1)	Average duration of lease (years) 3)	m2
Office buildings (including parking and storage):					
Oslo-Vika/Filipstad Brygge	6,838	8,186	4,00-4,35	5,4	93,952
Rest of Greater Oslo	3,935	3,583	4,95-5,75	5,3	85,515
Office buildings in Sweden	1,259	1,106	4,5	5,5	29,559
Shopping centres (including parking and storage)					
Rest of Greater Oslo	611	591	6,9	3,0	38,820
Rest of Norway	6,151	6,008	4,35-7,05	3,5	161,259
Trading Sweden 2)	1,909	458	5,7	5,1	75,002
Car parks					
Multi-storey car parks in Oslo	933	918	4,2	4,0	27,393
Multi-storey car parks in Sweden	62	72	5,0	13,7	4,967
Other real estate:					
Cultural/conference centres in Sweden	264	275	6,8	13,3	18,757
Housing Sweden 2)	1,236	488	3,9	0,3	7,000
Hotel Sweden 2)	2,391	1,190	4,5	12,2	35,386
Service real estate Sweden 2)	1,814	1,237	5,1	12,1	62,157
Real estate Norway	50	51			0
Total investment real estate	**27,453**	**24,161**			**639,766**
Real estate for own use	1,408	2,863	4,1	4,0	16,853
Total real estate	**28,861**	**27,024**			**656,619**

1) The real estate are valued on the basis of the following effective required rate of return (including 2.5 per cent inflation):

2) All of the properties in Sweden are appraised externally. This appraisal is based on the required rates of return in the market (including 2 per cent inflation).

3) The average duration of the leases has been calculated proportionately based on the value of the individual properties.

As of 31.12.17, Storebrand Livsforsikring had NOK 3 069 million invested in Storebrand Eiendomsfond Norge KS and Ruseløkkveien 26.
The investment is classified as "Investment in Associated Companies" in the Consolidated Financial Statements.
Storebrand Eiendomsfond Norge KS and Ruseløkkveien 26 invests exclusively in real estate at fair value.

VACANCY

Norway

At the end of 2017, a total of 4.1 % (6.7 %) of the floor space in the lettable properties was vacant.
Of the total vacancy, 9.3 % (9.2 %) is related to space that is unavailable for leasing due to ongoing development projects.
At the end of 2017, a total of 13.3 % (15.9 %) of the floor space in the investment properties was vacant.

Sweden

At the end of 2017, there was practically no vacancy in the investment properties.

TRANSACTIONS:

Purchases: No further property acquisitions has been agreed on in Storebrand Livsforsikring AS that is not included in the financial statements as of 31 December 2017. Further SEK 1,144 millions in property acquisitions in SPP and Euroben have been agreed on in 4 quarter 2017 in addiition to the figures that has been finalised and included in the finacial statements as of 31 December 2017

Sale: No further property sales has been agreed on in addiition to the figures that has been finalised and included in the finacial statements as of 31 December 2017

TANGIBLE FIXED ASSETS AND PROPERTIES FOR OWN USE

(NOK million)	2017	2016
Book value 01.01	2,863	2,887
Additions	120	20
Disposals	-2,225	
Revaluation booked in balance sheet	69	52
Depreciation	-65	-66
Write-ups due to write-downs in the period	64	64
Currency differences from converting foreign units	69	-133
Other change	514	39
Book value 31.12	**1,408**	**2,863**
Acquisition cost opening balance	2,644	2,623
Acquisition cost closing balance	538	2,644
Accumulated depreciation and write-downs opening balance	-586	-520
Accumulated depreciation and write-downs closing balance	-651	-586
Properties for own use - company		
Properties for own use - customers	1,408	2,863
Total	**1,408**	**2,863**

Depreciation method:	Straight line
Depreciation plan and financial lifetime real estate Norway:	50 year
Depreciation plan and financial lifetime real estate Sweden:	100 year

Note 31 - Investments in subsidiaries and associated companies

SPECIFICATION OF SUBSIDIARIES WITH SUBSTANTIAL MINORITY (100% FIGURES)

	2017		2016	
(NOK million)	BenCo	Værdals-bruket	BenCo	Værdals-bruket
Assets	17,350	218	17,238	247
Liabilities	16,851	4	16,767	5
Equity - majority	449	160	423	182
Equity - minority	50	54	47	61
Ownership interest - minority	10	25	10	25
Voting rights as a percentage of the total number of shares	10	25	10	25
Income	891	17	1,366	36
Result after tax	20	10	43	20
Total comprehensive income	20	10	43	20
Dividend paid to minority	-2	-10	-14	

OWNERSHIP INTERESTS IN ASSOCIATED COMPANIES STOREBRAND LIVSFORSIKRING GROUP

(NOK million)	Business location	Ownership interest	Book value 31.12
Norsk Pensjon AS	Oslo	25 %	1
Inntre Holding AS	Steinkjer	34 %	84
Storebrand Eiendomsfond Invest AS	Oslo	21.2 %	3,069
Handelsbodarna i Sverige Fastighets AB	Stockholm	50.0 %	44
Försäkringsgirot AB	Stockholm	25.0 %	3
Associated companies Storebrand Livsforsikring group			**3,201**

RECEIVABLES FOR ASSOCIATED COMPANIES

(NOK million)	2017	2016
Handelsboden Örebro Rävgräva 4:4 AB	39	37
Total	**39**	**37**

INCOME FROM ASSOCIATED COMPANIES

(NOK million)	2017	2016
Proportion of the result	201	189
Interest income		1
Realised change in value	88	
Unrealised change in value	17	1
Total	**306**	**191**

All transactions with associates are made on normal commercial terms.

OWNERSHIP INTERESTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES STOREBRAND LIVSFORSIKRING AS

(NOK million) Selskap	Interest in %	Voting interest in %	Book value 31.12 2017	2016
Aktuar Systemer AS, Professor Kohts vei 9, 1327 Lysaker	100.0	100.0	6	6
Storebrand Pensjonstjenester AS, Professor Kohts vei 9, 1327 Lysaker	100.0	100.0	12	9
AS Værdalsbruket, 7660 Vuku	74.9	74.9	54	54
Storebrand Holding AB, Stockholm	100.0	100.0	12,505	12,644
Storebrand Finansiell Rådgivning AS, Professor Kohts vei 9, 1327 Lysaker	100.0	100.0	97	97
Storebrand Eiendom Trygg AS, Professor Kohts vei 9, 1327 Lysaker	100.0	100.0	12,386	11,957
Storebrand Eiendom Vekst AS, Professor Kohts vei 9, 1327 Lysaker	100.0	100.0	4,985	6,407
Storebrand Eiendom Utvikling AS, Professor Kohts vei 9, 1327 Lysaker	100.0	100.0	3,076	2,787
Benco Insurance Holding BV, Nederland	90.0	90.0	493	493
Foran Real Estate, Latvia [1)]	70.1	70.1	849	780
Subsidiaries			**34,463**	**35,234**
Storebrand Eiendomsfond Invest AS, Professor Kohts vei 9, 1327 Lysaker	21.2	21.2	2,121	1,928
Norsk Pensjon AS, Hansteensgate 2, 0253 Oslo	25.0	25.0	1	4
Formuesforvaltning AS, Henrik Ibsens gate 53, 0255 Oslo				126
Associated companies Storebrand Livsforsikring AS			**2,122**	**2,058**
Total investment in subsidiaries and associated companies			**36,585**	**37,292**
Subsidiaries classified as equities at fair value in the collective portfolio				
SBL Direct Investments 2006-2008 Ltd - Class B-1				
SBL Vintage 1999 Ltd - Class B-1				2
SBL Vintage 2001 Ltd - Class B-1				

1) SPP Pension & försäkring AB owns 29.3 percent of the shares in Foran Real Estate. Storebrand Livsforsikring Group owns a total of 99.4 percent in Foran Real Estate
2) The Shares in Formueforvaltningen AS is sold during the year.

INCOME FROM SUBSIDIARIES AND ASSOCIATED COMPANIES STOREBRAND LIVSFORSIKRING AS

(NOK million)	2017	2016
Proportion of the result	2,026	2,240
Interest income		
Received group contribution and dividends	65	97
Realised change in value	118	
Unrealised change in value		
Unrealised currency gain/loss	345	-676
Total	**2,554**	**1,661**

All transactions with subsidiaries and associated companies are on market terms.

Note 32 - Bonds at amortised cost

LENDING AND RECEIVABLES

	2017		2016	
(NOK million)	Book value	Fair value	Book value	Fair value
Government bonds	28,017	31,138	26,345	29,807
Corporate bonds	40,798	42,419	38,356	39,592
Structured notes	1,020	1,034	594	580
Collateralised securities	17,259	19,247	16,952	19,164
Total bonds at amortised cost	**87,094**	**93,837**	**82,246**	**89,144**
Modified duration		7.0		6.7
Average effective yield	1 %	1 %	4 %	3 %

BONDS HELD TO MATURITY

	2017		2016	
(NOK million)	Book value	Fair value	Book value	Fair value
Government bonds			363	412
Corporate bonds	5,828	6,490	5,829	6,456
Collateralised securities	9,300	10,443	9,452	10,669
Total bonds at amortised cost	**15,128**	**16,933**	**15,644**	**17,537**
Modified duration		4.91		5.49
Average effective yield	2.2 %	1.2 %	4.50 %	2.36 %

A yield is calculated for each bond, based on both the paper's book value and the observed market price (fair value). For fixed income securities with no observed market prices the effective interest rate is calculated on the basis of of the fixed interest rate period and classification of the individual security with respect to liquidity and credit risk. Calculated effective yields are weighted to give an average effective yield on the basis of each security's share of the total interest rate sensitivity.

Note 33 - Equities and other units

(NOK million)	Organisation number	Storebrand Livsforsikring Group Fair value	Storebrand Livsforsikring AS Fair value
Eguities in Norwegian companies			
Finance industry			
DnB	981276957	209	208
Gjensidige Forsikring ASA	995568217	36	36
Sparebank 1 SR-Bank G	937895321	10	10
Sparebanken Midt-Norge G	937901003	9	9
Total finance industry Norwegian		**264**	**263**
Other equities			
Aker BP ASA	989795848	30	30
Marine Harvest	964118191	63	63
NMI Frontier Fund KS	993147044	34	34
NMI Global Fund KS	993147044	41	41
Norsk Hydro	914778271	119	119
Orkla	910747711	76	75
Phonect AS	987100648	27	27
Schibsted B	933739384	33	33
Statoil ASA	923609016	284	283
Telenor	982463718	182	181
Yara International	986228608	89	89
Other equities		284	265
Totalt other Norwegian equities		**1,261**	**1,239**
Equities in foreing companies			
Finance industry			
3I Group		1	1
Aegon NV		13	12
Aflac Inc.		23	22
Allianz SE		52	46
Allstate Corp		27	25
American Express		29	27
American International Group		8	5
American International Group (warrants 01/2021)		1	1
Ameriprise Financial		3	2
Amp Ltd.		4	4
Assicurazioni General		5	4
ASX Ltd		1	
Aust & Nz Bank Group		42	39
AvalonBay Communities Inc (REIT)		24	23
Aviva PLC		28	26
Axa		32	30
Banco Bilbao Vizcaya Argentaria S.A.		24	22
Banco Comercial Portugues			

(NOK million)	Organisation number	Storebrand Livsforsikring Group Fair value	Storebrand Livsforsikring AS Fair value
Banco de Sabadell		1	1
Banco Santander		27	22
Bank of America Corp		175	164
Bank of Montreal		49	47
Bank of New York Mellon		44	42
Bank of Nova Scotia		49	46
Barclays Bank		21	19
Barratt Developments Plc		21	21
BNP Paribas		49	45
BOC Hong Kong Holdings		12	11
Boston Properties Inc (REIT)		28	27
British Land Co PLC (REIT)		8	7
Brookfield Asset Management		2	
Canadian Imperial Bank of Commerce		26	25
Canadian Utilities Ltd A		2	1
Capitaland		17	16
Charles Schwab Corp		6	4
Chiba Bank		2	1
Chubb Ltd		12	10
Citigroup		134	127
City Developments		27	26
CK Hutchison Holdings Ltd		5	3
Comerica Inc		18	17
Commerzbank AG		12	11
Commonwealth Bank of Australia		83	77
Credit Agricole		19	18
Credit Suisse Group RG		14	12
Danske Bank A/S		24	23
DBS Group Holdings Limited		5	4
Deutsche Boerse		11	10
Discover Financial Services		15	14
Equity Residential (REIT)		3	1
Fairfax Financial Holdings Inc		1	
Fifth Third Bancorp		2	1
Franklin		1	
Gecina SA (REIT)		29	29
Goldman Sachs		74	70
GPT Group (REIT)		15	14
Groupe Bruxelles Lambert		1	
H&R Block		2	2
Hammerson PLC (REIT)		8	8
Hang Lung Properties		5	4
Hang Seng Bank		10	9
Hartford Financial Services		16	14
Henderson Land		4	3
Hong Kong Exchanges & Clearing		31	29

(NOK million)	Organisation number	Storebrand Livsforsikring Group Fair value	Storebrand Livsforsikring AS Fair value
HSBC Holdings (GBP)		115	105
Hufvudstaden A		6	
Hysan Development		5	5
IGM Financial Inc		13	12
Industrivaerden A		13	
Industrivaerden C		7	
Ing-Groep		46	43
Insurance Australia Group		3	2
Intesa SanPaolo		19	17
Intesa Sanpaolo SPA		2	2
Intrium Justitia		5	
Investment AB Kinnevik (B)		16	1
Investor AB-B		33	
J.P Morgan Chase and Co		222	209
JM AB		3	
KBC GROEP NV		22	21
Keppel Corp		1	1
Kerry Group Plc-A		1	
Keycorp		2	1
Kungsleden		2	
L E Lundbergforetagen AB - B		7	
Land Securities Group PLC (REIT)		5	5
Legal & General Group		13	12
Legrand		37	35
LendLease Group		15	14
Lincoln National Corp		15	14
Lloyds Banking Group PLC		29	26
Loews Corp		1	
Macquarie GP LTD		1	
Manulife Financial		6	3
Marsh & Mclennan Cos		11	9
Mastercard Inc		72	66
Metlife		6	3
Mirvac Group (REIT)		23	22
Mitsubishi Estate		8	7
Mitsubishi UFJ Holdings Group		41	37
Mitsui Fudosan		2	1
Mizuho Financial Group		22	20
Moody's		2	1
Morgan Stanley		43	40
MS&AD Insurance Group Holdings		1	
Muenchener Rueckversicherungs RG		26	24
National Australian Bank		53	50
National bank of Canada		1	1
Nomura Holdings		30	29
Nordea Bank AB (SEK)		78	5

(NOK million)	Organisation number	Storebrand Livsforsikring Group Fair value	Storebrand Livsforsikring AS Fair value
Northern Trust Corporation		25	24
Orix		22	21
Overseas-Chinese Bank		2	
PNC Financial Services		30	28
Power Corp. of Canada		1	
Progressive Corp		18	16
Prudential		34	30
Prudential Financial Inc		29	27
QBE Insurance Group		1	
Regions Financial		2	1
Resona Holdings		4	3
RioCan Real Estate Investment Trust (REIT)		1	
Royal Bank of Canada		74	70
Royal Bank of Scotland		1	1
Royal Sun & Alliance Insurance		1	
Sampo Oyj		1	
Scentre Group (REIT)		1	
Schroders		1	
Shizuoka Bank		1	
Simon Property Group Inc (REIT)		3	1
Singapore Exchange		10	10
Skandinaviska Enskilda Banken A		66	33
Societe Generale		21	19
Standard Chartered		11	10
State Street		31	30
Stockland (REIT)		3	2
Sumitomo Mitsui Financial Group		6	3
Sumitomo Realty & Dev		1	
Sun Life Financial Inc		8	7
Suncorp Group Holding		1	
Suntrust Banks		2	
Svenska Handelsbanken A		51	14
Swedbank AB (A shs)		51	8
Swire Pacific		8	8
Swire Properties Ltd		12	11
Swiss Life RG		1	
Swiss Re Ltd		14	12
Taylor Wimpey		7	7
The Travelers Companies, Inc.		4	3
Tokio Marine Holdings, Inc.		20	19
UBS Group AG		42	39
Unibail-Rodamco SE (REIT)		22	21
UniCredit SPA		9	7
United Overseas Bank		2	
Unum Group		1	
US Bancorp		46	43

(NOK million)	Organisation number	Storebrand Livsforsikring Group Fair value	Storebrand Livsforsikring AS Fair value
Visa Inc - Class A shares		89	81
Vornado Realty Trust (REIT)		3	3
Wells Fargo		131	121
Westfield Corp (REIT)		1	
Westpac Banking Corp		46	42
Wharf		1	
XL Group Plc		1	
Zions Bancorporation		10	10
Zurich Financial Services AG		5	3
Total finance industry foreign		**3,511**	**2,958**
Other equities			
3M CO		86	81
ABB (CHF)		52	49
Abbvie		80	75
Accenture PLC		51	47
Adobe Systems		62	59
AIA Group Ltd		35	30
Alphabet Inc Class A		117	106
Alphabet Inc Class C		202	189
Amazon Com		222	205
Amcor		30	29
American Financial Group Inc/OH		28	28
American Water Works Co Inc		78	76
Amgen		55	50
Anglo American Plc		42	38
Anthem Inc		41	39
Apple Inc		415	383
Applied Materials		37	34
ASML Holding NV		31	28
Astellas PharmaR		33	31
Astrazeneca (GBP)		55	50
AT&T Inc		123	114
Atos SE		29	28
Avery Dennison Corp		32	31
Bakkafrost P/F		28	28
Ball Corp		36	35
BASF SE		48	43
BCE Inc.		47	46
Becton Dickinson & Co		58	55
Berkshire Hathaway B		37	29
Biogen Inc		52	50
Boston Scientific		31	29
BP Plc		77	70
Bristol-Myers Squibb		67	63

(NOK million)	Organisation number	Storebrand Livsforsikring Group Fair value	Storebrand Livsforsikring AS Fair value
Canon		33	31
Celgene Corp		34	30
Chevron Corp		99	90
Cigna Corp		55	52
Cisco Systems		128	121
CNP Assurances		37	37
Coca-Cola		70	63
Colgate Palmolive		66	63
Comcast Corp A		112	105
Conocophilips		38	36
Consolidated Edison		56	53
Costco Wholesale		30	27
Cummins		28	26
CVS Health		38	35
Daimler		44	40
Daiwa House Industry		33	32
Deutsche Telecom		54	50
Diageo		74	68
DowDuPont Inc		84	78
Eaton Corp PLC		47	46
Ecolab		39	37
Eli Lilly & Co		65	62
Enel		33	31
Essilor International		28	27
Exelon		40	38
Exxon Mobil		159	146
Facebook Inc.		200	186
Ford Motor Co		41	39
Geberit AG Reg		43	42
General Electric Co		52	47
General Mills		31	29
Gilead Sciences Inc		49	45
GlaxoSmithkline		52	47
Hancock Timberland VIII Inc		355	355
Hershey Foods Common		29	28
Home Depot		136	128
Honda Motor		36	34
HP Inc		30	29
Humana Inc		28	26
Iberdrola		55	53
Inpex Holdings Inc		27	26
Intel		134	127
International Business Machines Corp		82	77
Kao Corp		35	33
Kellogg Co		32	31
KERING		37	36

(NOK million)	Organisation number	Storebrand Livsforsikring Group Fair value	Storebrand Livsforsikring AS Fair value
Kimberly-Clark		49	48
Koninklijke DSM NV		29	29
L'Oreal SA		34	31
Lowe's Cos Inc		31	28
Man SE		26	26
Manpower Group		29	29
McDonald's Corp		66	61
Medtronic PLC		85	80
Merck		31	30
Merck & Co		61	56
Microsoft		349	326
Mondelez International Inc		47	44
National Grid Plc		32	29
Nestle		164	151
NIKE Inc - B		49	46
Nissan Motor		30	29
Novartis		103	94
Novo-Nordisk B		53	48
NVIDIA		65	60
Oracle Corporation		90	85
Osaka Gas		32	31
Panasonic Corp		33	32
Pepsico Inc		136	129
Pfizer		127	120
Praxair		81	80
Procter & Gamble		142	133
Prologis Inc (REIT)		36	34
Qualcomm		56	52
Reckitt Benckiser		40	36
Regency Centers Corp (REIT)		28	28
Roche Holding Genuss		87	78
Rockwell Automation Inc		36	35
Royal Dutch Shell A (GBP)		82	75
Royal Dutch Shell B (GBP)		71	65
S&P Global Inc		29	27
Sanofi		63	58
Sap SE		62	57
Schlumberger		37	34
Schneider Electric		47	44
Sekisui Chemical		34	34
Sempra Energy		67	65
Siemens		47	41
Sony Corp		39	37
Starbucks Corp		57	54
Subsea 7 S A		49	48
Telus Corp		47	47

(NOK million)	Organisation number	Storebrand Livsforsikring Group Fair value	Storebrand Livsforsikring AS Fair value
Texas Instruments		81	78
Time Warner		48	45
Toronto - Dominion Bank (CAD)		67	63
Total SA		54	50
Toyota Motor		103	95
Unilever GB		71	66
Unilever NL		40	36
Union Pacific Corp		52	47
United Health Group		149	141
United Parcel Services		60	58
United Technologies		57	53
Upm-Kymmene		29	28
Verizon Communications		99	91
VF Corp		31	29
Vodafone Group		33	29
Walt Disney		108	102
Waste Mangement		30	29
Weyerhaeuser Co (REIT)		51	50
WW Grainger Inc		28	27
Xylem Inc		32	31
Other equities		8,772	5,661
Total other equities foreign		**18,410**	**14 701**
Total equities		**23,427**	**19,164**
Of which listed equities		19,820	17,258
Units			
Allianz Europe Small Cap Equity EUR		94	
AXA European Retail Income Venture		33	33
BlackRock Global Allocation USD		88	
BlackRock World Gold USD		77	
Carnegie Sverigefond		329	
Cicero World 0-100		385	
Contrarian 65		79	
CS Infra SICAR		488	
Delphi Europe	980440028	166	166
Delphi Europe NOK		62	
Delphi Global	989747746	306	306
Delphi Global NOK		102	
Delphi Global Valutasikret	917820848	58	58
Delphi Kombinasjon	979328060	117	117
Delphi Nordic	960058658	575	575
Delphi Nordic NOK		323	
Delphi Norge	976242556	335	335
East Capital Russian Fund		28	28
East Capital Rysslandsfonden		90	

(NOK million)	Organisation number	Storebrand Livsforsikring Group Fair value	Storebrand Livsforsikring AS Fair value
East Capital Östeuropafonden		144	
Eastspring Investments - Japan Dynamic Fund		32	32
Enter Sverige		735	
Fidelity Asian Special Sits. USD		676	
First State China Growth Fund Class I USD		129	
First State Global Umbrella PLC-China Growth Fund		53	53
Fondsfinans Norge	884494362	53	53
Franklin India Fund		60	60
Franklin India USD		337	
Handelsbanken Amerika Tema		137	
Handelsbanken Europa Selektiv		89	
Handelsbanken Latinamerikafond		222	23
Handelsbanken Nordiska Småbolag		567	
IKC 0-100		209	
IKC Global Brand		67	
Janus Henderson Global Technology USD		305	
JPMorgan Emerging Markets Small USD		171	
JPMorgan Global Focus EUR		444	
Lannebo Mixfond		417	
Lannebo Småbolag		1,027	
Lynx Dynamic		100	
Mobilis Mix		85	
Monyx Strategi Balanserad AC		171	
Monyx Strategi Sverige-Världen AC		205	
Monyx Strategi Världen AC		177	
Naventi Balanserad Flex		148	
Naventi Offensiv Flex		147	
Navigera Aktie 1		952	
Navigera Balans 1		787	
Navigera Dynamica 90 Global		438	
Navigera Tillväxt 1		655	
Norron Target		474	
Parvest Global Environment EUR		71	
Proaktiv 75		3,850	
Proaktiv 80		2,796	
Proaktiv 85		913	
Proaktiv 90		415	
Skagen Global Fund	979876106	358	358
SKAGEN Global NOK		549	
Skagen Kon-Tiki	984305141	444	444
SKAGEN Kon-Tiki NOK		395	
SPP Aktiefond Europa		2,063	1
SPP Aktiefond Global		4,588	2
SPP Aktiefond Japan		499	1
SPP Aktiefond Stabil		116	
SPP Aktiefond Stabil - class A		465	465

(NOK million)	Organisation number	Storebrand Livsforsikring Group Fair value	Storebrand Livsforsikring AS Fair value
SPP Aktiefond Sverige		4,622	7
SPP Aktiefond USA		2,857	3
SPP Emerging Markets SRI		481	
SPP Emerging Markets SRI		2,351	1,462
SPP Generation 40-tal		2,145	
SPP Generation 50-tal		11,766	
SPP Generation 60-tal		15,745	
SPP Generation 70-tal		6,759	
SPP Generation 80-tal		823	
SPP Global Plus - class A		998	
SPP Global Topp 100		459	
SPP Global Topp 100		491	
SPP Mix 100		576	
SPP Mix 20		922	
SPP Mix 50		638	
SPP Mix 80		3,626	
SPP Sverige Plus - class A		647	
SPP Tillväxtmarknad Plus		100	
SPP Tillväxtmarknad Plus - class A		4,583	3,619
Statoil Aksjer Europa	816876672	127	127
Statoil Aksjer Norge	916877323	605	605
Statoil Aksjer Pacific	916876718	81	81
Statoil Aksjer USA	916876610	380	380
Storebrand Emerging Private Equity Markets 2007 B3	990743606	168	168
Storebrand Emerging Private Equity Markets B3	989974971	230	230
Storebrand Global ESG	919080000	1 102	1,102
Storebrand Global ESG Plus	918660186	2 319	2,319
Storebrand Global Indeks	989133241	648	648
Storebrand Global Indeks Valutasikret	917820961	71	71
Storebrand Global Multifactor	990632758	10,911	10,911
Storebrand Global Multifactor NOK		266	
Storebrand Global Multifaktor Valutasikret	917821208	152	152
Storebrand Global Solutions	998718120	2,056	2,056
Storebrand Global Value	979364768	408	408
Storebrand Indeks Alle Markeder	996923002	1,305	1,305
Storebrand Indeks- Norge	913222679	4,317	4,317
Storebrand Indeks Nye Markeder	996922987	221	221
Storebrand Int. Private Eq. 15 Ltd - Class B-2	986313737	69	
Storebrand Int. Private Eq. 15 Ltd - Class B-4	986313737	333	333
Storebrand Int. Private Eq. 16 Ltd - Class B-6	916788223	197	197
Storebrand Int. Private Eq. 17 Ltd - Class B-6	988210684	95	95
Storebrand International Private Equity 13 - B-3	911917831	118	
Storebrand International Private Equity 13 - B-4	911917831	393	360
Storebrand International Private Equity 14 - B-2	994281151	121	
Storebrand International Private Equity 14 - B-4	994281151	588	588
Storebrand International Private Equity IV - B2	987414057	51	47

(NOK million)	Organisation number	Storebrand Livsforsikring Group Fair value	Storebrand Livsforsikring AS Fair value
Storebrand International Private Equity IX - B3	994065742	230	33
Storebrand International Private Equity V Ltd - B3	988210277	293	281
Storebrand International Private Equity VI Ltd -B3	989573128	235	227
Storebrand International Private Equity VII Ltd-B3	890743862	356	341
Storebrand International Private Equity VIII LtdB3	992696931	598	301
Storebrand International Private Equity X - B-3	995551438	431	287
Storebrand International Private Equity XI - B-3	996700828	1,040	808
Storebrand International Private Equity XII - B-3	998333679	169	
Storebrand International Private Equity XII - B-4	998333679	604	604
Storebrand Nordic Private Equity III Ltd.	996096939	58	48
Storebrand Norge Fossilfri	918660313	890	890
Storebrand Norge I	981672747	4,491	4,491
Storebrand Norwegian Private Equity 2006 Ltd. - B3	989974874	104	104
Storebrand Norwegian Private Equity 2007 Ltd. - B3	991186433	78	78
Storebrand Special Opportunities Ltd. - C3	989871862	58	58
Storebrand Vekst	964847878	70	70
Storebrand Verdi	979474059	200	200
Svenska Bostadsfonden Institution 1 AB		64	
T.Rowe Price Asian ex-Japan Equity Fund		66	66
T.Rowe Price Emering Markets Equity		306	
T.Rowe Price U.S. Large-Cap Value Equity A		50	50
T.Rowe Price US Smaller Comp. USD		113	
Wellington Global Health Care Equity Portfolio		135	135
Wellington Global Health Care USD		329	
Öhman Sweden Micro Cap		347	
Other units		1,965	281
Total units		**132,669**	**44,272**
Total equities and other units		**156,096**	**63,436**

Note 34 Bonds and other fixed-income securities

STOREBRAND LIVSFORSIKRING GROUP

(NOK million)	2017 Fair value	2016 Fair value
Government bonds	47,460	46,095
Corporate bonds	47,823	31,632
Structured notes	81	29
Collateralised securities	25,632	29,145
Bond funds	39,023	57,604
Total bonds and other fixed-income securities	**160,019**	**164,506**

	Storebrand Livsforsikring AS	SPP Pension & Försäkring AB	Euroben Life and Pension ltd.
Modified duration	6.51	1.45	4.91
Average effective yield	1.8 %	-0.1 %	0.4 %

The effective yield for each security is calculated using the observed market price. Calculated effective yields are weighted to give an average effective yield on the basis of each security's share of the total interest rate sensitivity. Interest rate derivatives are included in the calculation of modified duration and average efficiont interest.

STOREBRAND LIVSFORSIKRING AS

	2017	2016
(NOK million)	Fair value	Fair value
Government bonds	12,578	11,512
Corporate bonds	25,138	10,457
Structured notes		
Collateralised securities	7,792	5,907
Bond funds	27,893	45,905
Total bonds and other fixed-income securities	**73,401**	**73,780**

Note 35 - Derivates

Storebrand Livsforsikring makes active use of financial derivatives. Derivative contracts are used in particular to make effective use of exposure to investment risk in order to create the potential for a sound long-term risk-adjusted investment return. Derivatives often provide a quicker, simpler and cheaper way to increase or reduce exposure to specific risks, and can also be used to protect the investment portfolio against adverse developments. The individual share and bond portfolios use financial derivatives to manage the overall risk exposure within the limits applied. Definitions of the various derivatives contracts used can be found in the "Terms and expressions" section.

NOMINAL VOLUM

Financial derivatives are related to underlying amounts which are not recognised in the statement of financial position. In order to quantify the scope of the derivatives, reference is made to amounts described as the underlying nominal principal, nominal volume, etc. Nominal volume is arrived at differently for different classes of derivatives, and provides some indication of the size of the position and risk the derivative presents.

Gross nominal volume principally indicates the size of the exposure, whilst net nominal volume provides some indication of the risk exposure. However , nominal volume is not a measure which necessarily provides a comparison of the risk represented by different types of derivatives. Unlike gross nominal volume, the calculation of net nominal volume also takes into account which direction of market risk exposure the instrument represents by differentiating between long (asset) positions and short (liability) positions.

A long position in an equity derivative produces a gain in value if the share price increases. For interest rate derivatives, a long position produces a gain if interest rates fall, as is the case for bonds. For currency derivatives, a long position results in a positive change in value if the relevant exchange rate strengthens against the NOK. Average gross nominal volume are based on daily calculations of gross nominal volume.

STOREBRAND LIVSFORSIKRING GROUP

(NOK million)	Gross nominal volume [1]	Gross booked value financial assets	Gross booked value financial liabilities	Net booked financial. assets/ liabilities	Amounts that can, but are not presented net in the balance sheet: Financial assets	Financial. liabilities	Net amount
Interest derivatives	75,823	3,676	934		1,198	76	2,742
Currency derivatives	70,666	192	942		81	730	-750
Total derivatives 2017	**146,488**	**3,868**	**1,877**		**1,280**	**806**	**1,991**
Total derivatives 2016	112,519	4,553	1,985		1,065	864	2,568

1) Values 31.12.

STOREBRAND LIVSFORSIKRING AS

(NOK million)	Gross nominal volume [1]	Gross booked value financial assets	Gross booked value financial liabilities	Net booked financial. assets/ liabilities	Amounts that can, but are not presented net in the balance sheet: Financial assets	Financial. liabilities	Net amount
Interest derivatives	37,075	1,295	173		1,198	76	1,122
Currency derivatives	61,190	104	834		0	730	-730
Total derivatives 2017	**98,265**	**1,399**	**1,007**		**1,199**	**806**	**392**
Total derivatives 2016	**57,551**	**1,133**	**1,047**		**950**	**864**	**86**

1) Values 31.12.

Note 36 - Tangible fixed assets

STOREBRAND LIVSFORSIKRING GROUP

(NOK million)	Equipment	Vehicles	Fixtures & fittings	Real estate	2017	2016
Book value 01.01	5	1	21	431	458	462
Additions	3	1	2	5	11	27
Disposals		-1		-7	-9	-13
Revaluation booked in balance sheet		1		22	24	13
Depreciation	-3		-12		-16	-15
Currency differences from converting foreign units				35	35	-25
Other changes					1	9
Book value 31.12	**6**	**1**	**11**	**487**	**504**	**458**

DEPRECIATION PLAN AND FINANCIAL LIFETIME:

	Straight line
Deprecation plan:	3-10 year
Equipment	3-5 year
Fixtures & fittings	50 year

STOREBRAND LIVSFORSIKRING AS

(NOK million)	Equipment	Fixtures & fittings	2017	2016
Book value 01.01	5	6	11	14
Additions	3		4	4
Depreciation	-3	-5	-8	-8
Book value 31.12	**5**	**1**	**7**	**11**

DEPRECIATION PLAN AND FINANCIAL LIFETIME:

Deprecation plan:	Straight line
Equipment	3-5 years
Fixtures & fittings	5 years

Note 37 - Other receivables

	Storebrand Livsforsikring Group		Storebrand Livsforsikring AS	
(NOK million)	2017	2016	2017	2016
Accounts receivable - not insurance related	139	75		
Receivables from brokers	659	419	428	372
Collateral received	427		310	
Receivables yield tax	1,827	1,241		
Other current receivables	218	281	44	38
Total other receivables	**3,270**	**2,015**	**782**	**410**

Note 38 - Insurance liabilities by class of business

							Storebrand Livsforsikring AS	
(NOK million)	Group pension private insurance	Group pension public insurance	Group life insurance	Endowment insurance	Annuity/pension insurance	Non-life insurance	2017	2016
Premium reserve	221,616	2,404	1,425	10,392	14,379		250,215	234,028
- of which IBNS	1,713	173	1,228	1,143	26		4,282	1,837
- of which premium income received in advance	1,497	12	134				1,643	1,806
Additional statutory reserves	6,933	199		227	896		8,254	6,794
Market value adjustment reserve	3,477	89	25	29	77	10	3,707	2,684
Premium fund	1,849	141					1,990	2,106
Deposit fund	567						567	553
Pensioners' surplus fund	6						6	12
Conditional bonus							0	0
Other technical reserves						631	631	684
- of which IBNS						573	573	646
Total insurance liabilities	**234,448**	**2,833**	**1,450**	**10,649**	**15,351**	**641**	**265,372**	**246,860**

	BenCo		SPP Pension & Försäkring		Storebrand Livsforsikring group	
(NOK million)	2017	2016	2017	2016	2017	2016
Premium reserve	14,264	14,888	166,982	151,907	431,462	400,823
- of which IBNS	66	53	796	740	5,145	2,630
- of which premium income received in advance					1,643	1,806
Additional statutory reserves					8,254	6,794
Market value adjustment reserve					3,707	2,684
Premium fund					1,990	2,106
Deposit fund					567	553
Pensioners' surplus fund					6	12
Conditional bonus	2,134	1,579	7,042	5,663	9,176	7,241
Other technical reserves					631	684
- of which IBNS					573	127
Total insurance liabilities	**16,398**	**16,467**	**174,025**	**157,570**	**455,794**	**420,897**

ENDOWMENT INSURANCE

(NOK million)	Profit allocation	Not eligible for profit allocation	Investment choice	2017	2016
Premium reserve	2,357	1,554	6,482	10,392	8,943
Additional statutory reserves	227			227	214
Market value adjustment reserve	20	10		29	41
Total insurance liabilities	**2,603**	**1,564**	**6,482**	**10,649**	**9,198**

ANNUITY/PENSION INSURANCE

(NOK million)	Profit allocation	Investment choice	2017	2016
Premium reserve	10,279	4,100	14,379	14,526
Additional statutory reserves	896		896	857
Market value adjustment reserve	77		77	118
Total insurance liabilities	**11,252**	**4,100**	**15,351**	**15,501**

GROUP PENSION PRIVATE INSURANCE

(NOK million)	Company pension without investment choice	Paid-up policies without investment choice	Paid-up policies with investment choice	Company pension without profitsharing	Occupational pension without investment choice	Occupational pension with investment choice	Pension certificate without investment choice
Premium reserve	27,014	121,636	6,749		1,042	231	13
Additional statutory reserves	2,055	4,775			103		
Market value adjustment reserve	1,328	2,026			84		
Premium fund	1,002	12			26		
Deposit fund	567						
Pensioners' surplus fund	6						
Total insurance liabilities	**31,972**	**128,449**	**6,749**	**0**	**1,256**	**231**	**13**

(NOK million)	Pension certificate with investment choice	Occupational pension without profits-haring	Defined contribution pension with investment choice	Pension capital certificate without investment choice	Pension capital certificate with investment choice	2017	2016
Premium reserve		1,939	41,137	177	21,676	221,616	206,754
Additional statutory reserves						6 933	5,550
Market value adjustment reserve		29		10		3 477	2,438
Premium fund		809				1 849	1,999
Deposit fund						567	553
Pensioners' surplus fund						6	12
Total insurance liabilities	**0**	**2,777**	**41,137**	**187**	**21,676**	**234,448**	**217,306**

GROUP PENSION PUBLIC INSURANCE

(NOK million)	Defined benefit without investment choice	2017	2016
Premium reserve	2,404	2,404	2,480
Additional statutory reserves	199	199	173
Market value adjustment reserve	89	89	64
Premium fund	141	141	108
Total insurance liabilities	**2,833**	**2,833**	**2,824**

The table below shows the anticipated compensation payments (excl. repurchase and payment).

TREND IN CLAIMS AND BENEFITS DISBURSED

(NOK mrd.)	Storebrand Livsforsikring AS	BenCo	SPP
0-1 year	16	7	2
1-3 years	34	13	3
More than 3 years	204	147	10
Total	**253**	**167**	**14**

NON-LIFE INSURANCE

	Storebrand Livsforsikring AS	
(NOK million)	2017	2016
Reinsurance share of technical insurance reserves	63	106
Total assets	**63**	**129**
Premium reserve	59	37
IBNS	573	646
Total assets	**631**	**684**
Market value adjustment reserve	10	6
Total insurance liabilities	**641**	**690**

MARKET VALUE ADJUSTMENT RESERVE

(NOK million)	2017	2016	Change 2017
Equities and units	3,037	1,266	1,770
Bond and other fixed income securities	670	1,417	-747
Total	**3,707**	**2,684**	**1,024**

Note 39 - Change in insurance liabilities in life insurance

INSURANCE OBLIGATIONS IN LIFE INSURANCE - CONTRACTUAL OBLIGATIONS

(NOK million)	Premium-reserve	Additional statutory reserves	Market value adjustment reserve	Premium-, deposit-, and pension surplus fund
Book value 01.01	**168,884**	**6,794**	**2,684**	**2,671**
Changes in insurance obligations recognised in the Profit and Loss account				
2.1 Net realised reserves	832	1,371	1,024	23
2.2 Profit on the return	121			320
2.3 The risk profit allocated to the insurance agreements	-5			1
2.4 Other allocation of profit	131			
2.5 Changes in insurance obligations from comprehensive income				
Total changes in insurance obligations recognised in the Profit and Loss account	**1,079**	**1,371**	**1,024**	**344**
Non-realised changes in insurance liabilities				
3.1 Transfers between funds	-144	87		57
3.2 Transfers to/from the company				-509
Currency differences	23	2		
Total non-realised changes in insurance liabilities	**-120**	**89**		**-452**
Book value 31.12	**169,843**	**8,254**	**3,707**	**2,564**

(NOK million)	Other technical reserves non-life insurance	Sum Storebrand Livsforsikring AS 2017	Sum Storebrand Livsforsikring AS 2016
Book value 01.01	**684**	**181,716**	**180,006**
Changes in insurance obligations recognised in the Profit and Loss account			
2.1 Net realised reserves	-9	3,241	1,209
2.2 Profit on the return		441	501
2.3 The risk profit allocated to the insurance agreements		-4	
2.4 Other allocation of profit		131	259
2.5 Changes in insurance obligations from comprehensive income			
Total changes in insurance obligations recognised in the Profit and Loss account	**-9**	**3,810**	**1,970**
Non-realised changes in insurance liabilities			
3.1 Transfers between funds			
3.2 Transfers to/from the company	-43	-552	-210
Currency differences		26	-50
Total non-realised changes in insurance liabilities	**-43**	**-527**	**-260**
Book value 31.12	**631**	**184,999**	**181,716**

INSURANCE OBLIGATIONS IN LIFE INSURANCE - INVESTMENT CHOICE PORTFOLIO SEPARATELY

(NOK million)	Premie-reserve	Sum Storebrand Livsforsikring AS 2017	Sum Storebrand Livsforsikring AS 2016
Book value 01.01	**65,144**	**65,144**	**53,894**
Changes in insurance obligations recognised in the Profit and Loss account			
2.1 Net realised reserves	15,232	15,232	11,256
Total changes in insurance obligations recognised in the Profit and Loss account	15,232	15,232	11,256
Non-realised changes in insurance liabilities			
3.1 Transfers between funds			
Currency differences	-3	-3	-6
Total non-realised changes in insurance liabilities	**-3**	**-3**	**-6**
Book value 31.12	**80,372**	**80,372**	**65,144**

Note 40 - Other liabilities

	Storebrand Livsforsikring Group		Storebrand Livsforsikring AS	
(NOK million)	2017	2016	2017	2016
Accounts payable	175	132	49	43
Governmental fees and tax withholding	312	301	83	76
Received collateral in cash	2,037	2,953	21	763
Debt broker	919	458	911	458
Subordinated loan SPP Pension & Försäkring AB [1]		663		
External financing of properties	841			
Other current liabilities	625	745	1,044	76
Total other current liabilities	**4,908**	**5,252**	**2,108**	**1,415**

1) Subordinated loan in SPP Pension & Försäkring AB of SEK 700 million MSEK that is reclassified to current liabilities. The loan is repaid in January 2017.

Note 41 - Hedge accounting

STOREBRAND LIVSFORSIKRING GROUP

FAIR VALUE HEDGING OF THE INTEREST RATE RISK AND CASH FLOW HEDGING OF THE CREDIT MARGIN

Storebrand uses fair value hedging for interest risk. The hedged items are financial assets and financial liabilities measured at amortised cost. Derivatives are recognised at fair value over profit or loss . Changes in the value of the hedged item that can be attributed to the hedged risk are adjusted in the book value of the hedged item and recognised in the income statement.

Storebrand utilises cash flow hedging of its credit margin. The hedged items are liabilities that are measured at amortised cost. Derivatives are recognised at fair value in the accounts. The proportion of the gain or loss on the hedging instrument that is deemed to be effective hedging is recognised in total comprehensive income. The proportion is subsequently reclassified to profit or loss in step with the hedged item's effect on earnings

Hedging instrument/hedged item

	2017					2016				
		Book value [1]					Book value [1]			
(NOK million)	Contract/ nominal value	Assets	Liabilities	Booked	Recognised in comprehensive income	Contract/ nominal value	Assets	Liabilities	Booked	Recognised in comprehensive income
Interest rate swaps	2,273	1,133			188	2,273	932			-197
Subordinated loans	-2,238		3,227	-22	-154	-2,238		3,027	-13	137

1) Book values as at 31.12.

CURRENCY HEDGING OF NET INVESTMENT IN SPP

In 2017, Storebrand utilised cash flow hedging for the currency risk linked to Storebrand's net investment in SPP. 3 month rolling currency derivatives were used in which the spot element in these is used as the hedging instrument. In 2016 and 2017, a time-limited subordinated loan total of SEK 1 750 million was taken up. The loan was used as a hedging instrument relating to the hedging of the net investment in SPP. The effective share of hedging instruments is recognised in total profit. The net investment in SPP is partly hedged and therefore the expectation is that future hedge effectiveness will be around 100 per cent.

Hedging instrument/hedged item

	2017			2016		
		Book value [1]			Book value [1]	
(NOK million)	Contract/ nominal value	Assets	Liabilities	Contract/ nominal value	Assets	Liabilities
Currency derivatives	-4,200		69	-4,700		51
Subordinated loans as a hedge instrument	-1,750		1,797	-750		722
Underlying items		5,862			5,560	

1) Book values at 31.12.

STOREBRAND LIVSFORSIKRING AS

FAIR VALUE HEDGING OF THE INTEREST RATE RISK AND CASH FLOW HEDGING OF THE CREDIT MARGIN

Storebrand uses fair value hedging for interest risk. The hedged items are financial assets and financial liabilities measured at amortised cost. Derivatives are recognised at fair value over profit or loss . Changes in the value of the hedged item that can be attributed to the hedged risk are adjusted in the book value of the hedged item and recognised in the income statement.

Storebrand utilises cash flow hedging of its credit margin. The hedged items are liabilities that are measured at amortised cost. Derivatives are recognised at fair value in the accounts. The proportion of the gain or loss on the hedging instrument that is deemed to be effective hedging is recognised in total comprehensive income. The proportion is subsequently reclassified to profit or loss in step with the hedged item's effect on earnings.

Hedging instrument/hedged item

(NOK million)	2017 Contract/ nominal value	2017 Book value [1)] Assets	2017 Book value [1)] Liabilities	2017 Booked	2017 Recognised in compre-hensive income	2016 Contract/ nominal value	2016 Book value [1)] Assets	2016 Book value [1)] Liabilities	2016 Booked	2016 Recognised in compre-hensive income
Interest rate swaps	2,273	1,133			188	2,273	932			-197
Subordinated loans	-2,238		3,227	-22	-154	-2,238		3,027	-13	137

1) Book values as at 31.12.

Note 42 - Collateral

(NOK million)	Storebrand Livsforsikring Group 2017	Storebrand Livsforsikring Group 2016	Storebrand Livsforsikring AS 2017	Storebrand Livsforsikring AS 2016
Collateral for Derivatives trading	2,249	2,179	1,185	1,102
Collateral received in connection with Derivatives trading	-21	-3,087	-21	-763
Total received and pledged collateral	**2,228**	**-908**	**1,164**	**339**

Collateral pledged in connection with futures and options are regulated on a daily basis in the daily margin clearing on each contracts. Collateral is received and paid in the form of cash and securities.

Note 43 - Contingent liabilities

(NOK million)	Storebrand Livsforsikring Group 2017	Storebrand Livsforsikring Group 2016	Storebrand Livsforsikring AS 2017	Storebrand Livsforsikring AS 2016
Uncalled residual liabilities re limited partnership	5,451	2,971	4,647	2,249
Debt note to Silver Pensjonsforsikring in conjunction with acquisitions	520		520	
Total contingent liabilities	**5,971**	**2,971**	**5,167**	**2,249**

The debt note is conditioned by Silver Pensjonsforsikring no longer being under public administration

Storebrand Livsforsikring AS has unsued credit limits on loans and receivables to customers, see note 10 credit risk.
The Storebrand Group companies are engaged in extensive activities in Norway and abroad, and are subject for client complaints and may become part in legal disputes.

Note 44 - Transactions with related parties

Companies in the Storebrand Livsforsikring Group have transactions with other companies in the Storebrand Group, senior employees and shareholders in Storebrand ASA. These are transactions that are a part of the products and services offered by the companies in the group to their customers. The transactions are entered into on commercial terms and include occupational pensions, private pensions savings, leasing of premises, and lending.

During 2017 Storebrand Livsforsikring AS has bought morgages from sistercompany Storebrand Bank ASA.The transactions are entered into in commercial terms. Total value of the portfolio is NOK 9.4 billions.

Internal transactions between group companies are eliminated in the consolidated financial statements, with the exception of transactions between the customer portfolio in Storebrand Livsforsikring AS and other units in the group. See further description in Note 1 Accounting Principles.

Also see note 23 Remuneration of senior employees and elected officers and note 31 Parent company's holding of equities in subsidiaries and associated companies.

	2017		2016	
(NOK million)	Sale/purchase of services	Receivables/ liabilities	Sale/purchase of services	Receivables/ liabilities
Group companies:				
Storebrand ASA	29		26	1
Storebrand Bank ASA	52	5	44	-10
Storebrand Asset Management AS	107	25	93	-2
Storebrand Forsikring AS	148	28	108	13

Note 45 - Solvency II

Storebrand Livsforsikring is an insurance company with capital requirements in accordance with Solvency II.

The calculations below are for Storebrand Livsforsikring AS when Storebrand Livsforsikring Group no longer entitled to report solvency. The requirement on consolidated level only applies to Storebrand Group.

The solvency capital requirement and minimum capital requirement are calculated in accordance with Section 8 and 22 of the Solvency II Regulations using the standard method and include the effect of the transitional arrangement for shares pursuant to Section 58 of the Solvency II Regulations.

The models used as a basis for the calculation of capital requirements and solvency capital are based on a number of requirements and assumptions that are partly specified in the regulations and partly interpreted by Storebrand based on the regulations. The most important assumptions and estimates in the calculation relate to the risk-reducing capacity of deferred tax, future margins and reserve developments, as well as the value of the customers guarantees and options. The assumptions and estimates 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 statement were prepared. Changes to the regulations, methods and interpretations may be made that could affect the Solvency II margin in the future.

The solvency capital largely appears as net assets in the Solvency II balance sheet with the addition of eligible subordinated loans and deducted for own shares and ineligible minority interests. The solvency capital is therefore significantly different to book equity in the financial statements. Technical insurance reserves are calculated in accordance with the standard method and include the effect of the transitional arrangement pursuant to Section 56 (1) - (6) of the Solvency II Regulations. The transitional arrangement entails that the increase in the value of the technical insurance reserves is phased in gradually over a period of 16 years. The composition of solvency capital appears in the table below.

The solvency capital is divided into three capital groups in accordance with Section 6 of the Solvency II Regulations. Group 1 capital consists of paid-in capital and reconciliation reserve. It also includes perpetual subordinated loans (perpetual hybrid Tier 1 capital) with up to 20 per cent of Group 1 capital.

Other subordinated loans (time limited) and risk equalisation reserve are categorised as Group 2 capital. Group 2 capital can cover up to 50 per cent of the solvency capital requirement and up to 20 per cent of the minimum capital requirement. Eligible minority interests and deferred tax assets are categorised as Group 3 capital. Group 3 capital can cover up to 15 per cent of the solvency capital requirement. Group 3 capital cannot be used to cover the minimum capital requirement.

Subordinated loans issued prior to 17 January 2015 are covered by a transitional arrangement that will continue until 2026 and during this period these loans will qualify as Group 1 capital despite them not fully satisfying the requirements for viable capital in the Solvency II regulations.

Profit earned that is included as equity in the financial statements must be replaced by the reconciliation reserve in the solvency balance. The reconciliation reserve also includes profit earned, but based on the valuation of assets and liabilities in the solvency balance. The reconciliation reserve will also include the present value of future profits. The value of future profits is implicitly included as a consequence of the valuation of the insurance liability.

SOLVENCY CAPITAL

	31.12.17					31.12.216
(NOK million)	Total	Tier 1 unlimited	Tier 1 limited	Tier 2	Total	Total
Share capital	3,540	3,540			3,540	3,540
Share premium	9,711	9,711			9,711	9,711
Reconciliation reserve	22,088	22,088			18,373	18,373
Including the effect of the transitional arrangement	4,513	4,513			3,073	
Subordinated loans	8,547		2,642	5,905	7,198	140
Risk equalisation reserve	143			143	140	
Expected dividend	-1,300	-1,300				
Total solvency capital	**42,728**	**34,039**	**2,642**	**6,048**	**38,962**	**38,962**
Total solvency capital available to cover the minimum capital requirement	**37,928**	**34,039**	**2,642**	**1,248**	**35,529**	**35,529**

The capital requirement in Solvency II appears as the total of changes in solvency capital calculated under different types of stress, less diversification. The largest part of the capital requirement appears from financial market stress and particularly relates to changes in interest rates and falls in the equity markets, as well as increased credit spreads. There is also the insurance risk, for which the most important capital requirement comes from stress relating to the transfer of existing customers within defined contribution pensions. The solvency capital requirement appears in the table below.

SOLVENCY CAPTIAL REQUIREMENT AND -MARGIN

(NOK million)	31.12.17	31.12.16
Market	20,336	21,791
Counterparty	449	423
Life	6,434	5,180
Health	540	524
Operational	990	953
Diversification	-4,646	-4,012
Loss-absorbing tax effect	-5,015	-5,401
Total solvency requirement	**19,088**	**19,457**
Solvency margin	**223.8 %**	**200.2 %**
Minimum capital requirement	**6 240**	**6 651**
Minimum margin	**607.8 %**	**534.2 %**

Note 46 - Return on capital

STOREBRAND LIVSFORSIKRING AS

(NOK million)	2017 Booked return	2017 Market return	2016 Booked return	2016 Market return	2015 Booked return	2015 Market return	2014 Booked return	2014 Market return	2013 Booked return	2013 Market return	2012 Booked return	2012 Market return
Contractual obligations total	4.8 %	5.3 %	6.0 %	4.8 %	5.2 %	4.3 %	5.2 %	6.3 %	3.0 %	4.6 %	5.6 %	6.2 %
As portfolio:												
Group defined benefit public					3.2 %	2.2 %	4.3 %	4.2 %				
Group defined benefit private	4.9 %	5.5 %	6.4 %	5.0 %	5.4 %	3.9 %	5.4 %	6.6 %				
Group defined benefit low									3.8 %	4.2 %	5.9 %	6.1 %
Group defined benefit standard									3.3 %	5.3 %	5.8 %	6.8 %
Group defined benefit high											5.7 %	7.1 %
Swedish branch	6.1 %	5.7 %	4.2 %	3.3 %	5.5 %	4.5 %	6.5 %	6.9 %	3.7 %	5.1 %	4.9 %	5.6 %
Paid-up policies	4.8 %	5.5 %	5.9 %	4.8 %	5.4 %	4.8 %	5.4 %	6.4 %	2.2 %	4.0 %	5.4 %	5.7 %
Individual	4.5 %	4.2 %	6.4 %	4.3 %	4.9 %	4.4 %	4.1 %	5.8 %	4.9 %	5.4 %	5.7 %	6.0 %

	2017	2016	2015	2014	2013	2012
Return on capital company portfolio	4.6 %	4.7 %	3.0 %	5.0 %	4.2 %	5.4 %

Note 47 - Number of employees

(NOK million)	Storebrand Livsforsikring Group 2017	Storebrand Livsforsikring Group 2016	Storebrand Livsforsikring AS 2017	Storebrand Livsforsikring AS 2016
Number of employees 31.12	1,294	1,383	731	786
Average number of employees	1,324	1,448	752	807
Fulltime equivalent positions 31.12	1,281	1,365	723	774
Average number of fulltime equivalents	1,309	1,426	742	794

Declaration by the Members of the Board and the CEO

STOREBRAND LIVSFORSIKRING AS AND STOREBRAND LIVSFORSIKRING GROUP

On this date, the Board and CEO have discussed and approved the annual report and annual financial statements for Storebrand Livsforsikring AS and Storebrand Livsforsikring Group for the 2017 financial year and as per 31 December 2017.

The financial statements are prepared in accordance with the "Regulation on the annual accounts etc. of insurance companies" for the parent company and the consolidated financial statements are presented using EU-approved International Financial Reporting Standards (IFRS) and the additional requirements of the Securities Trading Act.

In the best judgment of the Board and CEO the annual financial statements and consolidated financial statements for 2016 have been prepared in accordance with applicable accounting standards, and the information in the financial statements provides a fair and true picture of the assets, liabilities, financial standing and results as a whole of the parent company and the group as per 31 December 2017. In the best judgment of the Board and CEO the annual report provides a fair and true overview of important events during the accounting period and their effects on the annual financial statements and consolidated financial statements. In the best judgment of the Board and CEO the descriptions of the most important risk and uncertainty factors the group faces in the next accounting period, as well as the descriptions of related parties' significant transactions, also provide a fair and true overview.

Lysaker, 6 February 2018
The Board of Directors of Storebrand Livsforsikring AS

Translation – not to be signed

Odd Arlid Grefstad
- Chairman of the Board -

Ole Peik Norenberg

Vibeke Hammer Madsen

Bodil Catherine Valvik

Sigurd Nilsen Ribu

Hans Henrik Klouman

Jan Otto Risebrobakken

Geir Holmgren
- Chief Executive Officer -

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Translation from the original Norwegian version

To the General Meeting of Storebrand Livsforsikring AS

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Storebrand Livsforsikring AS. The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2017, and the statement of comprehensive income , statement of changes in equity, cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the balance sheet as at 31 December 2017, and the statement of comprehensive income, statement of changes in equity, cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the parent company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying financial statements present fairly, in all material respects, the financial position of the group as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

IT-systems and control activities relevant to financial reporting

Key audit matter	How the matter was addressed in the audit
The group Storebrand Livsforsikring AS (Storebrand Livsforsikring) has an extensive IT environment which includes several IT systems. The IT systems are both internally developed and standardized systems with varying degree of customizations and modifications. The operation of the IT systems is largely outsourced to various service providers. Storebrand Livsforsikring's IT systems are essential for the accounting and reporting of completed transactions, in order to provide the basis for important estimates and calculations, and to provide relevant notes. We refer to note 6 for a more detailed description of management and operation of IT systems in Storebrand Livsforsikring. Effective internal controls related to IT systems both at Storebrand and at the service providers is vital to ensure accurate, complete and reliable financial reporting and is therefore a key audit matter.	Storebrand Livsforsikring has established an overall governance model and control activities related to its IT- systems. We have gained an understanding of Storebrand Livsforsikring's overall governance model for the IT-systems relevant to financial reporting. We assessed and tested the design of selected control activities relevant to financial reporting related to IT-operations, change management and information security. For a sample of these control activities, we tested if they operated effectively in the reporting period. We assessed and tested the design of selected automated control activities within the IT- systems. For a sample of these control activities, we tested if they operated effectively in the reporting period. We assessed third-party confirmations (ISAE 3402 reports) from two of Storebrand Livsforsikring's service providers to assess whether these service providers had adequate internal controls in areas that are important for Storebrand's financial reporting. We used our own IT specialists to understand the overall governance model for IT and in the assessment and testing of the control activities related to IT.

Measurement of insurance liabilities

Key audit matter	How the matter was addressed in the audit
Measurement of the Group's insurance liabilities is based on various methods and models and on complex calculations and many assumptions related to future development and estimates which are uncertain. Note 1 includes a description of the relevant accounting policies, note 2 describes important accounting estimates and judgement, note 7 describes insurance risk and note 38 specifies the insurance liabilities. The calculation models, assumptions and estimates will be of particular significance for the measurement of the IBNS reserves related to risk products in life insurance. The calculation models and assumptions used to estimate future expected payments	Storebrand Livsforsikring has established various control activities related to the measurement of IBNS reserves for risk products in life insurance ("IBNS reserves"), and for insurance liabilities related to insurance contracts with guaranteed interest in the Swedish operations. For IBNS reserves we assessed and tested the design of selected control activities related to parts of the input data and some calculations. For a sample of these control activities, we tested if they operated effectively in the reporting period. For the measurement of the insurance liabilities related to insurance contracts with guaranteed interest in the Swedish operations, we assessed and tested the design of selected control activities related to determination of the yield curve used in the discounting. For a sample of these control activities, we tested if they operated effectively in the reporting period.

Measurement of insurance liabilities, cont.

Key audit matter	How the matter was addressed in the audit
and to determine the yield curve used in the discounting, will be of particular significance for the measurement of the insurance liabilities related to insurance contracts with guaranteed interest in the Swedish operations. The calculation models, assumptions and estimates are crucial for the measurement of these insurance liabilities and therefore they are a key audit matter.	We challenged the choice of models and assumptions used in measuring the IBNS reserves by performing our own simplified calculations of selected parts of the IBNS reserves. We used Storebrand's input data for the calculations. For the insurance liabilities related to insurance contracts with guaranteed interest in the Swedish operations we assessed selected assumptions. We also compared selected models used by Storebrand Livsforsikring to determine the yield curve used in the discounting to the requirements in the Swedish regulations. We assessed whether the notes for the IBNS reserves and insurance liabilities related to insurance contracts with guaranteed interest in the Swedish operations were adequate. We have used our own actuaries to assess the selection of models and assumptions, as well as when performing our own simplified calculations of selected parts of the IBNS reserves.

Valuation of financial instruments and investment property (level 3)

Key audit matter	How the matter was addressed in the audit
The value of financial instruments and investment property classified as level 3 investments according to IFRS («investments») amount to NOK mill 42.502 as of 31 December 2017, of which NOK mill 28.861 in investment property. Note 2 and 12 describes important accounting estimates and judgement related to valuation of level 3 investments. The valuation of investments not traded in active markets, level 3 investments, are uncertain and the valuations are based on several assumptions and estimates. The assumptions and estimates are crucial to the valuation, and the valuation of level	Storebrand Livsforsikring has established various control activities related to the valuation of investments classified as Level 3 in IFRS. We assessed and tested the design of selected control activities related to the determination of fair value of investment properties. For a sample of investment properties, we tested if these control activities operated effectively in the reporting period. We assessed whether the valuation methods applied for investment properties and financial instruments were in accordance with industry valuation standards and practice. For a sample of investment properties and financial instruments, we compared the reported fair value to the valuations.

Valuation of financial instruments and investment property (level 3), cont.

Key audit matter	How the matter was addressed in the audit
3 investments are therefore a key audit matter.	For a sample of investment properties we assessed the changes in fair value throughout the year. We obtained and assessed Storebrand Livsforsikring's reasoning for the changes. We also assessed whether the notes related to the financial instruments and investment properties classified as Level 3 investments were adequate.

Other information

Management is responsible for the other information. The other information comprises the Annual Report for 2017, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation and fair presentation of the financial statements of the parent company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the financial statements of the group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the parent company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The financial statements of the group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

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

Opinion on Registration and Documentation

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

Oslo, 6 February 2018
Deloitte AS

Henrik Woxholt
State Authorised Public Accountant (Norway)

Note: This translation from Norwegian has been prepared for information purposes only.

Terms and expressions

GENERAL

Subordinated loan capital
Subordinated loan capital is loan capital that ranks after all other debt. Subordinated loan capital forms part of the tier 2 capital for solvency capital calculations.

Duration
Average remaining term to maturity of the cash flow from interest-bearing securities. The modified duration is calculated based on the duration and expresses the sensitivity to the underlying interest rate changes.

Equity
Equity consists of paid-in capital, retained earnings and minority interests. Paid-in capital includes share capital, share premium reserve and other paid-in capital. Retained earnings include other equity and reserves.

Solvency II
Solvency II is a common set of European regulatory requirements for the insurance industry. Under Solvency II, the size of the capital requirement will be determined by the amount of risk the company is exposed to.

INSURANCE

Reinsurance (Reassurance)
The transfer of part of the risk to another insurance company.

IBNR reserves (incurred but not reported)
Reserves for the compensation of insured events that have occurred, but not yet been reported to the insurance company.

RBNS reserves (reported but not settled)
Reserves for the compensation of reported, but not yet settled claims.

LIFE INSURANCE

RETURN ON CAPITAL
The booked return on capital shows net realised income from financial assets and changes in the value of real estate and exchange rate changes for financial assets, expressed as a percentage of the year's average capital in customer funds with guarantees and in the company portfolio, respectively. The market return shows the total income realised from financial assets, changes in the value of real estate and the year's change in unrealised gains or losses, expressed as a percentage of the year's average total capital in customer funds with guarantees and in the company portfolio, respectively, at market value.

GROUP CONTRACTS
Group defined benefit pensions (DB)
Guaranteed pension payments from a specified age for as long as the insured person lives. Alternatively, it can be agreed that the pension will end at a specified age. The product is offered in both the private and public sectors. The cover includes retirement, disability and survivor pensions.

Group defined contribution pensions (defined contribution – DC)
In group defined contribution pensions the premium is stated as a percentage of pay, while the payments are unknown. The customer bears all the financial risk during the saving period.

Group one-year risk cover
These products involve guaranteed payments upon death or disability, and a waiver of premiums in the event of disability.

Paid-up policies (benefit) and pension capital certificate (contribution)
These are contracts with earned rights that are issued upon withdrawal from or the termination of pension contracts.

Group life insurance
Group life insurance in which an insured sum is payable on the death of a member of the group. Such insurance can be extended to cover disability insurance.

Unit Linked
Life insurance offering an investment choice, whereby the customer can influence the level of risk and return by selecting in which funds assets are to be invested. Applies to both individual policies and group defined contribution pensions.

INDIVIDUAL CONTRACTS
Individual allocated annuity or pension insurance
Contracts with guaranteed payments for as long as the insured person lives. Alternatively, it can be agreed that the pension will end at a specified age.

Individual endowment insurance
Contracts involving a single payment in the event of attaining a specified age, death or disability.

Individual Unit Linked insurance
Endowment insurance or allocated annuity in which the customer bears the financial risk.

Contractual liabilities
Allocations to premium reserves for contractual liabilities shall, as a minimum, equal the difference between the capital value of the company's future liabilities and the capital value of future net premiums (prospective calculation method). Additional benefits due to an added surplus are included.

RESULT

Administration result
The administration result is the difference between the premiums paid by customers pursuant to the tariff and the company's actual operating costs. The income consists of fees based on the size of customer assets, premium volumes or numbers in the form of unit prices. Operating costs consist of, among other things, personnel costs, marketing, commissions and IT costs.

Financial result
The financial result consists of the net financial income from financial assets for the group portfolio (group and individual products without any investment choice) less the guaranteed return.

Risk result
The risk result consists of premiums the company charges to cover insurance risks less the actual costs in the form of insurance reserves and payments for insured events such as death, pensions, disability and accidents.

Profit sharing and profit allocated to owner
See note 4.

OTHER TERMS

Insurance reserves – life insurance
For a more detailed description of the technical insurance reserves and accrual accounting for premiums and compensation, see note 1 – accounting policies.

Solidity capital
The term solidity capital includes equity, subordinated loan capital, market value adjustment reserve, additional statutory reserves, conditional bonuses, surplus/deficit related to bonds at amortised cost and retained earnings. The solvency capital is also calculated as a percentage of total customer funds, excluding additional statutory reserves and conditional bonuses.

FINANCIAL DERIVATIVES

The term "financial derivatives" embraces a wide range of financial instruments for which the current value and future price movements are determined by equities, bonds, foreign currencies or other traditional financial instruments. Derivatives require less capital than is the case for traditional financial instruments, such as equities and bonds, and are used as a flexible and cost-effective supplement to traditional instruments in portfolio management. Financial derivatives can be used to hedge against unwanted financial risks, or to create a desired risk exposure in place of using traditional financial instruments.

Share options

The purchase of share options confers a right (but not an obligation) to buy or sell shares at a pre-determined price. Share options may be related to stock market indices as well as to specific individual stocks. The sale of share options implies the equivalent one-sided obligation. In general, exchange traded and cleared options are used.

Stock futures (stock index futures)

Stock futures contracts can be related to individual shares, but are normally related to stock market indices. Stock futures contracts are standardised futures contracts, which are exchange traded, and are subject to established clearing arrangements. Profits and losses on futures contracts are recognised daily, and are settled on the following day.

Cross currency swaps

A cross currency swap is an agreement to exchange principal and interest rate terms in different currencies. At the maturity of the contract, the principal and interest rate terms are exchanged back to the original currency. Cross currency swaps are used, for example, to hedge returns in a specific currency or to hedge foreign currency exposure.

Forward Rate Agreements (FRA)

FRAs are agreements to pay or receive the difference between an agreed fixed rate of interest and the actual rate for a fixed amount and period of time. This difference is settled at the start of the future interest period. FRA contracts are particularly appropriate for the management of short-term interest rate exposure.

Credit derivatives

Credit derivatives are financial contracts that transfer all or part of the credit risk associated with loans, bonds and similar instruments from the purchaser of the protection (seller of the risk) to the seller of the protection (purchaser of the risk). Credit derivatives are transferable instruments that make it possible to transfer the credit risk associated with particular assets to a third party without selling the assets.

Interest rate futures

Interest rate futures contracts are related to government bond rates or short-term benchmark interest rates. Interest rate futures are standardised contracts which are exchange traded and are subject to established clearing arrangements. Profits and losses on futures contracts are recognised daily and settled on the following day.

Interest rate swaps/asset swaps

Interest rate swaps/asset swaps are agreements between two-parties to exchange interest rate terms for a specified period. This is normally an agreement to exchange fixed rate payments for floating rate payments.This instrument is used to manage or change the interest rate risk.

Interest rate options

Interest rate options can be related to either bond yields or money market rates. The purchase of interest rate options related to bonds (also known as bond options) confers a right (but not an obligation) to buy or sell bonds at a pre-determined price. Interest rate options can be used as a flexible instrument for the management of both long and short-term interest rate exposure.

Forward foreign exchange contracts/swaps

Forward foreign exchange contracts/swaps relate to the purchase or sale of a currency for an agreed price at a future date. These contracts are principally used to hedge the currency exposure arising from securities, bank deposits, subordinated loans and insurance reserves. These contracts also include spot foreign exchange transactions.

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