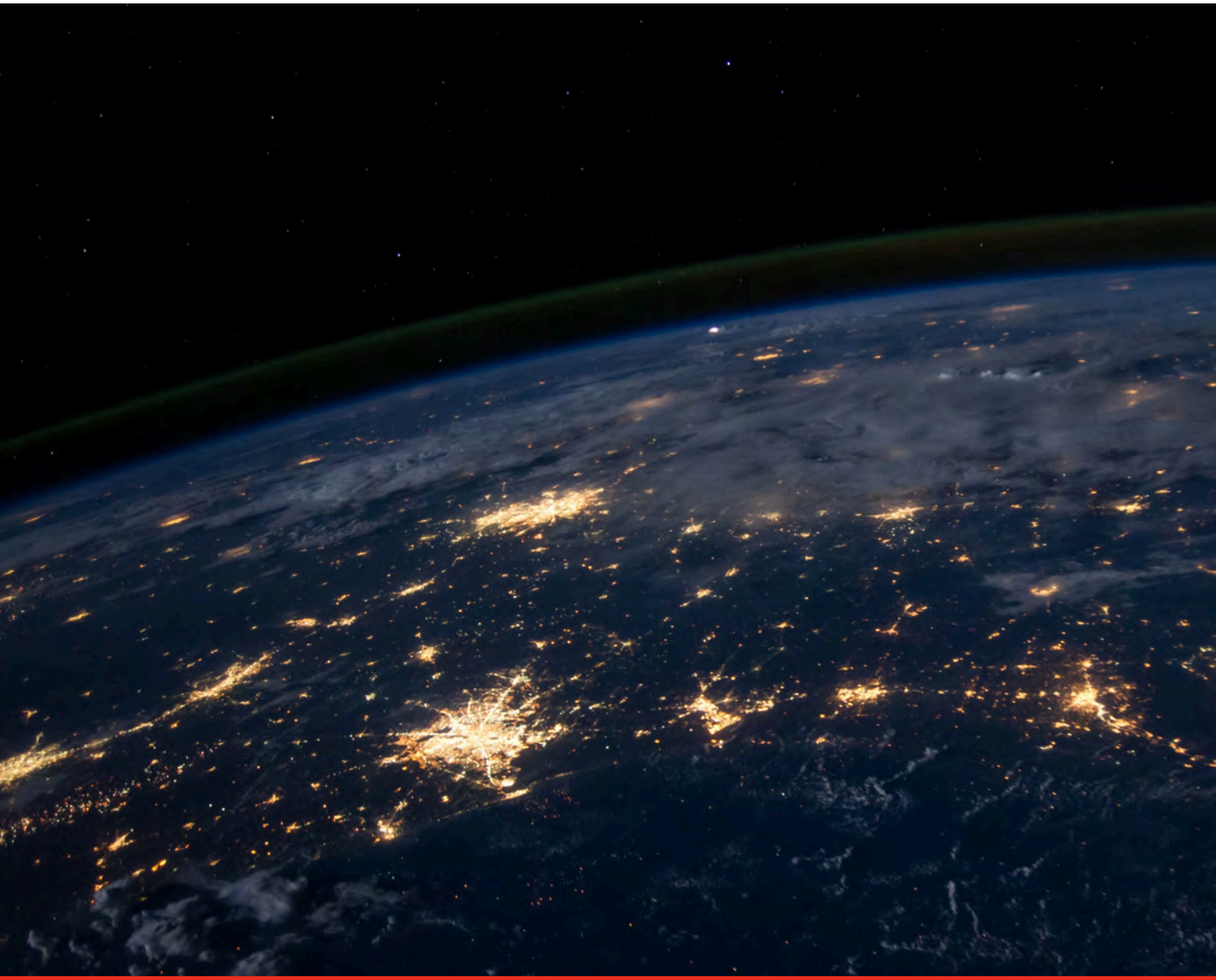
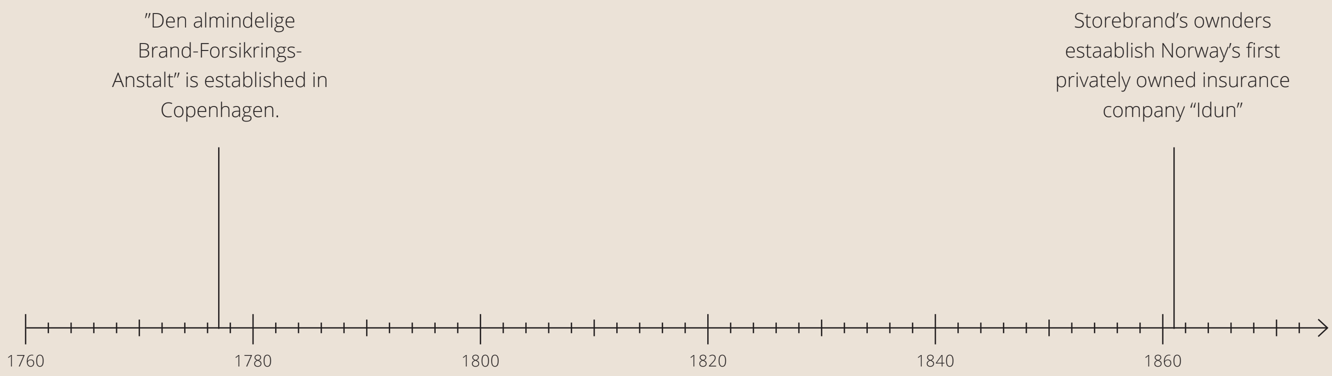


# Storebrand provides security today and a future to look forward to

Annual Report 2016

# History of Storebrand




**1767–1919: ROOTS**

**1767**
"Den almindelige Brand-Forsikrings-Anstalt" is established in Copenhagen.

**1814**
Following the split from Denmark, management of the fire insurance scheme is transferred to Christiania, as the capital of Norway was called at that time. In 1913 the scheme is converted into a public sector company called Norges Brannkasse.

**1847**
On 4 May 1847, the P&C insurance company "Christiania Almindelige Brand-forsikrings-Selskab for Varer og Effecter" is incorporated by private subscription. The company is referred to as Storebrand.

**1861**
Storebrand's owners establish Idun, the first privately owned life insurance company in Norway.

**1867**
The P&C insurance company Norden is established as a competitor to Storebrand.

**1917**
The life insurance company Norske Folk is established.

**1920–1969: GROWTH AND CONSOLIDATION**

**1923**
Storebrand acquires nearly all of the shares in Idun. The rest, with a couple of exceptions, are acquired during the 1970s.

**1925**
Storebrand changes its name from "Christiania Almindelige Forsikrings-Aksjeselskap" (renamed in 1915) to "Christiania Almindelige Forsikrings-Aksjeselskap Storebrand". This name is kept until 1971.

**1936**
Storebrand acquires Europeiske, the leading travel insurance company in Norway.

**1962**
Storebrand initiates a new wave of acquisitions and mergers by acquiring Norrøna, which was experiencing financial problems.

**1963**
Storebrand acquires Norske Fortuna. Brage and Fram merge to become the country's largest life insurance company. Storebrand and Idun move into their own new premises in the restored Vest-Vika area of Oslo. Brage-Fram and Norske Folk follow their lead.

**1970–1989: GROUP FORMATION**

**1978**
Storebrand changes its logo and introduces "the link" as an easily recognisable trademark. The formal name of the holding company is changed to A/S Storebrand-gruppen.

**1983**
The Norden Group and Storebrand merge.

**1984**
Norske Folk and Norges Brannkasse market themselves as a single entity under the name UNI Forsikring.

**1990–1999: CRISIS AND CHANGE**

**1990**
Storebrand and UNI Forsikring agree to merge, and the merger receives official permission in January 1991.

**1992**
UNI Storebrand's negotiations with Skandia concerning establishing a major Nordic company fail to reach agreement.

**1996**
The company changes its name to Storebrand ASA and establishes Storebrand Bank ASA.

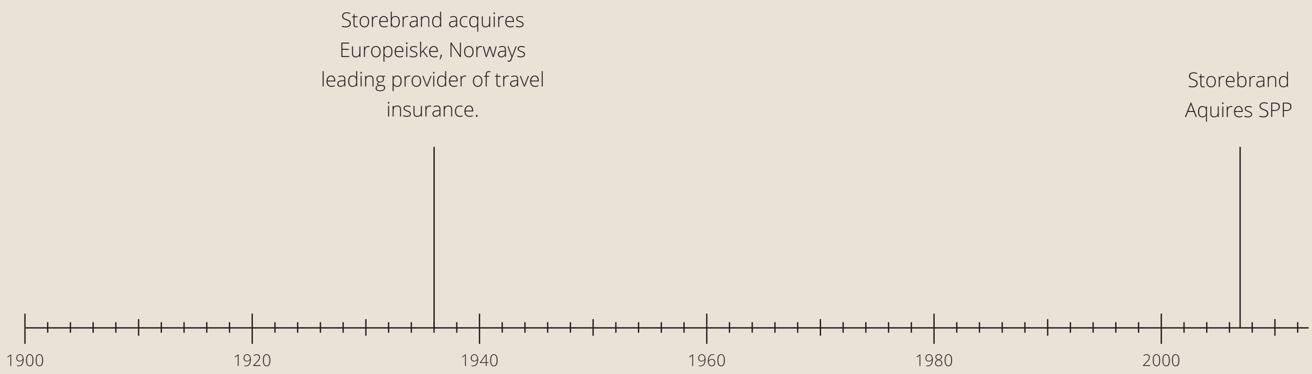
**1999**
Storebrand, Skandia and Pohjola consolidate their P&C insurance activities in the new Nordic, Swedish registered company, If Skadeförsäkring AB. Storebrand sells its stake five years later.

**2000-2011: NEW CHALLENGES**

**2000**
Norwegian and international stock markets fall sharply from September 2000 to February 2003.

**2005**
The Storting, the Norwegian parliament, rules that all companies must have an occupational pension scheme in place by 2007. Storebrand responds to the challenge with its new product, Storebrand Folkepensjon.

**2006**
Storebrand decides to return to P&C-insurance.




**2007**
Storebrand acquires SPP, the Swedish life insurance and pensions provider, from Handelsbanken and forms the leading life insurance and pensions provider in the Nordic region.

**2008**
The financial crisis in the USA spreads to the global financial markets and during 2008 the New York Stock Exchange (Dow Jones DJIA) falls by 34 per cent and the Oslo Stock Exchange by 54 per cent.

**2010**
Storebrand's new energy efficient head office gains a lot of attention. The building is awarded the acclaimed 2010 City Prize by the real estate industry. The head office receives eco-lighthouse certification.

**2011**
A new group organisation lays the groundwork to make it easier to be a customer in Storebrand.  The debt crisis and uncertainty in the eurozone are causing considerable anxiety and turbulence in the financial markets. Storebrand's results for the year have been affected by these disturbances.

**2012: OUR CUSTOMERS RECOMMEND US**
Storebrand launches a new vision: "Our customers recommend us", six customer promises, a new position and adjusted core values.

Odd Arild Grefstad is appointed as the new CEO. Comprehensive change work associated with capital effectiveness, cost reductions, customer orientation and commercialization is initiated. The measures will ensure that the Group generates value for customers, employees and shareholders.

**2013**
A new group organisation is presented in June. Nordic units and distinguishing between business in growth and business with guarantees are key elements.

**2014**
New regulatory framework for private occupational pensions in Norway is introduced on 1 January. New maximum rates for defined contribution pensions are significantly higher.

Storebrand Asset Management surpasses NOK 500 billion in assets under management for the first time.

The Act on paid-up policies with investment choice entered into force on 1 September. Storebrand is the only provider of paid up policies.

**2015**
Storebrand enters into new agreements for providing defined contribution pensions to major players such as NHO, NRK and Statoil. In November, Storebrand signs a strategic partnership agreement with the American IT company Cognizant, who at the same time purchase 66 per cent of Storebrand Baltic. The partnership will form the basis for an even more customer-oriented development of the Group's IT solutions. Storebrand is chosen by Akademikerne (Federation of Norwegian Professional Associations) as their new partner for insurance.

**2016**
The Confederation of Unions for Professionals (Unio) and Storebrand enter into an agreement that offers Unio's members home loans at one the best borrowing rates in the market. The objective is that this shall contribute to increased growth for the bank. We launch Pluss-fond in Sweden, which are fossil fuel free, near-index linked funds with a high sustainability rating - and the funds sell extremely well. Storebrand launches "Our driving force". Our driving force is what Storebrand stands for. We provide security today and a future you can look forward to.

**2017**
Storebrand celebrates its 250 year anniversary!

# Storebrand in brief

**Storebrand's ambition is to be the best provider of pension savings. The Group offers products within life insurance, property and casualty insurance, asset management and banking to companies, public sector entities and private individuals. The Group is divided into the segments Savings, Insurance, Guaranteed Pension and Other.**

### HISTORY

Storebrand's history can be traced back to 1767. The company has supplied occupational pension to Norwegian employees since 1917, the same year that Storebrand's fully-owned subsidiary SPP was established in Sweden. Storebrand Bank ASA was established in 1996. In 2006, P&C insurance was relaunched as an offering to the retail market customers and selected parts of the corporate market.

### EMPLOYEES

At the end of 2016, there were 1,745 employees in the Group, compared with 1,887 at the start of the year. 48 per cent of these are women. The average age of our employees is 43. The average term of service is 10 years. All employees of Storebrand are treated equally, regardless of age, gender, disability, religious beliefs, cultural background or sexual orientation.

### CUSTOMERS

40,000 corporate customers and 1.9 million individuals have a customer relationship with Storebrand. Our vision is to serve them so well that we are "Recommended by our customers".

### STOREBRAND'S STRATEGY

Storebrand shall be best at saving for pensions. Our most important customers are companies, employees and former employees of companies with pensions from Storebrand. We will supply sustainable solutions adapted to the customers' individual situation through market and customer concepts, so that each person receives a better pension.

### KEY FIGURES

| (NOK million) | **2016** | **2015** | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|
| Group result before amortisation and tax | 2,913 | 1,722 | 3,423 | 2,938 | 1,960 |
| Return on equity (%) | 9.5% | 7.2% | 11.2% | 12.1% | 8% |
| Solvency margin (%) | 157% | 168% | -%* | -%* | -%* |
| Total equity and liabilities | 576,704 | 521,329 | 492,287 | 463,367 | 426,205 |
| Equity | 27,637 | 26,946 | 24,741 | 22,755 | 20,175 |
| Earnings per ordinary share | 4.73 | 2.63 | 4.61 | 4.41 | 2.25 |
| Dividend per ordinary share | 1.55 | 0.00 | 0.00 | 0.00 | 0.00 |

*) Solvency II not calculated

# Rating

Score 78 of 100
Ranket 8 of 152 - Outperformer

Score 81 of 100
Ranked 11 world wide within insurance

Disclosure Score B

Ranked A

Ranked 2nd of 100 most sustainable companies in the world

# We support and have signed

# Certified

# 2016 highlights

## 1st Quarter

The collaboration with Akademikerne (Federation of Norwegian Professional Associations) is expanded to also include pension. We signed a framework agreement for hybrid pensions for all secretariats under the Akademiker umbrella.

**THE CUSTOMERS CHOOSE SUSTAINABLE SAVING**

Brokerage company Söderberg & Partners awards Storebrand subsidiary SPP the prize of Sustainable Operator of the Year and Unit-linked Company of the Year. The awards confirm our leading position within sustainable saving, and position us in a continually growing and more aware savings market.

**STRENGTHEN CAPITAL ADEQUACY**

We have implemented strong measures on both the cost and capital sides to adapt to Solvency II and the low interest rates. We are therefore very pleased that we have been able to maintain stable costs while succeeding with the offensive customer and market work. This means that we can now report a solvency ratio of 157 per cent.

## 2nd Quarter

**MORTGAGES FOR YOUNG PEOPLE**

In the first half of the year, sales of loans increased by 24 per cent compared with the first half of 2015. The increase in the age limit for mortgages for young people is a major reason for this. The age group of between 34 and 41 now represents about half of all new borrowers in the bank.

**FOSSIL FUEL FREE FUNDS**

Storebrand has a world-leading position within sustainable investments. SPP Global Pluss and SPP Tilvekstmarked Pluss were launched in Sweden. These are fossil fuel free, near-index linked funds with a high sustainability rating, which are in very high demand among customers. The funds now have approximately SEK 800 million in external capital.

## 3rd Quarter

**SALES OF INSURANCE THROUGH THIRD PARTIES**

Storebrand has the ambition of growth within P&C insurance by offering basic, customer-friendly solutions. Sales through third party providers are one of several possibilities that represent the potential for increased growth. Rema Forsikring was launched in September, with Storebrand as the collaborative partner.

**HIGH LEVEL OF CUSTOMER SATISFACTION**

We have been successful with the sale of retail market products to employees with an occupational pension from Storebrand. Figures from Barcode/Norsk Kundebarometer (Norwegian Customer Barometer) show that Storebrand has the highest level of customer satis-faction of all pension providers in the corporate market and particularly distinguishes itself in the follow-up of employees category.

## 4th Quarter

**STOREBRAND'S FIRST ROBOTS**

Storebrand Bank uses robots for parts of the lending process through so-called Robotic process automation to perform standardised and repetitive work tasks with high volumes. During autumn we tested several robots on processes that were transferred to Cognizant.

**250,000 HAVE FOUND THEIR PENSION FIGURE**

In October, customer number 250,000 found his/her pension figure. This means that we have provided 250,000 people with an overview of their pensions since we launched Your Pension Figure in late autumn 2013.

**SUSTAINABLE PENSION AT CLIMATE CONFERENCE**

At Norwegian newspaper Aftenposten's climate conference #klodenvår, more than 1,000 participants were informed that their greatest C02 emissions were not from cars, rubbish or plane trips, but from pension saving. Therefore, customers have major power in influencing the climate by saving for their pensions in a sustainable manner.

**ETHICAL BANK GUIDE – BEST OF THE BIGGEST**

The Consumer Council of Norway and Framtiden i våre hender (Future in our hands) launched the "Fair Finance Guide" in which 13 banks were placed under the spotlight. Storebrand Bank was ranked as the country's second most sustainable bank and number two in the world out of the largest banks.

# "We have a long and great history to be proud of"

Odd Arild Grefstad
CEO

# Letter from CEO

**For five years, Storebrand has been working with a two-fold strategy. First, achieve profitable growth within savings, banking and insurance. Second, manage our capital-intensive guaranteed products during a period of new regulations, falling interest rates and increased life expectancy. In 2016, we have succeeded well with both.**

We have achieved strong growth in the retail market in Norway, with a 28 per cent increase in mortgages and a 6 per cent increase in insurance. Parts of this growth can be attributed to the increased focus on association agreements. The two largest agreements are with Akademikerne and Unio, to whose members we sell insurance and banking services respectively. In 2016 we also entered into a partnership with the newly established Rema Forsikring, which sells our insurance policies to its customers. These types of agreements strengthen our distribution capacity, which is important when we have so few sales offices.

I am proud that Storebrand has again in 2016 delivered good customer experiences to our 40,000 corporate customers within pensions and 1.9 million private customers. Figures from Norsk Kundebarometer show that Storebrand has the highest level of customer satisfaction of all pension providers in the corporate market in Norway and that we particularly distinguish ourselves in follow-up of employees category. It is also satisfying to see that an increasing number of the approximately 435,000 employees in companies with occupational pensions with us also purchase retail products. In 2012, this proportion was 12 per cent of the employees. Today, the proportion is 18 per cent. This proportion shall continue to grow.

Storebrand's solvency position has improved strongly during 2016, driven by both own initiatives and rising interest rates. At year end, the solvency ratio was a solid 157 without transitional rules, and we can therefore state that the Group is back to a normalised capital situation with annual dividends. Storebrand is paying a dividend for the first time since 2011 and the Board of Directors have decided to pay NOK 1.55 per share.

**INDIVIDUAL PENSION ACCOUNTS REPRESENT MAJOR OPPORTUNITIES**

The pension sector has been through many new legal regulations in recent years. Thankfully most of the issues have now been clarified – I allude in particular to the Solvency II regulations. At the same time, there are exciting developments occurring in connection with Norwegian occupational pensions. This could provide new opportunities for Storebrand: The government has studied a scheme involving an individual pension account in which the employee can combine earnings from current and previous employers. We are positive about this and believe it is possible to find solutions that will simplify the everyday pension situation of our customers. Optional additional savings in the employer's pension scheme is also being discussed. If we achieve basic solutions and favourable tax rules, this may very well accelerate private pension savings.

The contractual early retirement pension (AFP) and public service pensions will be changed and adapted to the pension reform. 2/3rds of the pension capital in occupational pensions is in the public sector, even though only 1/3rds of the work force is employed there. There is currently no competition in this sector. I hope that this major market will be opened up when we have a new pension solution for the public sector. At any rate, we are ready to compete!

**STOREBRAND IS DEVELOPING SUSTAINABILITY**

Managing large pension funds also involves great responsibility. We therefore support the UN Global Compact initiative. By agreeing to the ten principles, we commit to conducting sustainable development. We are a world-leader in sustainable investments. This means a great deal to our employees and we see that our customers are also becoming increasingly more aware of our sustainability work. Our customers do not want to invest their pension savings in "climate offenders". They would prefer to invest in companies that are part of the solution to the earth's climate challenges.

Our asset managers are working a great deal on optimising investment portfolios for climate and sustainability. This means that we provide the best long-term returns to our customers. In 2016, we launched some of the world's first fossil fuel free near-index-linked equity funds in Sweden, and sales have been excellent. The funds will be launched in Norway during the first quarter 2017. Our unique method means that we not only exclude a number of companies associated with high risk, but that we also systematically invest more in the most sustainable companies. It is these companies that actually create value for our customers.

We are now developing sustainable products and services in other business areas. For example, in autumn we launched sustainable mortgages. With these, our customers receive the lowest interest rate in return for registering the energy rating of their homes and agreeing to receive tips about how they can achieve a more energy-efficient home. We want to help new and existing customers to move in a more sustainable direction in order for them to easily reduce their green house gas emissions from homes, cars and stock exchange.

**WE ARE CELEBRATING 250 YEARS**

Storebrand is turning 250 in 2017. We have a long and great history to be proud of. During a quarter of a millennium, we have assisted our customers in creating a safer and more predictable future – a future to look forward to. These are fundamental customer requirements, that are as relevant today as they were 250 years ago, and provide us with a way forward long the future.

Storebrand has witnessed massive societal changes during its history. Perhaps the most influential change has been the technological development which has led to fantastic improvements in prosperity, quality of life and life expectancy. When we established life insurance in 1861, the average life expectancy of a Norwegian was 46 years of age. Today, this has increased to over 80. Storebrand has been a pioneer in creating a pension system that has made it possible to finance an increasingly longer period of old age through efforts in the workforce. The increase in life expectancy will continue and there is little doubt that, as a pension company, Storebrand will play an important role long into the future. We shall continue to work hard to create good pensions and a better world to retire in.

In the coming year, we will celebrate our history together with employees, customers, owners and the community in general.
We will also work hard to deliver even better customer experiences. I look forward to what lies ahead!

# Our driving force

Our driving force is what Storebrand stands for. We provide security today and a future you can look forward to.


**A FUTURE TO LOOK FORWARD TO**

Storebrand's objective is to provide our customers with a secure and sustainable future with the financial freedom to be able to experience everything that you want to experience. We shall ensure that our customers have a future they can look forward to. We shall do this by thinking long-term, putting the needs of customers first and integrating sustainability into everything we do.

**COURAGEOUS PATHFINDER**

The world needs to change course and Storebrand wants to be part of that change. We shall be brave trailblazers that enter the breach for more sustainable development by challenging the established practices. We are convinced that sustainability is beneficial- for us, customers and the earth.

**BETTER PENSION – SIMPLE AND SUSTAINABLE**

Pensions are at the heart of Storebrand's work. A pension is not a "sealed" future account, but the sum total of all the minor and major financial decisions we make in life. We are ready to provide advice the entire way towards a better pension – simple and sustainable.

Occupational pension is our core product in both Norway and Sweden, and employees and former employees in our customer businesses in Norway are also offered attractive solutions in the retail market for saving, insurance and banking. Our business strategy is to provide profitable growth within these focus areas, while we also manage our historical portfolios in a capital-efficient manner.

Our sustainable solutions not only contribute to better pensions, but also a better world in which to retire. For several decades, we have been brave trailblazers within sustainable investments and have actively determined the companies in which we invest both our own capital and that of our customers. We believe that companies that integrate environmental, social and governance considerations in their business activities will be part of creating better returns over time, both through reducing risk and creating new opportunities. In the time ahead, the goal is that sustainability shall be the foundation of everything we do across all of our business areas.

**OUR CUSTOMERS RECOMMEND US**

Visions have a tendency to be fanciful. Our vision is very specific. We work hard to ensure that our customers will recommend us. We therefore put the needs of the customers first in everything we do and following-up the feedback from customers is a core task in the Group.

# The green transition

## THE FINANCIAL SECTOR IN GENERAL AND STOREBRAND IN PARTICULAR – THE GREEN TRANSITION

There are many factors that have to fall into place if we are to make the adjustments that are required in the future. The financial sector has a particularly important role in the transition to a green economy. Driving the development towards a sustainable world means supporting the UN's 17 sustainable development goals. Included among these 17 goals is climate. In Norway, we have both the resources and expertise to lead the development of climate-adapted finance. And when the financial sector finds its approach to our new climate reality, this will have positive ripple effects far beyond the sector itself.

It is through its investments and loans that the financial sector can make the greatest contribution towards more sustainable social development. However, structural changes in investments will only occur if this also makes sense from a commercial perspective. Consumer trends are moving in the direction of increased demand for sustainable products, including in financial services, and it is competitive advantage to offer sustainable products and investment solutions. It is of decisive importance that financial players see the prospects of better returns from adapting their investment models to the climate. This will also result in increased investment in climate-friendly solutions and thereby contribute to the green transition.

Investments that take the climate into consideration involve much more than funnelling money to entrepreneurs betting on environmental technology, which is a small niche in the market which is primarily covered by private investment funds or dedicated investors. The present regulations prevent the large financial institutions, which manage most of the capital, from making large-scale high risk investments. However, by systematically investing more in the operators that are working to reduce their emissions and adjust to a green transition, large institutional investors can also contribute to reducing green house gas emissions while at the same time reducing the risk associated with their own investments.

### OPPORTUNITIES FOR THE FINANCIAL SECTOR IN THE GREEN TRANSITION

Investors, banks and insurance companies will notice the effects of climate change through their investment portfolios, not just in the form of floods and storms, but also indirectly through restructuring of industries and political measures for reducing greenhouse gas emissions. The Financial Stability Board encourages the financial sector to integrate systematic risk analyses based on the climate changes we are facing. In the future, the financial sector will have to manage several types of climate-related risks, however these changes also mean there will be many new opportunities.

One opportunity is the investment required for the green transition. The International Energy Agency estimates that investments of close to 437,000 billion in both energy supply and improved efficiency will be required for the world to achieve the two degree target.
two degree target **[1]**

### STOREBRAND'S ROLE AS A GUIDING STAR (LEDESTJERNE)

Storebrand has developed internationally recognised methods within sustainable investments. The most common strategy has been to not invest in companies based on specific events or activities, such as the decision to withdraw our investments from companies that are heavily involved in coal. However, it is much more important to carry out systematic sustainability analyses, such that we can invest more in the companies that contribute to solving climate challenges and that are best positioned for the green economy. Storebrand integrates sustainability and climate issues into all product development and services. During 2016, we set new ambitious goals for future social, environmental and financial value creation and social influence.

### NEW CRITERIA FOR CLIMATE-FRIENDLY INVESTMENTS

When climate risks and opportunities are included in investment decisions, this will result in increased investment in climate-friendly companies and less investment in the worst polluters. To find the "climate smart" companies, we have adapted analyses and indicators that have different ways of measuring the impact on the climate. The expectation of better financial results for the sustainable companies is based on indicators identified in areas that are both important from a climate perspective and financially relevant for the company. For example, the analyses can identify investments that have energy efficient production or that offer climate-friendly products.

In the climate analyses, we also aim to identify companies with poor climate profiles to avoid investing in these. This assessment can be based on the type of business activity (such as coal production), lack of operations that are adapted to climate change (energy intensive), or product portfolios that are poorly adapted to the green transition.

By using this type of systematic approach it is possible for us to identify and invest in a traditional energy company with a significant part of its production based on renewable energy. However, a company will a high level of coal production will be less attractive. In this way we move money from activities with a major negative impact on the climate to companies that are part of the transition to a greener economy. It is when the consideration of climate change is broadly integrated into investment decisions that you see the greatest ripple effects.

The carbon footprints of companies and portfolios can be a useful means of understanding and communicating the exposure to climate risk. By signing the Montreal Carbon Pledge we are obligated each year to measure and publish the carbon footprint of our investment portfolios. As members of the Portfolio Decarbonization Coalition, we pledge to go one step further and not just measure and publish, but also reduce the carbon footprint in our investment portfolios.

[1] https://iea.org/publications/freepublications/publication/WEIO2014

# Materiality

As one of Norway's leading pension companies, we strive to positively influence society. Our goal is to support and develop a transparent financial sector based on trust. Sustainability is an integrated part of Storebrand's core business and therefore vital to our asset management, our product development within banking and insurance activities and also acts as a guide for our own operations.

Storebrand is recognised nationally and internationally for its sustainable asset management. We have been designated as the world's second most sustainable company by The Corporate Knights. The results from this study were presented at the World Economic Forum in Davos.

Storebrand acknowledges and pledges to comply with a number of international standards for sustainability. Storebrand has signed the UN Global Compact for advancing responsible business practices. The principles in the Global Compact cover human rights, labour standards and standards for the environment and combating of corruption. We support the UN principles for responsible investment and sustainable insurance. Storebrand has been a driving force behind the development of the World Business Council for Sustainable Development's Vision 2050, and we are working towards a world in 2050 where "9 billion people are living well within the resource limits of the planet". We have signed the "Montreal Pledge" regarding the reporting of our carbon footprint and joined the "Portfolio Decarbonisation Coalition" with the goal of reducing the climate risk and carbon footprint of our investments. Our sustainability work is controlled by guidelines that are revised annually and approved by the Board of Storebrand ASA.

In 2016, we further increased our involvement in sustainability through a Group-wide process in which we defined our objective: "A future to look forward to". Storebrand launched a new plan for sustainability, with goals for the Group that are well-integrated with the business strategy. The executive management and Board shall follow-up these goals four times a year.

Storebrand has published environmental and corporate social responsibility reports since 1995, and these reports have been integrated into the Group's annual report since 2008. Storebrand uses the guidelines Global Reporting Initiative (GRI) G4 as a tool for sustainability reporting. Our reporting practice is largely in accordance with GRI's principles for reporting and satisfies the CORE level. More information on GRI Reporting and materiality can be found on www.storebrand.com/baerkraft. Storebrand strives for transparency and demands compliance and quality in the sustainability work. The report have therefore been reviewed and confirmed by Deloitte AS.

The materiality analysis is based on ongoing dialogue, both formal and informal, with our stakeholders, during the year. The result of the materiality analysis describes the most important areas that are identified and the methods Storebrand uses to address these important areas.

**Financial value creation:**

- **Financial risk** – Storebrand is exposed to several types of risk through its business areas. Trends associated with the interest rate, property and equity markets are deemed to be the most important risk factors that can impact on the Group's result. Over time, it is important to be able to deliver a result that exceeds the interest rate guarantees of the products. Risk management is therefore a prioritised core area for the Group. In addition, the disability and life expectancy trends represent important risks.
- **Digital restructuring** – The digitalisation of society creates new opportunities and new business areas. Customer demand for simple accessible purchase options for insurance and pension products is increasing.

**Environmental value creation:**

- **Climate adjustment** – Storebrand and Storebrand's stakeholders consider sustainability issues and adjustment with the goal of creating a world with lower CO2 emissions to be among the most important strategic and financial areas for most industries in all parts of the world. Companies approach to climate change is therefore an important part of our investment strategy. This is a well-integrated part of Storebrand's asset management and the analysis is used for all managed funds.
- **Natural resources** – Population Growth within ecosystems under pressure. Overexploitation of natural resources is one of the three fundamental areas of analysis which Storebrand uses in the assessment of all the companies in its investment universe (approximately 2,500 companies at present). Overexploitation of natural resources fall under this category, thus we collect data to analyse the different investment objects approach to the use of natural resources as one of several foundations in our investment decisions.

**Social value creation:**

- **Mistrust of the financial sector** – The financial sector has been subjected to strict regulations that have resulted in major changes in the form of pension savings for customers.
- **Understanding of impact and transparency** – Storebrand's goal is to communicate the positive effect we create through our business operations by preparing transparent reports about reduced climate risk for invested capital and increased financial value creation at individual and customer level through insurance and banking activities.

# Storebrand – a responsible business

## Interests

Investors
Collaborating partners
Government
Employees
Customers
NGO's

## Instruments

Capital
Digitisation
Driving Force
Tallent
Transparency

## Materiality

**Economic value creation**

NOK 577bn

**Environmental value creation**

$CO_2$ footprint
5.4 $CO_2e$ /1MNOK invested
capital better than relevant index

**Social value creation**

1.9m customers

Storebrand is actively working with stakeholders. By using certain instruments we identify areas within economic-, environmental-, and social value creation as leading focus areas Storebrand is working on.

# Impact

Good reporting about the impact on society assists both stakeholders and the business in determining and understanding the impact of the commercial operations on society. By following principles for creating value for investors, owners, customers and society as a whole, Storebrand can achieve its objective of contributing to a future we can look forward to. Storebrand works towards creating a sustainable future for future generations by providing financial security to individuals and families in their everyday lives and the freedom and opportunity of experiencing what you want with who you want. Storebrand plays an important role in society by simply offering sustainable products and solutions. By explaining *what has changed*, we let our stakeholders know how we influence and create long-term value.

Storebrand has a positive impact on society through our core business. As Norway's largest private asset manager, we create a more sustainable world through our investment strategy. We weed out the least sustainable companies, increase investments in more sustainable companies and exercise active ownership. "Find your pension figure" is an important tool that combines all pension schemes from present and past employers, National Insurance and own saved funds. By assisting customers in understanding the future value of the current savings, we hope to influence people in making safe choices today in order to have a better pension in the future.

As a pension company, we look after the pensions of about 1.9 million Norwegians and Swedes and ensure that hundreds of thousands of pensioners receive their occupational pensions. In 2016, we paid retirement, disability and survivor pensions to 300,000 people. The digital tool "Find your pension figure" assembles all pension schemes from present and past employers, National Insurance and own saved funds. In this way, we assist our customers in understanding the future value of current savings, to better enable them to make safe choices today in order to have a better pension in the future. More than 250,000 Norwegians have found their pension figures since the launch in 2013.

Through our P&C insurance business, we ensure that Norwegians receive assistance when accidents occur and in 2016 we made 50,000 claims settlements. We also launched a video doctor service (Online Doktor) in our Bli Frisk app for customers who have health insurance with Storebrand. By using Online Doktor our customers receive doctor's appointments and avoid both the travel and waiting before they speak to the doctor.

Through our banking business, we help many Norwegians realise their dream of owning a home. In 2016, we approved a total of 10,000 new mortgages. We also introduced sustainable mortgages for customers who want to make their homes as environmentally friendly as possible.

ECONOMIC VALUE CREATION
**(NOK 577BN)**

**Achievements**

- Implemented Solvency II
- Solvency margin 157%
- Dividend pr. share 1.55 NOK
- Group result NOK 2,913m
- Increased digitisation of customer communication
- My pension figure at 55%
- Sustainability rating AuM 78 of 100

**What are we working towards**

- Transparency
- Simple customer communication
- Achieve financial goals
- Increase sustainability rating in all funds

ENVIRONMENTAL VALUE CREATION
**(CO2 FOTAVTRYKK)**

**Achievements**

- Ranked 2nd on Global 100 at World
- Economic Forum in Davos
- Ranked 11 on Dow Jones Sustainabililty
- Index within Insurance world wide
- Reduced carbon footprint by
- 5.4 co2e/1MNOK on invested Capital less than relevant index
- Launched fossil free funds
- Established green mortgages

**What are we working towards**

- Reduce water consumption in investments
- Reduce carbon footprint on managed
- Property

## SOCIAL VALUE CREATION

**(1.9M CUSTOMERS)**

**Achievements**

- Established Group Driving Force
- Reduced staff dependancy
- Launched medical video consultation for health insurance customers
- Telematics on auto insurance
- 300 000 retirement-, disability-, survivor pension
- 50 000 P&C settlements
- 10 000 mortgages
- 3,000 life insurance settlements
- 500 children receive treatment

**What are we working towards**

- Maintain share of women in leading positions
- Increase customers pension figure
- Digital Pension Guide

| Non Financial Key Figures | | 2016 | 2015 |
|---|---|---|---|
| Dow Jones Sustainability Index | | 11 | N/A |
| Net Promoter Score **[1]** | | | |
| | 1. Norge | #4 | – |
| | 2. Sverige | #7 | – |
| Number of employees that complete e-learning courses | | | |
| | Ethics | 136 | 211 |
| | Corruption | 148 | 235 |
| Sick leave | | 3.7% | 3.3 % |
| Employee job satisfaction | | 70 av 100 poeng | 71 av 100 poeng |
| Proportion of female managers | | 41% | 42% |
| Proportion of female employees | | 48% | 51% |
| Environmental requirements to suppliers **[2]** | | 30% | 64% |
| Number of flights pr. FTE | | 4.1 | 5.3 |

| Non Financial Key Figures | 2016 | 2015 |
|---|---|---|
| $CO_2$ emissions pr. FTE | 0.69 tonn $CO_2e$ | 0.83 tonn $CO_2e$ |
| Energy consumption main office Norway and Sweden | 160kWh/$m^2$ | 153kWh/$m^2$ |
| Water consumption main office Norway and Sweden | 0.32$m^3$/$m^2$ | 0.35$m^3$/$m^2$ |
| Waste rate of recycling main office Norway and Sweden | 76% | 81% |
| Paper consumption main office Norway and Sweden | 44 kg/FTE | 33 kg/FTE |
| Energy consumption Real estate **[3]** | 188 kWh/$m^2$ | 197 kWh/$m^2$ |
| Water consumption Real estate **[4]** | 0.27$m^3$/$m^2$ | 0.29$m^3$/$m^2$ |
| Environmental certification of managed properties | 90% | 93% |

For more information and definitions on Non Financial Key Figures please go to www.storebrand.no/sustainability

[1] Standard method of measuring customer satifaction

[2] Number for 2016 apply to spend above 1MNOK toward supplier

[3] Externally managed and own property

[4] Externally managed and own property

# Shareholder matters

## SHARE CAPITAL, RIGHTS ISSUES AND NUMBER OF SHARES

Shares in Storebrand are listed on Oslo Børs (Oslo Stock Exchange) with the ticker code STB. Storebrand ASA's share capital at the start of 2016 was NOK 2,249.5 million. The company has 449,909,899 shares with a par value of NOK 5. As at 31/12/2016 the company owned 1,631,387 of its own shares, which corresponds to 0.36 per cent of the total share capital. The company has not issued any options that can dilute the existing share capital.

### SHAREHOLDERS

Storebrand ASA is among the largest companies listed on Oslo Børs measured by the number of shareholders. The company has shareholders from almost all the municipalities in Norway and from 52 countries In terms of market capitalisation, Storebrand was the 13th largest company on Oslo Børs at the end of 2016.

### SHARE PURCHASE SCHEME FOR EMPLOYEES

Every year since 1996 Storebrand ASA has given its employees an opportunity to purchase shares in the company through a share purchase scheme. The purpose of the scheme is to involve the employees more closely in the company's value creation. In March 2016 each employee was given the opportunity to buy between 250 and 1,666 shares in Storebrand at a price of NOK 32.62 per share. Around 19 per cent of the employees participated and subscribed for a total of 431,334 shares.

### FOREIGN OWNERSHIP

As at 31 December 2016, total foreign ownership amounted to 55.63 per cent, compared with 64.55 per cent at the end of 2015.

### TRADING VOLUME FOR SHARES IN STOREBRAND

A total of 703 million shares in Storebrand were traded in 2016, compared with 707 million in 2015. The trading volume in monetary terms totalled NOK 21,249 million in 2016, an increase from NOK 20,907 million in 2015. In monetary terms Storebrand was the 10th most traded share on Oslo Børs in 2016. In relation to the average total number of shares, the turnover rate for shares in Storebrand was 131 per cent.

### SHARE PRICE PERFORMANCE

Storebrand generated a total return (including dividends) of 31.4 per cent in 2016. During the corresponding period, the Oslo Børs OSEBX index rose 12 per cent, while the European insurance index Beinsur showed a negative return of -5 per cent for the corresponding period.

### DIVIDEND POLICY

Storebrand has the goal of paying annual dividends of more than 35% of the Group profit after tax, adjusted for amortisation costs The dividend policy shall have a sustainable solvency ratio of more than 150%, including a minimum solvency ratio of 110% without transitional rules.

### CAPITAL GAINS TAX

From 2016, new rules came into force in Norway concerning the taxation of dividends and gains on shares held by private individuals. The shareholder model entails that share dividends exceeding a shielding deduction multiplied by an upward adjustment factor (1.24 for the 2017 financial year) is taxed as general income for the personal shareholder (the tax rate is 24% for the 2017 financial year, which together with the adjustment factor gives an actual tax rate of 29.76%).

Share dividends within the shielding deduction are tax free. The shielding deduction is calculated by multiplying the share's shielding basis by a shielding interest. The shielding interest is set by the Norwegian Directorate of Taxes in January the year following the financial year and is based on the average 3 month interest rate on treasury bills (with an addition of 0.5 percentage points from the 2017 financial year) reduced by tax.

### INSIDER TRADING

As one of the country's leading financial institutions, Storebrand is dependent on maintaining an orderly relationship with the financial markets and supervisory authorities. The company therefore places particular emphasis on ensuring that its routines and guidelines satisfy the formal requirements imposed by the authorities on securities trading. In this context the company has prepared internal guidelines for insider trading and own account trading based on the current legislation and regulations. The company has its own compliance system to ensure that the guidelines are observed.

### INVESTOR RELATIONS

Storebrand attaches importance to comprehensive and efficient communication with financial markets. Maintaining a continuous dialogue with shareholders, investors and analysts both in Norway and internationally is a high priority. The group has a special investor relations unit responsible for establishing and coordinating contact between the company and external parties such as the stock exchange, analysts, shareholders and other investors. All interim reports, press releases and presentations of interim reports are published on Storebrand's website www.storebrand.no/ir.

### GENERAL MEETING

Storebrand has one class of shares, each share carrying one vote. The company holds its AGM each year by the end of June. Shareholders who wish to attend the general meeting must notify the company no later than 4:00 p.m. three business days before the general meeting. Shareholders who do not give notice of attendance before the deadline expires will be able to attend the general meeting, but not vote.

### SHAREHOLDERS' CONTACT WITH THE COMPANY

Shareholders should generally contact the operator of their securities account for questions or notification of changes, such as address changes.

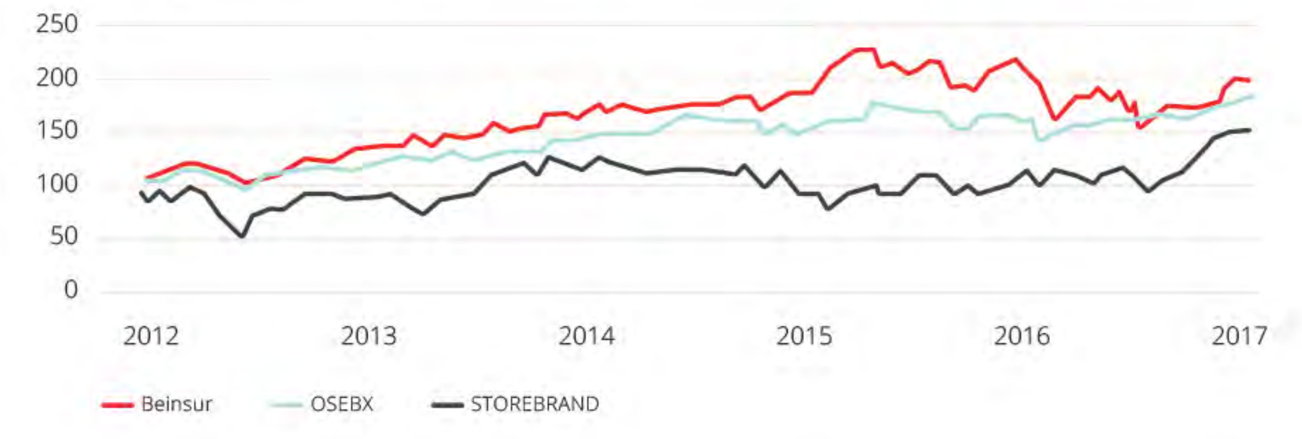
| Storebrand share | **2016** | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|---|
| Highest closing price (NOK) | 47.10 | 35.98 | 40.65 | 39 | 31.02 | 54.5 |
| Lowest closing price (NOK) | 28.45 | 23.21 | 27.52 | 22.39 | 16.62 | 25.2 |
| Closing price on 31/12 (NOK) | 45.92 | 34.95 | 29.9 | 37.9 | 26.82 | 31.1 |
| Market cap 31/12 (NOK million) | 20,660 | 15,724 | 13,137 | 17,052 | 12,067 | 13,992 |
| Annual turnover (1000s of shares) | 703,382 | 707,870 | 546,156 | 569,138 | 881,216 | 627,854 |
| Average daily turnover (1000s of shares) | 2780 | 2820 | 2,185 | 2,286 | 3,511 | 2,481 |
| Annual turnover (NOK million) | 21,249 | 20,907 | 19,123 | 17,067 | 21,924 | 25,386 |
| Rate of turnover (%) | 131 | 157.3 | 121.4 | 126.5 | 195.9 | 140 |
| Number of ordinary shares 31/12 (1000s of shares) | 449,910 | 449,910 | 449,910 | 449,910 | 449,910 | 449,910 |
| Earnings per ordinary share (NOK) | 4.73 | 2.63 | 4.61 | 4.41 | 2.25 | 1.51 |
| Dividend per ordinary share (NOK) | 1.55 | 0 | 0 | 0 | 0 | 0 |
| Total return (%) | 31.4 | 19.7 | -23 | 41.3 | -14 | -27 |

*Historical share prices have been adjusted to take account of the split between shares and subscription rights carried out in 2007.*

SHARES BY COUNTRY 2015


SHARES BY COUNTRY 2016

## SHARE PRICE DEVELOPMENT




| 20 largest shareholders as of 31 December 2016 | Number of shares | % shares | Country |
|---|---|---|---|
| Folketrygdfondet | 57,638,232 | 12.81% | NOR |
| Artemis Investment Management | 30,647,181 | 6.81% | UK |
| Individuals | 29,318,086 | 6.52% | |
| T Rowe Price Global Investments | 18,211,969 | 4.05% | US |
| Nordea Asset Management | 17,453,309 | 3.88% | (M) |
| M&G Investment Management | 15,423,796 | 3.43% | UK |
| Varma | 14,189,201 | 3.15% | FI |
| DNB Asset Management | 12,659,359 | 2.81% | NOR |
| KLP | 12,607,847 | 2.80% | NOR |
| Handelsbanken Asset Management | 12,261,298 | 2.73% | (M) |
| Highclere International Investors | 11,237,549 | 2.50% | UK |
| DNB as marketmaker | 9,126,838 | 2.03% | NOR |
| Vanguard Group | 8,896,359 | 1.98% | US |
| Storebrand Asset Management | 8,647,063 | 1.92% | NOR |
| GMT Capital | 7,595,773 | 1.69% | US |
| State Teachers Retirement System of Ohio | 6,810,000 | 1.51% | US |
| Dimensional Fund Advisors | 5,777,769 | 1.28% | (M) |
| Wellington Management | 5,699,728 | 1.27% | US |
| Magni Partners Grouped | 5,550,000 | 1.23% | NOR |
| BlackRock | 5,400,164 | 1.20% | (M) |

(M) Fund manager with multiple geographic dispersion.

# Medical consultation


**NEWS! DOCTOR VISITS VIA VIDEO CONSULTATION**

If have health insurance in Storebrand you can get prescriptions, referrals and answers to questions about various symptoms and diseases – without having to show up at the doctors office.

**THIS GETS YOU THROUGH EYR**

In cooperation with Eyr we now offer our insurance customers a service that allows you to take your doctor's appointment over phone.

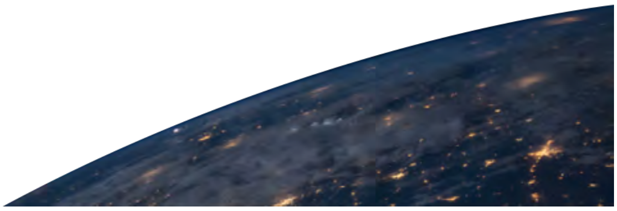
**Treatment of health problems with no deductible**

- Musculoskeletal complaints
- Medical advice
- Allergy
- Eye and urinary tract infections
- Wounds, rashes and insect bites

**Treatment of health problems with deductible**

- Colds and fevers
- Pregnancy and children
- Renewal of prescription
- Digestive and vomiting
- Headache and MigraineDeductible: 350 million

# Best on sustainability



Storebrand is recently named the world's most sustainable company in the category of finance and pensions. In the same competition to – The Global 100 – we are also rated as the second most sustainable company in any category.

This makes us both proud and humble. Proud, because sustainability is the core of everything we do, every single day. Humble, because we work for the 1.2 million pension customers will have a future to look forward to. In a simple and sustainable way.


For 250 years we have been standing firm, played an important part in peoples lives buy insuring what they hold dear.

We are looking forward to the road ahead with you and all our customers.

Take a look at our history here.

# Directors report

## HIGHLIGHTS

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

The Group's strategy is to provide profitable growth within our focus 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, and 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 of the Group.

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, we have been trailblazers within sustainable investments and have actively determined 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. In January 2017, Storebrand was named the world's most sustainable company within finance and the world's second most sustainable company overall in Corporate Knights' ranking of the world's 100 most sustainable companies. This focus is further reinforced by more thorough reporting and the integration of sustainability into all parts of the value chain. Storebrand aims at the same time to manage the part of the business that consists of pension savings with guaranteed interest rates in the Guaranteed Pension segment. This area is in a 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 Group's first priority in this area is to ensure the accrual of pensions for our customers by means of robust systems for risk-taking in the business. In parallel with this, the Group adapts to the new European solvency regulations, Solvency II, and strengthens the reserves due to the increased longevity of the population.

2016 was marked by strong competition in Storebrand's markets, a good equity market, historically low interest rates and the introduction of Solvency II. Storebrand's response has been to continue to work at being the best provider of pension savings, in combination with further capital efficiency improvements and cost reductions.

During the year, Storebrand saw continued strong growth for unit linked savings, delivered a competitive and sustainable return to its customers and increased its assets under management to over NOK 577bn.

## GROWTH IN SAVINGS AND INSURANCE

Companies and their current and former employees are the Group's main target group. A growing number of companies are choosing to convert from defined benefit to defined contribution pensions due to a desire for predictable costs and higher expected pensions for employees. In the corporate market, the Group has maintained its position as the market leader for defined contribution pensions in Norway with a market share of 34%. In Sweden, SPP has a strong challenger role with a market share of 9.3% within occupational pension outside the large collective agreements. During 2016, the company took important steps to make its work with sustainability more visible as a factor that distinguishes SPP from its competitors. The SPP brand has grown stronger, and the sales of unit linked pension savings to companies are increasing. The underlying variable premium grew in 2016 compared with the previous year and the new savings offer with guarantee has resulted in a change in trends. For the first time in several years, the premium income from this type of saving has increased.

## MANAGEMENT OF GUARANTEED PENSION

### STRENGTHENING OF LONGEVITY RESERVES AHEAD OF SCHEDULE

Storebrand reported a need to strengthen its reserves by a total of NOK 12.4bn based on the decision by the Financial Supervisory Authority of Norway in March 2013 to introduce a new mortality basis. The reason for the need to strengthen the reserves is the fact that Norwegians are expected to live longer than previously assumed, in combination with the fact that Storebrand has insurance liabilities with lifelong disbursements. This requires increased premiums and higher insurance technical reserves to cover future liabilities. Storebrand has received approval for a seven-year escalation plan, applicable from 2014. At the end of 2016, NOK 0.4bn of the reserve strengthening remained.

Storebrand expects that the direct impact on results for increased longevity has been completed and that the remaining reserve strengthening will be covered by the surplus return, risk surplus and the elimination of profit sharing. For more information on strengthening of reserves for increased longevity, see Note 47.

**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 pensions to the Savings and Insurance segments. The Board is maintaining a distribution target in a normal situation of more than 35% of the result after tax, but before amortisation costs. The dividend policy states that dividends shall be adjusted such that the Group is assured the right capital structure. Storebrand has established a framework for capital management that links dividends to the solvency ratio. The goal is a solvency ratio of over 150%, including transitional rules. The solvency ratio at the end of the fourth quarter was 157% after the proposed dividend. A minimum level for dividends is a solvency ratio without transitional rules of 110%. The solvency ratio without transitional rules at the end of the fourth quarter was 144% after a proposed dividend. The solvency level shows that the Group is robust for the risks the business faces. A gradual improvement is expected in the underlying solvency margin in the coming years. This is primarily due to the discontinuation of the strengthening of reserves for increased life expectancy, expected result achievement in the Group, and reduced capital requirements from guaranteed business.

The Board has proposed a dividend to the General Meeting of NOK 695m, equivalent to NOK 1.55 per share, for the 2016 financial year. A dividend of more than 35% of the Group result before amortisation after tax is expected for 2017. The expected development in the solvency margin indicates there will be a gradual increase in the dividend distribution rate beyond this from 2018.

Storebrand has the following financial targets:

| | Targets | **Status 2016** |
|---|---|---|
| Return on equity **[1]** | >10% | 9.5% |
| Dividend ratio **[2]** | >35% | 27% |
| Solvency ratio (Storebrand Group) | >150% | 157% |

## GROUP FINANCIAL RESULTS FOR 2016

The Storebrand Group prepares its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS). Storebrand's business is divided into the following segments: Savings, Insurance, Guaranteed Pension and Other.

- **Group profit [3] of NOK 2,913m for 2016.**
- **Result characterised by good cost control and good financial result.**
- **Solvency margin of 160% before dividends.**
- **The Board proposes a dividend of NOK 1.55 per share.**

**GROUP RESULTS [4]**

| | Full year | |
|---|---|---|
| NOK million | **2016** | 2015 |
| Fee and administration income | 4,235 | 4,317 |
| Insurance result | 945 | 820 |
| Operational cost | -3,191 | -3,309 |
| **Operating profit** | **1,989** | **1,828** |
| Financial items and risk result life | 924 | -107 |
| **Profit before amortisation and longevity** | **2,913** | **1,722** |
| Provision longevity | 0 | -1,764 |
| Amortisation and write-downs of intangible assets | -406 | -396 |
| **Profit before tax** | **2,506** | **-438** |
| Tax | -364 | 1,821 |
| Sold/liquidated business | 0 | -0 |
| **Profit after tax** | **2,143** | **1,382** |

Storebrand achieved a Group profit before amortisation and reserve strengthening of NOK 2,913m (NOK 1,722m) for 2016. The Group profit after tax was NOK 2,143m (NOK 1,382m). The figures in parenthesis are from the corresponding period last year.

Fee and administration income decreased by 2% in 2016. **[5]** 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 were reduced by 0.4%, adjusted for foreign currency effects, compared with the previous year. Cost effectiveness is achieved through workforce reductions, increased outsourcing and automation. The operating costs were influenced by several special items for the year: Restructuring of the pension scheme for own employees has given a positive cost effect of NOK 179m NOK 72m has been allocated for restructuring costs in connection with increased outsourcing of tasks, which has given a negative cost effect. The scrapping of IT systems in the fourth quarter of the year gave a negative cost effect of NOK 87m Collectively, these special items have a positive effect of NOK 20m on the operating costs for the year.
During the fourth quarter, there was also a profit-neutral change in principle for amortisation of intangible assets. **[6]**

The Group had a tax expense of NOK 364m for 2016. The effective tax rate is influenced by the fact that the Group has operations in countries with tax rates that are different from Norway (25%), and it varies from quarter to quarter depending on each legal entity's contribution to the Group result.

In December 2016, the Norwegian Parliament (Storting) agreed to reduce the company tax rate from 25 to 24% with effect from 1 January 2017. It was also agreed to introduce a financial tax that would enter into force from the same date. Therefore, for companies subject to the financial tax, the company tax rate will be continued at the 2016 level (25%). 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 Group companies is used.

The Group's investment properties are owned by companies that receive a reduced tax rate from 2017. In isolation, this means lower deferred tax on temporary differences relating to the investment properties, something that reduces the tax expense in 2016 by NOK 111m 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 NOK 179m.

### GROUP RESULT BY BUSINESS AREA

| | Full year | |
|---|---|---|
| | **2016** | 2015 |
| Savings – non-guaranteed | 1,063 | 1,001 |
| Insurance | 575 | 482 |
| Guaranteed pension | 870 | 329 |
| Other profit | 405 | -91 |
| **Profit before amortisation and longevity** | **2,913** | **1,722** |

The Savings segment experienced growth in fee and administration income of 4% from 2015 to 2016. Good volume growth more than compensates for strong competition and margin pressure.

Insurance reported 5% growth in premium income. The result improved due to growth and lower insurance payments as a % of premiums

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 12%. However, the result is still an improvement on the previous year due to strong profit results. It is expected that the contribution to the result will decline over time.

The increase in the result of the Other segment for the year is primarily due to good returns in the company portfolios in addition to the sale of STB Baltic.

## BUSINESS AREAS

### SAVINGS

Savings consists of products that encompass savings for pensions, without interest rate guarantees. The business area consists of defined contribution pensions in Norway and Sweden, asset management and retail banking products.

| NOK million | **2016** | 2015 |
|---|---|---|
| Fee and administration income | 2,758 | 2,662 |
| Operational cost | -1,700 | -1,657 |
| **Operating profit** | **1,058** | **1,006** |
| Financial items and risk result life | 5 | -4 |

| NOK million | 2016 | 2015 |
|---|---|---|
| **Profit before amortisation** | **1,063** | **1,001** |

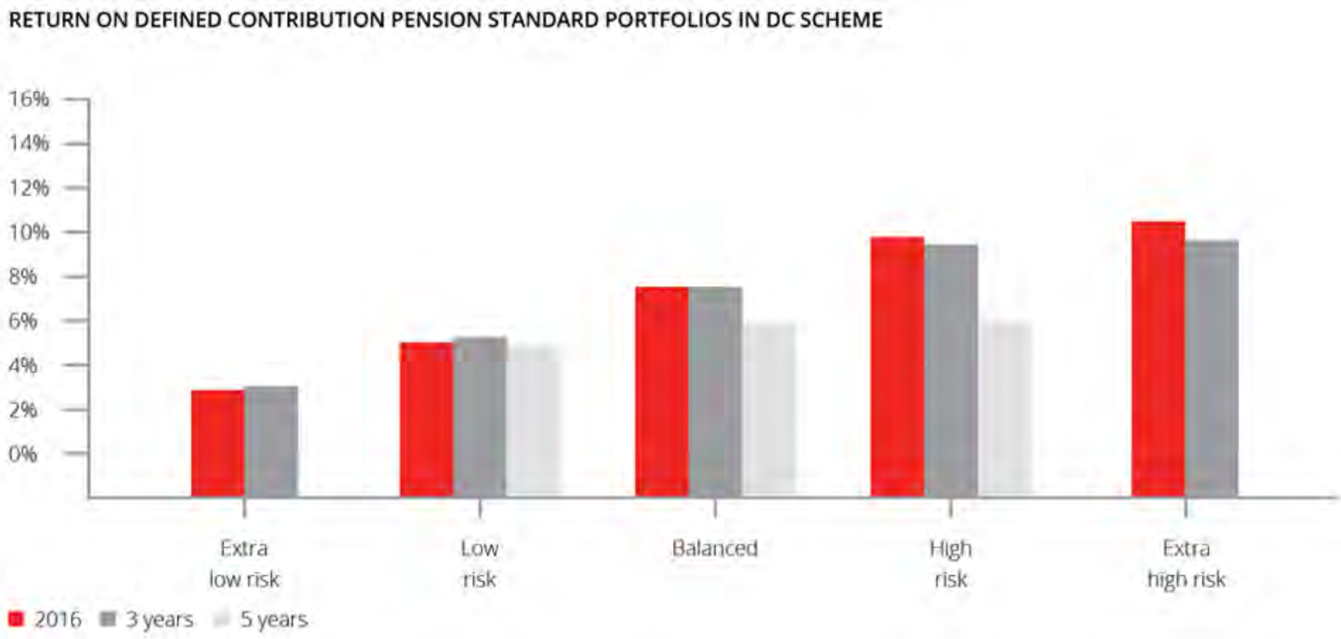
**Results**

The result for Savings was NOK 1,063m for 2016. Adjusted for special items in 2015 and 2016, there was earnings growth of 1% for the year. **[7]** The earnings improvement is driven by volume and income growth.

Total fee and administration income increased by 4% from 2015 to 2016. 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. In addition, volume growth and transaction-based fees in asset management contributed to growth. Strong growth reduced the net interest income for the bank. Net interest income for the year was 1.1% of average total assets compared with 1.25% last year. For the Norwegian Unit Linked products, increased competition contributes to pressure on margins, while there are relatively stable margins in the Swedish business and Asset Management.

Adjusted for special items in 2015 and 2016, the nominal cost level increased in accordance with the volume growth, which is attributed to higher distribution costs and other volume-related costs.

Defined contribution pensions continue to show strong growth due to a steadily rising number of companies choosing to convert from defined benefit schemes to defined contribution-based schemes. This increases both the number of members and the current premium payments and management volume 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 20% in Norway and 11% in Sweden compared with the previous year.




**Balance sheet and market trends**

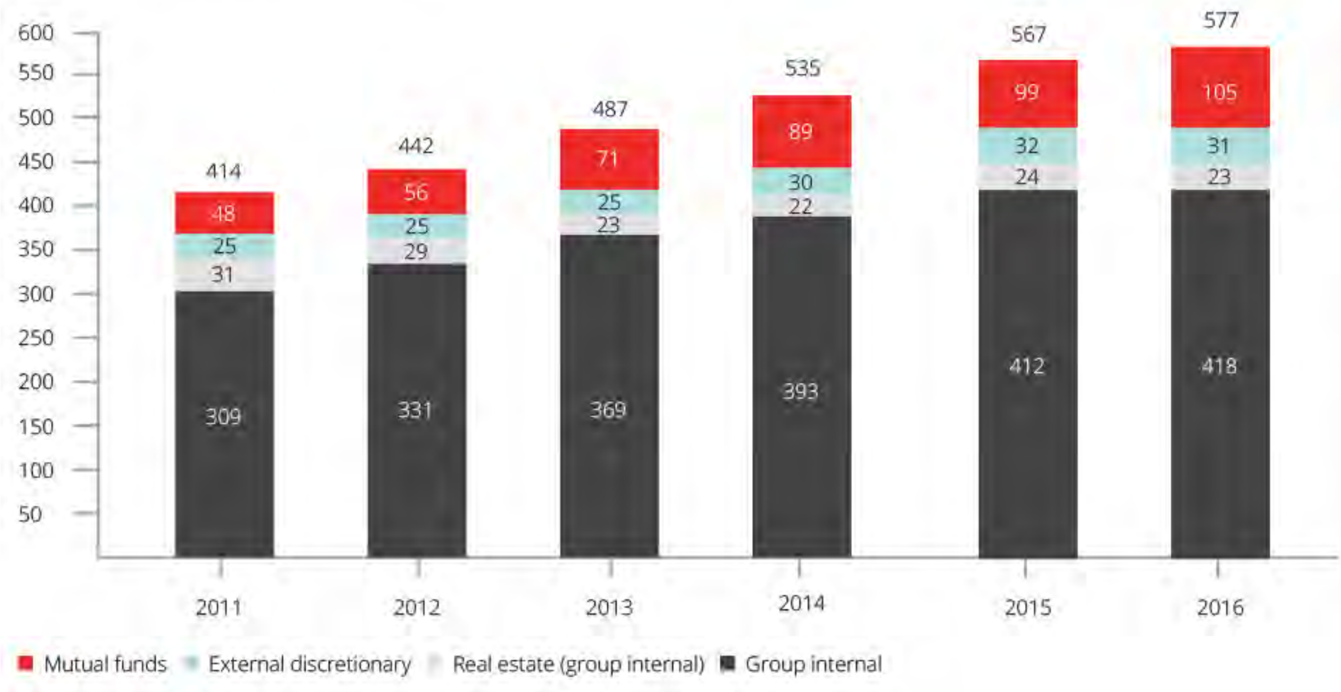
Premium income amounted to NOK 14.2bn in 2016, which is NOK 1.9bn higher than in 2015. Total reserves for non-guaranteed life insurance-related savings have grown by 9% to NOK 140bn since 2015.

In the Norwegian market, Storebrand maintained its position as the market leader for defined contribution schemes, with around 34% of the market. Premium growth for defined contribution occupational pensions was 15% in 2016. The growth is driven by good sales to new customers 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 as a result of the significant dynamics in the market.

In the Swedish market, SPP is the fifth largest player measured by premium income from unit linked insurance and safe custody insurance in the Other Occupational Pension Insurance segment, with a market share of 9.3%. Premium income was 10% higher than in 2015. New sales remain at approximately the same level as the previous year.

The asset management business increased assets under management by NOK 5.2bn in 2016, taking into account a foreign currency effect of approximately NOK 24bn. This growth is primarily attributed to good new business and good returns on the customer assets. At year end, assets under management amounted to NOK 577bn, comprising mutual funds and funds-in-funds, as well as individual portfolios for insurance companies, pension funds, municipalities, institutional investors and investment companies. For assets under management, see the graph below.

ASSETS UNDER MANAGEMENT (NOK BN)




### Key figures – Savings

| | Full year | |
|---|---|---|
| NOK mill | **2016** | 2015 |
| Unit linked reserves | 139,822 | 128,117 |
| Unit linked premiums | 3,466 | 3,185 |
| Assets under management | 576,704 | 571,425 |
| Retail lending | 35,400 | 26,861 |

## INSURANCE

Insurance is responsible for the Group's risk products in Norway and Sweden. **[8]** The unit 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 employee-related and pension-related insurance in the Norwegian and Swedish corporate markets.

### Results

| | Full year | |
|---|---|---|
| NOK mill | **2016** | 2015 |
| Insurance premiums f.o.a. | 3,828 | 3,642 |
| Claims f.o.a. | -2,883 | -2,822 |
| Operational cost | -602 | -543 |
| Operating profit | 342 | 277 |
| Financial result | 233 | 206 |
| Contribution from SB Helseforsikring AS | 39 | 14 |
| **Profit before amortisation** | **575** | **482** |

The Insurance result was NOK 575m (NOK 482m) for the full year with an overall combined ratio of 91% (92% in 2015). The insurance premiums increased by 5% in 2016. This premium growth is driven by competitive prices, and simple and relevant products, as well as good cover. The claims ratio has decreased and this is largely due to satisfactory risk development and greater reserve strengthening in 2015.
The cost percentage is on par with the previous year. **[9]** The underlying profitability and efficiency are good and show a satisfactory development.

| Key figures | **2016** | 2015 |
|---|---|---|
| Claims ratio | 75 % | 77 % |

| Key figures | **2016** | 2015 |
|---|---|---|
| Cost ratio | 16 % | 15 % |
| Combined ratio | 91 % | 92 % |

The combined risk result gives a claims ratio of 75% (77% in 2015) and the underlying risk development is satisfactory. Group disability pension delivered a satisfactory result for the period, while the reserves were strengthened by NOK 100m in the corresponding period last year. The product is still characterised by low premium income. The market for defined contribution pensions is very competitive and the price for disability pension is a key competition parameter. Efforts are still being made to strengthen the profitability, including repricing for unprofitable customers. A good disability result means a good result for insurance in Sweden.

The cost percentage was 16% for the year (15% in 2015). As planned, increased volumes and ambitions of growth have resulted in higher allocated costs for the insurance area. The costs have been impacted by non-recurring effects as they were in the previous year. In 2016 the non-recurring effects were a net negative and related to restructuring costs, positive effects associated with the change in the pension scheme and write-downs on intangible assets. In 2015, restructuring costs were charged directly to the result. Adjusted for non-recurring effects, the cost percentage for both years was 15%.

The investment portfolio of Insurance in Norway amounts to NOK 6.8bn, which is primarily invested in fixed income securities with a short or medium duration. The return on the portfolio has been good.

**Balance sheet and market trends**

Storebrand Insurance 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 market is still considered good in general, but competition is increasing. We see this in connection with both employee 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 2016 amounted to NOK 4.5bn, NOK 1.7bn of which is from the retail market and NOK 2.8bn of which is from the corporate market.

Storebrand enjoys a well-established position in the retail market for personal insurance and is in a challenger position within P&C insurance. Storebrand has enjoyed good success in the retail market with premium income growth of 9% compared with the previous year. This growth is driven by competitive prices, and simple and relevant products, as well as good cover. Our cooperation with Akademikerne (Federation of Norwegian Professional Associations) is an important impetus for growth and the rate of sales is stable. REMA Forsikring was launched in autumn and the partner strategy is expected to give cost-effective growth in the years ahead. The growth in personal insurance was stable and in line with the general market growth.

The corporate market is generally a more mature market. Health insurance, which is still a growth market, is an exception. Measured by premiums written, Storebrand is one of the market leaders in health insurance. With regard to other employee insurance segments, Storebrand is one of several large companies. For risk cover in connection with defined contribution pensions in Norway, future growth is expected that is driven by conversions from defined benefit to defined contribution pensions. The new regulations, which entered into force on 1 January 2016, have resulted in a lower premium volume. In Sweden, the disability trend has been downward for a long period of time, which has led to reduced premiums in general.

## 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.

**Results**

| | Full year | |
|---|---|---|
| NOK million | **2016** | 2015 |
| Fee and administration income | 1,566 | 1,777 |
| Operational cost | -981 | -1,156 |
| **Operating profit** | **585** | **621** |
| Risk result life & pensions | -37 | 89 |
| Net profit sharing and loan losses | 322 | -382 |
| **Profit before amortisation and longevity** | **870** | **329** |
| Provision longevity | – | -1,764 |
| **Profit before amortisation** | – | – |
| Fee margin on reserves | 0.61% | 0.67% |

| | Full year | |
|---|---|---|
| NOK million | **2016** | 2015 |
| Guaranteed reserves | 258,723 | 266,811 |

The result for Guaranteed Pension before amortisation and reserve strengthening totalled NOK 870m in 2016, which was an increase of NOK 541m compared with 2015. The results in 2016 were positively affected by the good result from profit sharing that was driven by good returns in the portfolios.

During 2016, 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 1,566m in 2016, compared with NOK 1,777m in the previous year. In 2016, income fell by 11.9% compared with 2015. New subscriptions for guaranteed pensions have been closed for most products, however, premium payments and the accumulation of returns for existing customers are leading to a long-term decline in reserves.

Operating costs were NOK 981m in 2016, which is NOK 176m less than in 2015. Costs in 2015 were affected by provisions for restructuring costs of NOK 41m in 2016, costs were negatively affected by NOK 1m.

The risk result was minus NOK 3m in 2016, compared with NOK 89m in the previous year. The risk result was primarily generated in the Swedish business and was weak due to the weakened long life results. Changes were made to the reserves at the end of 2016 to strengthen the future result.

The result from profit sharing and loan losses in the Guaranteed Pension segment consists of profit sharing and financial effects. The result was NOK 322m in 2016, compared with minus NOK 382m in the previous year. There were good profit sharing results in both the Norwegian and Swedish businesses in 2016. This was driven by good returns and a good buffer capital situation.

**Balance sheet and market trends**

Customer reserves for guaranteed pensions amounted to NOK 259bn at the end of 2016, compared with NOK 267bn at the start of the year. Transfers from guaranteed pensions amounted to NOK 3.3bn in 2016, compared with NOK 7.7bn in the previous 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 choice, and insurance reserves for paid-up policies with investment choice amounted to NOK 5.5bn at the end of 2016 and are included in the Savings segment. Paid-up policies are the only guaranteed portfolio that is growing, and it totalled NOK 115bn at the end of 2016, which corresponds to an increase of NOK 12bn during the year.

The premium income for Guaranteed Pension (excluding transfers) was NOK 6.2bn in 2016. This represents a decline of 17%, compared with 2015. 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

| | **Full year** | |
|---|---|---|
| NOK million | **2016** | 2015 |
| Defined-benefit pension Norway | 4,095 | 5,477 |
| Paid-up policies, Norway | 119 | 113 |
| Traditional individual capital and pension, Norway | 265 | 277 |
| Guaranteed products, Sweden | 1,741 | 1,599 |
| **Total** | **6,220** | **7,467** |

### Key figures – Guaranteed Pension

| | Full year | |
|---|---|---|
| NOK million | **2016** | 2015 |
| Guaranteed reserves | 258,723 | 266,811 |
| Guaranteed reserves in % of total reserves | 64.9 % | 67.6 % |
| Net transfers | -3,306 | -7,729 |
| Buffer capital in % of customer reserves Norway | 5.7 % | 5.8 % |
| Buffer capital in % of customer reserves Sweden | 6.7 % | 7.6 % |

### RESULTS FOR OTHER SEGMENT

The result for Storebrand ASA is reported under the Other segment, as well as the result for the company portfolios and small subsidiaries of Storebrand Life Insurance and SPP.

### Results

| | Full year | |
|---|---|---|
| NOK million | **2016** | 2015 |
| Fee and administration income | 145 | 129 |
| Operational cost | -141 | -203 |
| **Operating profit** | **4** | **-75** |
| Financial items and risk result life | 401 | -16 |
| **Profit before amortisation** | **405** | **-91** |

### Eliminations

| | Full year | |
|---|---|---|
| NOK million | **2016** | 2015 |
| Fee and administration income | -233 | -251 |
| Operational cost | 233 | 251 |

The result before amortisation for the Other segment activities was NOK 405m for 2016, compared with NOK -91m for 2015. The profit increase is due to the positive financial market effects, in addition to the sale of STB Baltic. Fee and administration income increased 12.5% for the year.

The Storebrand Life Insurance Group is funded by a combination of equity and subordinated loans. With the interest rate levels at the end of 2016, quarterly interest expenses of approximately NOK 100m are expected.

The financial result includes the return on the company portfolios in Storebrand Life Insurance and SPP, as well as the financial result of Storebrand ASA. The financial result is weaker due to a lower return in the 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 are 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%. The Group's parent company has established a target to achieve a net debt-equity ratio of zero over time. Storebrand ASA has only one class of share. All shares have equal rights and are freely negotiable. The company is not aware of the existence of agreements between shareholders that limit rights to sell shares or to exercise related voting rights.

The Solvency II regulations were introduced on 1 January 2016. The Group's target solvency margin in accordance with the new regulations is a minimum of 150%, including use of the transitional rules. The solvency margin for the Storebrand Group was calculated at 160% at the end of 2016, including the transitional rule and before proposed dividends. After the proposed dividend is taken into the consideration, the solvency margin is 157%. The Group's target solvency margin in accordance with the new regulations is 150%, including use of the transitional rules.

The Life Insurance Group's solvency capital, which consists of equity, subordinated loan capital, market value adjustment reserves, additional statutory reserves, conditional bonus and risk equalisation reserves, amounted to NOK 57.3bn at year end, compared with NOK 61.0bn at the previous year end. The market value adjustment reserve decreased by NOK 1.8bn as a result of realisation of securities and amounted to NOK 2.7bn at the end of the year. Conditional bonus was reduced by NOK 2.1bn and amounts to NOK 7.2bn. The additional statutory reserves totalled NOK 6.8bn at the end of the year, an increase of NOK 1.6bn for the year. A good booked return has contributed to increasing the additional statutory reserves for insurance contracts which are fully strengthened for longevity. The excess value of bonds and loans valued at amortised cost declined due to higher interest rates by NOK 1.8bn this year and amounted to NOK 8.8bn as at 31 December. The excess value of bonds and loans at amortised cost is not included in the financial statements.

At the end of 2016, the Storebrand Bank Group had pure core capital adequacy of 14%, and a capital adequacy of 17.7%. The bank group has adapted to the new capital requirements. The company has satisfactory financial strength and liquidity based on its operations.

Storebrand ASA (holding) held liquid assets of NOK 2.2bn at the end of the year. Liquid assets consist primarily of short-term fixed income securities. Storebrand ASA's (holding's) total interest-bearing liabilities were NOK 2.7bn at the end of the year. This corresponds to a net debt-equity ratio of 2.9%. The next maturity date for bond debt is in May 2017. In addition to the liquidity portfolio, the company has an unused credit facility of EUR 240m that runs until December 2019. Storebrand ASA recognised dividends and group contributions of NOK 899m for 2016. Provisions for share dividends to the shareholders amounted to NOK 695m.

**RATING**

There are four companies in the Storebrand Group that issue debt securities. Storebrand Livsforsikring AS issues subordinated loans, Storebrand ASA issues senior debt, Storebrand Bank ASA issues senior debt and subordinated loans, while Storebrand Boligkreditt AS issues covered bonds. All four companies are also rated by the credit rating agency Standard & Poor's. There was only one change to the credit rating during the year, and this was the future outlook of Storebrand Bank ASA being changed from negative to stable. Storebrand ended its involvement with credit rating agency Moody's at the end of the year. This decision was made as part of the cost rationalisation in the Group. In connection with the conclusion of the partnership with Moody's, Storebrand Boligkreditt received its first credit rating from S&P, which was AAA with stable outlook.

| Company | Rating | Putlook | Rating type |
|---|---|---|---|
| Storebrand Livsforsikring AS | BBB+ | Stable | Insurance financial strenght |
| Storebrand Livsforsikring AS | BBB+ | Stable | Counterparty credit |
| Storebrand Livsforsikring AS | BBB- | | Subordinated debt |
| Storebrand ASA | BBB- | Stable | Counterparty credit |
| Storebrand ASA | BBB- | | Senior unsecured debt |
| Storebrand Bank ASA | BBB+ | Stable | Counterparty credit rating (long term) |
| Storebrand Bank ASA | A-2 | Stable | Counterparty credit rating (short term) |
| Storebrand boligkreditt AS | AAA | Stable | Covered Bond Programme |

**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. The banking business entails a risk of loan losses. In all parts of the business, operational risk arises due to errors that can inflict losses on customers and/or costs on Storebrand.

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 products 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. 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.

Since 1 January 2016, the Group and the Group's insurance companies have been subject to the Solvency II regulations, which expand and formalise the requirements for risk management. In Norway, the regulations are laid down in the Act on Financial Undertakings and Financial Groups and the Solvency II Regulations.

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, asset management business and the retail market part of the banking business.

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.

The asset management business offers active and passive management and the management of fund-in-fund structures for the customer's account and risk. Operational risks, including compliance with regulations, are regarded as the greatest risks.

The greatest risks for the banking business are credit risk and liquidity risk. Practically the entire lending portfolio to private individuals is secured by a mortgage on real property.

**INSURANCE**

Insurance consists of risk products and property and casualty insurance. 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 are fit to work again (reactivation). 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. Storebrand's disability cover can generally be priced on an annual basis.

In property and casualty insurance, most of the risk is linked to the development of claims payments from car and home insurance.

**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 have a lower than 0% guarantee, whereas existing reserves have up to a 5.2% guarantee. In Norway, new premiums are included with a 2% guarantee, and pensions are adjusted upwards with a 0.5% guarantee. The existing portfolio has primarily guarantee levels ranging from 3 to 4%. Over time, new premiums and possible upward adjustment will contribute to the average guarantee level falling.

A new mortality tariff was introduced 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. During the escalation period, it gives an increase in risk that may be compared with increasing the interest rate guarantee. Storebrand's contribution must be at least 20% of the overall reserve strengthening. By the end of 2016, Storebrand had completed approximately 97 per cent of the reserve strengthening.

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 under Solvency II. 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 interest rate sensitivity of the investments. It is not possible to eliminate the interest rate risk in Norway, but accounting at amortised cost makes it possible to reduce the risk associated with the solvency position 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 2016. Good equity markets and high returns on property have made a positive contribution. In addition, a fall in interest rates and reduced credit spreads have given good returns for bonds. In Norway, the return has been more than adequate to cover the guarantee plus the expected contribution to reserve strengthening. In Sweden, the return on assets has been better than the increase in value of insurance liabilities.

Interest rates continued to fall in Sweden during 2016, while in Norway, interest rates were at about the same level as at the start of the year. 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 in the market has the greatest effect on new contributions, 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**

The Other segment comprises Storebrand ASA, as well as the company portfolios and smaller subsidiaries in Storebrand Life Insurance and SPP. In addition, this segment comprises lending to commercial enterprises by Storebrand Bank and the activities of BenCo.

The assets in Storebrand ASA and the company portfolios are invested at low risk, primarily in short-term interest-bearing securities with a high credit rating. Lending to commercial enterprises in Storebrand Bank will be discontinued and is being downscaled. The concentration risk in the portfolio will increase when the portfolio is being wound up.

## REGULATORY CHANGES

The regulations that are adopted by the authorities are of great importance to Storebrand. Solvency II was introduced in 2016. The new Act on Financial Undertakings and Financial Groups was also introduced in 2016.

There are several processes taking place that may be of major importance to the occupational pension market in the future. The government is investigating the issue of transferring to a system with individual pension accounts after this was raised by the various parties in business and industry. The AFP scheme shall be evaluated in 2017, and work is being carried out on a new public occupational pension scheme. New EU rules regarding customer information and advisory services will also characterise the regulatory agenda in the coming years.

**EUROPEAN REGULATIONS**

**Solvency II**

The new European solvency regulations for insurance companies, Solvency II, entered into force on 1 January 2016. The EU has given notice of an evaluation of Solvency II in 2018.

The European Insurance and Occupational Pensions Authority (EIPOA) has conducted a consultation process regarding the methodology for determining the Ultimate Forward Rate (UFR) which, together with market interest rates, is used to determine the discount rates in Solvency II.

Changes have been proposed that, as a whole, entail that the UFR for NOK is reduced from 4.2 per cent to 3.7 per cent. It is proposed that this reduction is phased in by a maximum of 20 basis points annually such that the level will not be 3.7 until June 2019.

It is expected that EIOPA will reach a conclusion on this matter in March 2017.

Norwegian authorities are working on introducing requirements similar to Solvency II for pension funds. Pension funds follow the EU's Occupational Pensions Directive (IORP) that is still based on Solvency I requirements. However, the authorities want to also introduce risk-based capital requirements into national regulations for the pension funds, based on the consideration of having the same competitive conditions and the same security for future pensions. A proposal for capital requirements for pension funds that are similar to those in Solvency II was circulated for consultation in January 2017 and is expected to be introduced from 2018.

**Information and advisory services**

PRIIPs (Packaged Retail and Insurance-based Investment Products), MIFID II (Markets in Financial Instruments Directive) and IDD (Insurance Distribution Directive) will be introduced from 2018. These are EU rules intended to strengthen consumer protection by harmonising 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. The Financial Supervisory Authority of Norway has proposed that the rules should apply to multiple products (paid-up policies with investment choice, pension capital certificates and individual pension savings) in Norway.

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. The directives allow for certain national adaptations. It is expected that the Securities Committee will present its proposal for the implementation of MIFID II in February 2017. It is not known when the Norwegian authorities will present a proposal for rules that implement IDD. Swedish regulations for the introduction of MIFID II will most probably be in place during the first half of 2017. The intention is to introduce a ban on broker commissions.

New rules for privacy and money laundering will also be introduced from 2018. The privacy regulation sets stricter requirements for the business 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 The directive also includes requirements for access to information about actual rights holders and that this information shall be made available in a central register. The directive balances measures that combat money laundering and terrorist financing against protection of privacy.

Common for all of these directives and regulations is that these allow for greater use of administrative penalties (fines etc.) for violations.

**NORWEGIAN REGULATIONS**

**Financial tax**

In connection with the 2017 national budget, the Norwegian Parliament (Storting) has agreed to introduce a financial tax. The objective of this tax is to compensate for the finance sector being exempt from VAT. The government has examined the introduction of VAT for financial services, but is of the view that it would be overly complicated and has therefore instead proposed and received the Storting's support to introduce a financial tax consisting of two components:

- Financial tax on salaries. This is set at 5 per cent and will follow 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 reduced to 24 per cent.

The financial tax will enter into force from 2017. The estimated annual effect on the Group's operating costs will be approximately NOK 55m.

**Occupation pension report**

In connection with the main bargaining period in the private sector in spring 2016, the government has committed to conducting a report on occupational pensions in cooperation with the parties in business and industry.

This work has included:

- If employees should be entitled to establish a personal pension account with a pension provider selected by the employee.
- An employee's right to individual additional savings.
- Issues relating to managing of pensions when changing jobs.
- The age and income from which contributions should start and the duration of the employment required to be able to receive contributions.

A report from a working group with representatives from the Ministry of Finance, Ministry of Labour and Social Affairs and the Financial Supervisory Authority of Norway was presented in December 2016. Employee and employer organisations, the financial services industry and the Consumer Council of Norway have participated in a reference group for the work.

The report does not present any specific proposals, but discusses advantages and disadvantages of different models for individual pension accounts and private savings for pensions. It will be up to the government, in consultation with the parties in business and industry, to assess how the report shall be followed up.

Storebrand has noted that an arrangement with individual pension accounts can be introduced based on existing pension accounts in defined contribution pension schemes.

**The AFP scheme**

The AFP scheme shall be evaluated by the parties in business and industry during 2017. The AFP scheme is contractual and provides a life-long additional pension to employees in companies that are part of the scheme. However, it is a prerequisite that the employee satisfies certain criteria on the withdrawal date (must work for an AFP company when the pension is withdrawn and have worked for an AFP company for at least 7 of the past 9 years). This means that employees cannot always count on AFP to be a certain part of their pensionable basis. 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.

**Public service pensions**

The Government is working with changes in the public sector occupational pensions schemes to fully adapt these to the pension reform. The Ministry of Labour and Social Affairs published a report that proposed possible models for a new occupational pension in the public sector. The goal was to establish a transition for occupational pension schemes in the public sector that is based on the principles of the pension reform, such as all-years accrual, flexible pensions and longevity adjustments. 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. A new public service pension will be a topic at the coming collective wage negotiations in the public sector, but probably not until 2018.

**Equity savings account and fund account**

The authorities have been working on changes to the tax rules for private savings. From 2017, a new scheme will be introduced in which private taxpayers can establish an equity savings account. Deposits into the account can be used to invest in listed shares and units in equity funds comprising of more than 80 per cent shares on the date of purchase. Profits from the realisation of shares or fund units in the account shall not be taxed in connection with realisation, and will only be taxed when funds are withdrawn from the account. Dividends from shares and fund units that are part of the equity savings account do not go into the account, but are allocated directly to the shareholder and taxed as normal for profits. When withdrawals are made from the account, it is the account holder's deposit that is deemed to have been withdrawn first.

The Ministry of Finance has also proposed to give fund accounts and securities funds equal tax status when concerning the taxation of the equity portion if the insurance element is less than 150 per cent.

It has been proposed that the changes enter into force from and including the 2018 financial year. A transitional rule has been proposed that entails that the equity portion as of 1 January 2018 is used as a basis upon implementation of the rules, for investments in fund accounts made prior to 1 January 2018.

**SWEDISH REGULATIONS**

**Financial tax**

A government report proposing to introduce a financial tax in Sweden was presented in November 2016. It proposed a 15 % "financial undertakings tax" on the income base of finance companies. As in Norway, the objective was to compensate for the lack of VAT on financial services.

The Swedish finance minister has signaled that the proposal will be followed up and there appears to be broad political support for such a tax. It is expected that the Swedish financial tax will be introduced in 2018.

**The premium pension system**

A government report from Sweden proposing extensive changes to the premium pension system was circulated for consultation until 1 February 2017. The report proposes transitioning from a model with free choice of fund to a model in which non-optional alternatives provided by the Seventh AP Fund will be of major importance. New pension savers shall be placed directly in this fund and must possibly actively select other funds themselves. Existing savers must actively confirm their choice of fund every seventh year. They will receive information about this and if they do not actively confirm their selection, all of the fund capital will be transferred to the non-optional alternative AP7 Såfa.

It appears as if the proposal will receive broad support in the bipartisan pension working group and it is considered probable that it will be implemented, most likely from 1 July 2017.

## SUSTAINABILITY IN THE STOREBRAND GROUP

The Storebrand Group has worked systematically and purposefully on sustainability for almost 20 years. The sustainability work originated from managing 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 based on the triple bottom line (finances, corporate social responsibility and the environment) 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 GRI G4 standard and satisfies the *Core* level. More information and reporting that apply to sustainability are provided by company management at https://www.storebrand.no/om-storebrand/barekraft.

Storebrand strives to be transparent and submits results to a number of analysis agencies and sustainability indexes, including Carbon Disclosure Project, Dow Jones Sustainability Index (DJSI), Corporate Knights, Vigeo and Sustainalytics. Storebrand is one of only a few companies that have been on the Dow Jones Sustainability Index for every one of the past 17 years, and was ranked number 11 globally within the insurance sector in 2016.

**FUNDAMENTAL PRINCIPLES**

Storebrand is strongly committed to making a positive influence on society through its products and services. Storebrand also uses global standards for the environment and human rights as a basis for its work with sustainability and sustainable financial products, for example, the UN's principles for responsible business operation, the Global Compact. These principles form the basis for Storebrand's sustainability guidelines. Storebrand supports UN human rights conventions, UN environmental conventions, ILO Core Conventions, UN Convention against Corruption and the UN Guiding Principles on Business and Human Rights. Storebrand has also signed the UN principles for responsible investment and sustainable insurance.

Sustainable development is characterised by a development that meets the needs of the present generation without this impacting on the ability of future generations to meet their own needs. For Storebrand, sustainability is about its own long-term commercial perspectives and security for customers. As a provider of pension saving schemes, it is essential that we are able to take a long-term perspective and generate returns for customers, without making a negative impact on the world in which our customers will retire.

**THE STOREBRAND GROUP'S GUIDELINES FOR SUSTAINABILITY**

- Storebrand's ambition is to contribute to solving society's problems and to create sustainable development locally and globally through our products and services.
- Storebrand will combine profitable business operations with social, ethical and environmental goals and activities.
- Storebrand makes demands with regard to sustainability, corporate social responsibility, environmental work and ethics within the Group and for all of our partners and suppliers.

- Sustainability must permeate our development of new financial products and services, and it must be fully integrated with our asset management.
- Storebrand's goal is to be a leader in sustainability in the Nordic region and one of the foremost companies in the world in the area of sustainable investments.
- All of the Storebrand Group's self-managed assets are subject to the Storebrand Standard, a minimum standard for sustainable investments, as defined by the executive management.
- Storebrand shall integrate sustainability considerations in our insurance business, in the area of product development, customer service and marketing.
- Storebrand shall ensure a continuously lower environmental impact from our operations.
- Storebrand shall actively seek to prevent any activities that are harmful to society or criminal acts taking place in connection with our operations.
- Storebrand shall have a transparent management structure in accordance with national and international corporate governance standards.

**RENEWED AND REINFORCED STRATEGIC FOCUS ON SUSTAINABILITY**

In 2016, Storebrand renewed and reinforced its organisational commitment to sustainability and making a positive social impact.

The executive management launched a Group-wide consultation process in which all employees were asked to contribute to formulating Storebrand's sustainability goals. All employees were given the opportunity to contribute to both formulating the final objective and to identifying specific target areas for sustainability that Storebrand should focus on. Through a web-based survey and a series of working groups in Sweden and Norway, a new plan for quantifying and prioritising Storebrand's social impact was established. The most important change is that social impact goals are determined in connection with commercial goals and continually followed up by the executive management and Board during the year.

The new plan will make it easier for Storebrand to further develop the measurement and to better understand and prepare the Group's social impact. This is a natural continuation of Storebrand's sustainability work. With the new plan, social impact reporting will be expanded in 2017.

**DIALOGUE WITH STAKEHOLDERS**

The sustainability work requires close dialogue with key societal players. Each year we arrange a dialogue with stakeholders in which we answer questions and receive feedback about what is expected of us and our work on sustainability. The talks include sectoral cooperation on national and international sustainability issues, individual dialogue with relevant NGOs, cooperation with academia on sustainability research, and participation in important national and international forums and conferences. Storebrand is active in key sustainability organisations such as UNEP FI, Swesift and the Swedish investment partnership, Sustainable Value Creation. In addition, Storebrand is a member of Swedish Leadership for Sustainable Development (SLSD) together with over 20 of Sweden's largest listed companies. The network is coordinated by the SLSD, and its aim is to develop specific projects and models for work on sustainable development.

In 2016, Storebrand participated in stakeholder dialogue concerning climate risk and reporting as a follow up of climate year 2015. Storebrand has been part of the Swedish Ministry of Finance's talks regarding national reporting of the carbon productivity in investment funds in Sweden and was a member of the two working groups for the sector that prepared a standard for carbon productivity (Svensk Försäkring og Fondbolagens Förening). Storebrand has joined two international initiatives focussing on reporting and reducing the carbon footprint of own equity investments, the Montreal Pledge (http://montrealpledge.org/) and Portfolio De-carbonisation Coalition (http://unepfi.org/pdc/).

During the year, the Nordic organisation for eco-labelling, Svanen (the Swan), developed a consumer label for sustainable funds and Storebrand was actively involved with this work during the year. Storebrand has also been in talks with a consortium of NGOs under the umbrella of the Fair Finance Guide, which demands greater transparency from the industry when concerning guidelines for sustainable investments.

In cooperation with WWF Norway, Storebrand hosted a conference during Arendal Week (Arendalsuka) at which national delegates from politics, the community and business met to discuss and develop guidelines for the present and the future. The topic was the green transition.

**Materiality analysis**

Storebrand conducted a materiality analysis in 2014. The objective was to obtain an overview of the areas in which it was most important for Storebrand to work on. The analysis identified the following materialities: industry distrust, climate adaptation, corruption and financial crime, as well as overexploitation of natural resources. The stakeholder dialogues in 2015 and 2016 confirm these key areas. In addition, Storebrand has increased its focus on climate and climate risk and introduced a new area: Impact. This involves understanding, increasing, quantifying and reporting the Group's social impact. Additional information can be found under Sustainability at www.storebrand.no

**CLIMATE MEASURES**

Storebrand has increased its focus on the climate risk in society through:

1. Climate reporting
2. Reducing the climate risk in own investments
3. Introducing products with low climate risk to the consumer markets

Since 2015, Storebrand has presented external reports about the carbon productivity of equity investments and linked these to relevant indexes. The impact on the climate is also an integrated and decisive part of the sustainability analysis of all ownership interests and can result in companies with poor climate strategies being excluded. During 2016, Storebrand developed and introduced 6 fossil fuel free funds as part of the sustainability standard.

#### STOREBRAND'S ENVIRONMENTAL AND CARBON FOOTPRINT

Storebrand has been climate neutral since 2008. Emissions from plane travel and energy consumption are compensated for through the purchase of credits from the REDD Programme and Verified Carbon Standard. Storebrand cooperates with Wildlife Works on the purchase of emission allowances from the Kasigau Wildlife Corridor in Kenya, a threatened forest area of high biological importance.

Sustainability is also an important parameter when selecting providers. Companies that are excluded from investments due to sustainability considerations are automatically disqualified as suppliers to the Group. In connection with procurement processes, Storebrand follows a framework and expresses clear expectations regarding areas of improvement when necessary.

### SUSTAINABILITY OF PRODUCTS AND SERVICES

Storebrand is continuously improving the sustainability level through products and services. In Storebrand's new social impact plan, goals have been formulated for direct impact on society. There are also goals for continued development and increase in sustainable products within all business areas.

#### SUSTAINABLE INVESTMENTS

Storebrand also exploits the opportunities to create better business in a sustainable economy through its own sustainable investments and by analysing how global trends such as population growth and scarcity of resources, growth in emerging economies and the demand for sustainable products will increasingly affect the business community in the future. Storebrand has a significant influence through its investments in several thousand companies in all sectors and regions of the world. Sustainability is about investing in companies that are well-positioned to seize the major opportunities inherent to a transition to a green economy. The Storebrand standard applies to all of Storebrand's self-managed funds and pension portfolios. The requirements apply to both equities and bonds in Norway, Sweden and internationally. The standard means that we exclude certain companies that are in violation of international norms and conventions or that are among the 10% of the least sustainable companies in high-risk industries.

**The following areas are covered by the Storebrand standard:**

- Human rights and international law.
- Corruption and economic crime.
- Serious damage to the climate and environment.
- Controversial weapons: land mines, cluster munitions and nuclear weapons.
- Tobacco.
- Exclusion of companies that are the worst performers in relation to sustainability and climate measures in high-risk industries.
- As of the 4th quarter of 2016, 178 Companies were excluded from investment.

Active ownership is exercised in a more sustainable direction. Influencing companies in the portfolio takes place through direct contact and cooperation with our external managers and through UNPRI.

#### SUSTAINABLE INSURANCE

Storebrand Insurance contributes to creating a sustainable society by giving customers financial security in the event of an accident. Storebrand Insurance works with sustainability based on two perspectives: Through beneficial pricing when customers show sustainable behaviour and by developing products and concepts intended to prevent injury, disability and health problems. Storebrand monitors whether corporate customers operate their businesses based on principles of corporate social responsibility. For example, a company that is working well in the areas of health, environment and safety will be rewarded in the form of a lower price on employee insurance. This stimulates sustainability in customers' operations.

It is Storebrand's aim to contribute to preventing injury, disability and health problems. Insurance concepts that actively help employees who become ill to return to work quickly and thereby reduce the risk of incapacity for work are positive for the individual, society and the insurance company. An important instrument in this context is health insurance, where we can establish dialogue with the employee and implement a course of treatment to bring the employee back to work quickly.

Storebrand shall show customers what opportunities they have to also choose socially responsible alternatives within insurance. Through better customer communication and greater visibility in connection with the prevention of injury and product development, emphasis is placed on what customers can do, both through small and large companies, to contribute to a sustainable society. The goal is that customers shall act in a more sustainable manner in relation to social and financial issues, as well as the environment.

### ORGANISATION AND WORKING ENVIRONMENT

#### EXPERTISE

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. Storebrand is involved in creating a future to look forward to. Our customers shall, in a simple and sustainable manner, receive a good pension and have a good world to retire in. This is done by being a trailblazer and entering the breach for sustainable development. Skills development shall support this.

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. Skills development should take place by 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 should be made broader, so that it can in turn contribute to greater adaptability and a greater restructuring capacity for the Group.

As part of this and as a consequence of the digitalisation of society and working life, the Group has established a powerful unit for digital business development. This unit will not only drive innovation in a customer and service dimension, but also in the form of organisation, management and work processes.

The Storebrand Academy is the Group's initiative for custom management development programmes. A new group started in 2016 with 20 capable managers. The course lasts for one year.

**DIVERSITY**

We are focussed on the organisation reflecting our customers and the market we operate in. Diversity contributes to increased innovation and learning in the organisation. In 2016, Storebrand received a score of 83 out of 100 in a questionnaire regarding the work with diversity. Our ambitions include systematic work and an employee composition that reflect society as a whole. The average age at Storebrand is 43, and the average seniority is 10 years. Storebrand had 1,745 employees in the Group at year end.

At the end of the year, 41 per cent of the managers in the Group were women, and 48 per cent of the employees were women. This represents a slight decrease on the previous year due to Storebrand no longer having an ownership stake in a Baltic company where the proportion of women was more than 50 per cent. In SPP, 49 per cent of the managers were 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 2016, 40 per cent of the board members in Storebrand ASA are women. Storebrands subsidiaries had 31% share of women. The figure for executive management was 22 per cent for the most part of the year.

The company seeks to ensure equal treatment and opportunities for all the internal and external recruitment and development processes. There are no significant differences in salaries attributable to gender differences. This is something the company will follow up and monitor regularly. The head office is a universally designed building that was recertified as a miljøfyrtårn (Eco-Lighthouse) in 2016.

**ANNUAL EMPLOYEE SURVEY**

Some results from the employee survey are given below because the Group sees a clear connection between the employees' commitment and high job satisfaction, which results in better customer experiences and satisfaction. The results from the survey show consistently good results and that Storebrand scores well above the average for the industry.

The job satisfaction numbers have been stable from 2015 to 2016. The employer's reputation is also positive and stable, and the numbers for loyalty, which is the combination of dependability and commitment among Storebrand's employees, remain good. The decrease since 2015 is only one percentage point and this was during a period in which the number of employees was significantly reduced and a subsidiary was sold. Dependability is measured by the desire of employees to work at Storebrand and them recommending the company as a workplace to others.

When the employees are asked whether they think that it is valuable that the Storebrand Group desires to have a leading position in sustainability, the trend is still positive and stable.

The results show that employees have a stable, high level of trust in their immediate manager and score high (and higher than in 2015) for collaboration in the organisation. The Group also has good and stable results for the employees' satisfaction with their job content, as well as learning and development.

**ABSENCE DUE TO ILLNESS**

The Group's absence due to illness has been at a stable low level for many years. The Group's result for absence due to illness in 2016 was 3.7 per cent. This figure was 3.9 per cent for the Norwegian part and 3.1 per cent for the Swedish part. Storebrand has been an "inclusive workplace" (IA) company since 2002, and the Group's managers have over the years built up good 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 per cent 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 training facilities with a variety of activities and organised training.

No injuries to people, property damage, or accidents were reported in the Storebrand Group in 2016.

#### 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. 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 2016, 136 employees took the course, and 148 took the anti-corruption course. The Group also has a mandatory ethics course for managers, which includes money laundering and corruption. At these courses, managers work with dilemmas taken from everyday life at Storebrand in the past 20 years. In addition, 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. Managers also train their staff in the same way. The company's authorised financial advisers complete a specially tailored training programme.

### CORPORATE GOVERNANCE

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, see chapter for Corporate Governance.

The Board carried out an evaluation in 2016, in which the executive management participated. A total of twelve board meetings were held in 2016. The work of the Board is regulated by special rules of procedure for the Board. The Board has established three advisory committees: the Compensation Committee, Audit Committee and Risk Committee.

In 2016, the following changes to the membership of Storebrand's corporate bodies took place:

Board of Directors of Storebrand ASA
Nils Are Karstad Lysø left the Board and Jan Chr. Opsahl was elected as a new member.

The Board of Representatives
Disbanded in accordance with the Financial Undertakings Act by a decision at the Ordinary General Meeting in 2016.

Nomination Committee
Odd Ivar Biller and Tor Olav Trøim were elected as new members. Leif Ola Rød left the Nomination Committee.

The Board wishes to thank the retiring members of the Board of Directors and Board of Representatives for their valuable contributions to the Group.

### 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 21% 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 10% 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.

Asset management is an important business area within the Savings segment. Asset management has had stable growth in reserves and good earnings development.

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 65% at the end of the quarter.

A target has been set for combined nominal costs to be lower in 2018 compared with the level at the end of 2015. 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.

In 2016, a new business area for digital development was established. Storebrand has combined the resources in the Group that work with digital business development and will, in future, make great efforts to succeed in the digitalisation of sales and earnings driven by customer insight and which also contributes to improving the efficiency of operations.

**MARKET TRENDS**

The Norwegian ten-year interest rate on government bonds increased by approximately 0.6 percentage points in the fourth quarter and is above the level at the start of the year. The Swedish ten-year interest rate on government bonds also increased by approximately 0.4 percentage points in the fourth quarter, but is still under the level at the start of the year. Swedish interest rates are influenced by very expansive monetary policy. The worldwide interest rate rise has largely been driven by the USA where the interest rate on ten-year government bonds has increased by more than one percentage point since it reached its lowest point in July 2016. The increase in interest rates has continued in 2017.

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. Germany is experiencing economic growth which exerts pressure when setting interest rates in Europe.

The finance sector is also characterised by the weak capitalisation of some European banks in combination with weakened credit portfolios. The authorities have implemented measures in several countries to alleviate the situation in certain exposed banks. We are seeing a consolidation of insurance companies in Europe.

**RISK**

Market risk is the Group's biggest risk. In the Board's ORSA (self-assessment of risk and solvency) 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.

**CHANGES TO THE SOLVENCY II REGULATIONS**

The European Insurance and Occupational Pensions Authority (EIPOA) is considering changes to the methodology for determining the Ultimate Forward Rate (UFR) which, together with market interest rates, is used to determine the discount rates in Solvency II. The UFR is the combined total of an expected real interest rate (common for all currencies) and expected inflation (currency specific). Changes are proposed that, as a whole, entail that the UFR for NOK is reduced from 4.2% to 3.7% and that the change is phased in by a maximum of 20 basis points per year. If the proposal is approved, this will result in a lower solvency margin for Storebrand, depending on the interest rate. The matter is being assessed by EIPOA.

The EU Commission has asked EIOPA to assess changes in the Solvency II regulations, primarily in connection with the standard model for calculating capital requirements. EIPOA has prepared a consultation memo and a consultation process is now underway with a deadline of 3 March 2017. The purpose is to review the regulations to (1) ensure that the capital requirements are in proportion to the actual risk, (2) ensure consistent treatment between countries, and (3) simplification. The consultation memo assesses different alternatives relating to 21 topics. Among other things, these include exposure to regional and local authorities, calibrating the risk of mortality, the possibility of using company-specific parameters for life insurance, exchange rate risk at group level, interest rate risk and risk margin. No specific recommendations are proposed. Following the consultation process, it is expected that EIPOA will provide its recommendations to the EU Commission.

**ASSESSMENT OF SEPARATE PENSION ACCOUNT**

The assessment relating to "Separate pension account and other adjustments to private occupational pensions" was presented by a group of senior government officials in December 2016. The assessment follows up the Prime Minister's letter to the parties in connection with the main bargaining period for 2016 (hovedoppgjøret 2016), whereby the government pledged to review a number of issues relating to occupational pensions in the private sector.

The assessment has three main topics:

- Possible solutions for a scheme involving a separate pension account, whereby pension earnings from multiple employers can be combined.
- Possible solutions for individual additional savings in the occupational pension schemes.

- The age and income from which contributions should start and the duration of the employment required to be able to receive contributions (saving from the first krone).

Employee and employer organisations, the financial services industry and the Consumer Council of Norway have participated in a reference group for the work. The report does not present any specific proposals, but discusses alternative models. It will be up to the parties (Norwegian Confederation of Trade Unions (LO) and the Confederation of Norwegian Enterprise (NHO)) and the government to determine how the report should be followed-up.

#### FINANCIAL TAX

In connection with the Storting's preparation of the 2017 national budget, it was agreed to introduce a financial tax with two elements.

Financial tax on salaries. This is set at 5 per cent and will follow 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 reduced to 24 per cent.

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

#### OFFICIAL FINANCIAL STATEMENTS OF STOREBRAND ASA

Pursuant to Norwegian accounting legislation, the Board of Storebrand ASA confirms that the company meets the conditions for preparing the financial statements on the basis of a going concern assumption. The Board is not aware of any events of material importance to the annual and consolidated financial statements that have occurred since the balance sheet date.

Storebrand ASA is the holding company in the Storebrand Group, and the accounts have been prepared in accordance with the Norwegian Accounting Act, generally accepted accounting policies in Norway, and the Norwegian Regulations relating to annual accounts, etc. for insurance companies.

Storebrand ASA reported a profit before tax of NOK 829 m in 2016, compared with NOK 333 m in 2015. Group contributions from investments in subsidiaries totalled NOK 899 m, compared with NOK 519 m in 2015.

#### RESULT FOR STOREBRAND ASA

| NOK m | **2016** | 2015 |
|---|---|---|
| Group contribution and dividends | 899 | 519 |
| Net financial items | 5 | -93 |
| Operating expenses | -76 | -93 |
| **Pre-tax profit/loss** | **829** | **333** |
| Tax | -91 | -81 |
| **Profit for the year** | **738** | **252** |

#### STATEMENT OF COMPREHENSIVE INCOME

| NOK m | **2016** | **2015** |
|---|---|---|
| Profit for the year | 738 | 252 |
| *Other income statement elements that cannot subsequently be reclassified through the income statement.* | | |
| Change in actuarial gains or losses | -41 | -18 |
| Tax on other income statement components | 10 | 5 |
| **Total other income statement elements** | **-31** | **-14** |

| NOK m | 2016 | 2015 |
|---|---|---|
| **Total comprehensive income** | **707** | **238** |

## ALLOCATION OF THE PROFIT FOR THE YEAR

The profit for Storebrand ASA for 2016 was NOK 738 m, compared with NOK 252 m in 2015.

### CAPITAL MANAGEMENT AND DIVIDENDS

Storebrand has established a framework for capital management that links dividends to the solvency ratio. The goal is a solvency ratio of over 150%, including transitional rules. The solvency ratio at the end of the fourth quarter was 157%. A minimum level for dividends is a solvency ratio without transitional rules of 110%. The solvency ratio without transitional rules at the end of the fourth quarter was 144%. The solvency level shows that the Group is robust for the risks the business faces. A gradual improvement is expected in the underlying solvency margin in the coming years. This is primarily due to the discontinuation of the strengthening of reserves for increased life expectancy, expected result achievement in the Group, and reduced capital requirements from guaranteed business. The strengthening of reserves for increased life expectancy is expected to conclude in 2017.

The Board has proposed a dividend to the General Meeting of NOK 695 m, equivalent to NOK 1.55 per share, for the 2016 financial year. A dividend of more than 35% of the Group result before amortisation after tax is expected for 2017. The expected development in the solvency margin indicates there will be a gradual increase in the dividend distribution rate beyond this from 2018.

### ALLOCATION OF THE PROFIT FOR THE YEAR FOR STOREBRAND ASA

| NOK m | 2016 | 2015 |
|---|---|---|
| Profit for the year | 738 | 252 |
| **Allocations** | | |
| Transferred to other reserves | 43 | 252 |
| Provision for share dividends | 695 | |
| **Total allocations** | **738** | **252** |

LYSAKER, 16 FEBRUARY 2016
THE BOARD OF DIRECTORS OF STOREBRAND ASA

Birger Magnus (sign.)
*Chairman of the Board*

Karin Bing Orgland (sign.)

Laila S. Dahlen (sign.)

Gyrid Skalleberg Ingerø (sign.)

Martin Skancke (sign.)

Håkon Reistad Fure (sign.)

Jan Chr. Opsahl (sign.)

Arne Fredrik Håstein (sign.)

Knut Dyre Haug (sign.)

Heidi Storruste (sign.)

Odd Arild Grefstad (sign.)
*CEO*

[1] After tax, adjusted for amortisation of intangible assets. The document contains alternative performance measures (APM) as defined by the European Securities and Market Authority (ESMA). Storebrand.com/ir provides an overview of APMs used in financial reporting.

[2] After tax, adjusted for amortisation of intangible assets. The document contains alternative performance measures (APM) as defined by the European Securities and Market Authority (ESMA). Storebrand.com/ir provides an overview of APMs used in financial reporting.

[3] Result before strengthening of longevity reserves, amortisation and taxes.

[4] The income statement is based on reported IFRS results for the individual group companies. The statement differs from the official accounts layout. The documents contains alternative performance measures(APM) as defined by the European Securities and Market Authority (ESMA). Storebrand, com/Ir provides an overview of APM's used in financial reporting.

[5] Adjusted for foreign currency

[6] See note 29 for more information.

[7] The cost line was negatively affected by NOK 30m in restructuring costs in 2015. The same line was positively affected by NOK 19m in 2016 as a net effect of restructuring costs, changed pension scheme for own employees, and extraordinary write-downs in 2016.

[8] Health insurance is owned 50 per cent each by Storebrand ASA and Munich Health.

[9] Adjusted for net negative non-recurring effects relating to restructuring, pension and write-downs of NOK 1m in 2016 and negative non-recurring effects relating to restructuring of NOK 115m in 2015.

# Corporate Governance

Good corporate governance is important to ensure that an enterprise can achieve its defined goals, including best possible utilisation of resources and good value creation. The Storebrand Group (hereafter referred to as Storebrand) works continuously on improving both the overall decision-making processes and the day-to-day management of the company.

Storebrand's corporate governance principles have been laid down in accordance with the Norwegian Code of Practice for Corporate Governance. The management and the Board of Directors of Storebrand ASA (hereafter referred to as the Board) conduct an annual review of Storebrand's adopted corporate governance policies and compliance therewith. Storebrand reports in accordance with section 3-3b of the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance.

**STATEMENT IN ACCORDANCE WITH THE NORWEGIAN CODE OF PRACTICE FOR CORPORATE GOVERNANCE**

The statement below describes how Storebrand complies with the 15 sections of the Code of Practice.

1. **IMPLEMENTATION AND REPORTING ON CORPORATE GOVERNANCE** ***(NO DEVIATIONS FROM THE CODE OF PRACTICE)***

The Board has decided that the company will comply with the Norwegian Code of Practice and discusses compliance with the Code of Practice in the Board of Directors' Report. Storebrand complies with the Code of Practice without any significant exceptions. One minor deviation has been accounted for below under section 3.

Storebrand shall provide better pensions – simple and sustainable. Storebrand's strategy and corporate values are described in the framework "Our driving force" which represents a common policy for how Storebrand will deliver attractive results to customers and owners. Storebrand's strategy is to deliver profitable growth within established focus areas through simple and sustainable solutions. More information about "Our driving force" and focus areas can be found in the annual report under chapter for Our Driving Force.

For several decades, Storebrand has been among the best within sustainable investments and has taken an active approach to how we invest both our own capital and that of our customers. Storebrand believes that companies that integrate environmental, social and governance considerations in their business activities reduce risk and create new opportunities for the business activities and capital owners. Storebrand has the ambition of maintaining a position among the best companies by integrating this perspective in other business areas. Storebrand believes that this will create increased value for customers, owners, society and other stakeholders. See the separate article in the annual report on Materiality.

Storebrand has its own code of ethics. Guidelines for whistle-blowing, social events, combating corruption, etc. have also been established.

2. **BUSINESS** ***(NO DEVIATIONS FROM THE CODE OF PRACTICE)***

Storebrand ASA is the parent company in a financial group, and its statutory object is to manage its equity interests in Storebrand's subsidiaries in compliance with the current legislation. Storebrand's main business areas comprise savings, insurance and banking. The full text of the Articles of Association may be found on Storebrand's website at www.storebrand.no.

The market is kept informed of Storebrand's goals and strategies through quarterly result presentations and separate thematic presentations. You can read more about the company's goals and main strategies in the Directors Report.

3. **EQUITY AND DIVIDENDS** ***(DEVIATION FROM THE CODE OF PRACTICE)***

The Board of Storebrand ASA continually monitors Storebrand's capital solidity in light of its goals, strategy and risk profile. You can read more about Storebrand's capital situation and solvency in the Board of Directors' Report. The Board has adopted a dividend policy that states that the dividend paid to shareholders shall normally amount to at least 35 per cent of the profit for the year after tax, but before amortisation costs. The dividend shall be adjusted such that Storebrand is assured the right capital structure. The dividend is set by the Annual General Meeting (AGM), based on a proposal put forward by the Board. Pursuant to Section 8-1, paragraph two of the Norwegian Public Limited Liability Companies Act, the General Meeting may, by simple majority, authorise the Board of Directors to distribute a dividend. This shall be based on the annual financial statements adopted by the General Meeting. This authorisation may not be granted for a period longer than until the next Annual General Meeting. In addition, the authorisation shall be based on the adopted dividend policy. The General Meeting was not requested to provide such authorisation in 2016. Read more about Storebrand's dividend policy in the Board of Directors Report.

Storebrand ASA would like to have various tools available for its efforts to maintain an optimal capital structure for Storebrand to contribute to good shareholder returns and financial resilience. At the 2016 Annual General Meeting, the Board was granted authorisation to increase the share capital through issuing new shares for a total maximum value of NOK 224,954,945. This authorisation may be used for the acquisition of businesses in consideration for new shares or increasing the share capital by other means. The Board of Directors may decide to waive the shareholders' preferential rights to subscribe for new shares in accordance with the authorisation. This authorisation may be used for one or more new issues. The authorisation is valid until the next Annual General Meeting.

At the same Annual General Meeting, the Board was authorised to buy back shares for a maximum value of NOK 224,954,945. The total holdings of treasury shares must, however, never exceed 10 per cent of the Group's share capital. The buyback of treasury shares may be a tool for the distribution of surplus capital to shareholders in addition to dividends. In addition, each year Storebrand ASA sells shares to employees from its own holdings in connection with the share purchase scheme and long-term incentive schemes for employees of Storebrand. Accordingly, it is appropriate to authorise the Board of Directors to buy shares in the market to cover the aforementioned needs or any other needs. The authorisation is valid until the next Annual General Meeting.

Otherwise, there are no provisions in Storebrand ASA's Articles of Association that regulate the buyback or issuance of shares.

*Deviation from the Code of Practice: The Board's authorisations to increase the share capital and buy back shares are not completely limited to defined purposes. No provisions have been made for the General Meeting to vote on each individual purpose to be covered by the authorisations.*

4. **EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES *(NO DEVIATIONS FROM THE CODE OF PRACTICE)***

Storebrand ASA has only one class of shares. Storebrand has no specific restrictions on the ownership of shares or voting rights beyond the restrictions imposed by the Financial Institutions Act. The management and Board of Directors of Storebrand focus strongly on the equal treatment of shareholders through their work.

The general competence rules for Board members and executive personnel may be found in the rules of procedure for the Board of Storebrand ASA, rules of procedure for the boards of subsidiaries, instructions for the CEO and Storebrand's code of ethics. Board members must inform the company if they have direct or indirect material interests in an agreement concluded by one of the companies in the Storebrand Group. The Board shall ensure that an independent third party assesses the value of transactions that are not insubstantial in nature. Furthermore, the rules of procedure for the Board stipulate that no board member may participate in discussions or a decision concerning matters that are of such material importance to them or a close associate that the member must be regarded as having a conspicuous personal or special financial interest in the matter. Each board member has a responsibility to continuously assess whether or not such a situation exists. Transactions with close associates involving Storebrand's employees and other officers of the Group are regulated by Storebrand's code of ethics. Employees shall on their own initiative immediately report conflicts of interest that may arise to their immediate superior as soon as they become aware of such a situation. In general, an employee is defined as disqualified if circumstances exist that could result in others questioning the person's impartiality in relation to matters other than Storebrand's interests.

The share capital has not been increased in 2016, but an authorisation has been granted to increase the share capital, cf. section 3 above. The Board of Directors may decide to waive the shareholders' preferential rights in connection with share capital increases.

For a complete overview see chapter for shareholder matters.

5. **FREELY NEGOTIABLE SHARES *(NO DEVIATIONS FROM THE CODE OF PRACTICE)***

Shares in Storebrand ASA are listed on Oslo Børs (Oslo Stock Exchange). The shares are freely negotiable, and the Articles of Association do thus not contain any restrictions with regard to the negotiability of the shares. All the shares carry equal rights, cf. section 4 above.

6. **GENERAL MEETING *(NO DEVIATIONS FROM THE CODE OF PRACTICE)***

**General meeting**

Pursuant to the Articles of Association, Storebrand ASA's General Meeting shall be held by the end of June each year. The General Meeting was held on 13 April 2016. All shareholders with a known address will receive notice of the General Meeting, which will be sent out no later than 21 days prior to the General Meeting. Pursuant to the Articles of Association, the deadline for giving notice of attendance shall be set at no later than five calendar days prior to the General Meeting. In accordance with Storebrand's Articles of Association, the right to make other documentation available on Storebrand's website is exercised, cf. Section 5-11 a of the Norwegian Public Limited Liability Companies Act. However, a shareholder can still request to be sent these documents by ordinary mail.

All shareholders may participate at the General Meeting. Storebrand's Articles of Association allow shareholders to vote in advance by means of electronic communication, cf. section 5-8b of the Norwegian Public Limited Liability Companies Act. The arrangement therefore gives the shareholders an opportunity to vote without being represented at the General Meeting. As many shareholders as possible are thus allowed to exert an influence on Storebrand by exercising their voting rights.

It is also possible to vote by proxy. Provisions have been made so that the proxy form is linked to each individual item to be considered. We will seek whenever possible to design the form so that it allows voting for candidates who are to be elected. The voting rules for the General Meeting allow separate votes for each member of the various bodies. Further information about voting in advance, use of proxies and shareholders' rights to have matters discussed at the Annual General Meeting is available in the notice of the Annual General Meeting and on Storebrand's website.

The Chairman of the Board, at least one representative from the Nomination Committee and the external auditor must attend the General Meeting. The Board members of Storebrand ASA are not obligated to attend, but are encouraged to. The CEO, executive management team and the Group Legal Director participate from the management. Minutes from the General Meeting are available on Storebrand's website. The General Meeting is opened by the Chairman. The Board organises an independent chairperson who is elected by the General Meeting.

The General Meeting shall:

- consider the annual accounts, consisting of the profit and loss statement, the balance sheet and the annual report, including the consolidated profit and loss statement and balance sheet, and the auditor's report,
- decide upon adoption of the profit and loss statement and balance sheet,decide upon adoption of the consolidated profit and loss statement and balance sheet,
- decide upon the allocation of profit or manner of covering loss in
- accordance with the adopted balance sheet, and on the distribution of dividends,
- elect the auditor,
- appoint members to the Nomination Committee and this should include the Chairman of the Nomination Committee,
- elect members to the Board of Directors, and this should include the Chairman of the Board of Directors,
- consider the Board of Directors' statement on the fixing of salaries and other remuneration to executive personnel,
- approve the remuneration of members of the Board of Directors and Board Committees,
- approve the remuneration of members of the Nomination Committee,
- approve the auditor's fee,
- transact any other business listed on the agenda.

Decisions are generally made on the basis of an ordinary majority. Pursuant to Norwegian law, however, a special majority is required for certain decisions, including decisions about setting aside pre-emptive rights in connection with any share issues, mergers, demergers, amendments to the Articles of Association or authorisations to increase or reduce the share capital. Such decisions require approval by at least two-thirds of both the votes cast and the share capital represented at the General Meeting.

7. **NOMINATION COMMITTEE** ***(NO DEVIATIONS FROM THE CODE OF PRACTICE)***

Storebrand ASA's Articles of Association regulate the Nomination Committee, which consists of five members and an observer elected by the employees.

The chairman of the Nomination Committee and the other members are elected by the General Meeting. The representative for the employees shall participate as a permanent member of the committee in discussions and nominations concerning the election of the Chairman of the Board, as well as in other contexts where it is deemed natural, upon receiving notice from the Chairman of the Committee (with status as an observer in the latter case).

The majority of the Nomination Committee is independent of the Board of Directors and the management. The Committee is established with the objective that the interests of the shareholder community are safeguarded. The General Meeting's instructions for the Nomination Committee include provisions concerning the rotation of Nomination Committee members, but in recent years members of the Nomination Committee have been replaced as a matter of course due to changes in the shareholder composition.

The Articles of Association stipulate that the Nomination Committee should work in accordance with the rules of procedure adopted by the General Meeting. The Nomination Committee's rules of procedure were adopted at the 2016 Annual General Meeting. In accordance with the rules of procedure, the Nomination Committee shall, for example, give attention to the following when preparing nominations for representatives for the companies' governing and controlling bodies: competence, experience, capacity, gender distribution, independence and the interests of the community of shareholders. More information about the members has been published on Storebrand's website. The Nomination Committee contacts the company's 30 largest shareholders annually and requests that they propose candidates for the company's Board of Directors and Nomination Committee. A corresponding request to the shareholders is published on the company's website

The Nomination Committee is tasked with proposing candidates and remuneration for the Board of Directors and Nomination Committee, through recommendations to the General Meeting.

An attempt is made to adapt the remuneration of the members of the Nomination Committee to the nature of the tasks and time spent on committee work. The Nomination Committee held eleven meetings in 2016.

8. **COMPOSITION AND INDEPENDENCE OF THE BOARD OF DIRECTORS *(NO DEVIATIONS FROM THE CODE OF PRACTICE)***

The Articles of Association stipulate that between five and seven board members shall be elected by the General Meeting based on nominations from the Nomination Committee. Two members, or three members if the General Meeting elects six or seven directors, shall be elected by and from among the employees. The Board members are elected for one year at a time. The day-to-day management is not represented on the Board of Directors. At the end of 2016, the Board of Directors consisted of ten members (six men and four women).

None of the members elected by the General Meeting have any employment, professional or consultancy relationship with Storebrand beyond their appointment to the Board of Directors. The backgrounds of the individual board members are described in the Chapter Board of Directors of the annual report and on Storebrand's website. The composition of the Board of Directors satisfies the independence requirements set forth in the Code of Practice. There are few instances of disqualification during the consideration of matters by the Board (none during 2016). The assessment of each board member's independence is commented on in the overview of governing and controlling bodies. An overview of the number of shares in Storebrand ASA owned by members of governing bodies as at 31 December 2016 is included in the notes to the financial statements for Storebrand ASA (Information on related parties) see note 16. None of the board members elected by shareholders have held office for more than ten years.

The Act on Financial Undertakings and Financial Groups, which entered into force on 1 January 2016, revoked the requirement of having a board of representatives. At the same time, the establishment of a so-called corporate assembly was made optional. On 13 April 2016, the General Meeting decided not to establish a corporate assembly.

9. **THE WORK OF THE BOARD OF DIRECTORS *(NO DEVIATIONS FROM THE CODE OF PRACTICE)***

**Board's duties**

In 2015, a total of twelve board meetings were held, two of which were held at the subsidiary SPP in Stockholm. Storebrand's future strategy is discussed at the Board's annual strategy meeting, which establishes guidelines for the management's preparation of plans and budgets in connection with the annual financial plan, which must be approved by the Board. The Board shall stay informed about Storebrand's financial position and development, and it shall ensure that the company's value creation and profitability are safeguarded in the best possible manner on behalf of the owners. The Board shall also ensure that the activities are subjected to adequate control and ensure that Storebrand has adequate capital based on the scope of, and risks associated with, its activities. The attendance records of individual board members are provided in the overview of the Board of Directors . The work of the Board is regulated by special rules of procedure for the Board, which are reviewed annually. In order to ensure sound and well-considered decisions, importance is attached to ensuring that meetings of the Board are well prepared so that all the members can participate in the decision-making process. The Board prepares an annual schedule for its meetings and the topics it will consider. The agenda for the next board meeting is normally presented to the Board based on the approved schedule for the year and a list of matters carried forward from previous meetings. The final agenda is fixed in consultation with the Chairman of the Board. Time is set aside at each board meeting to evaluate the meeting without the management present. The Board is entitled to appoint external advisers to help it with its work whenever it deems this necessary. The Board has also drawn up instructions for the CEO.

The Board conducts an annual evaluation of its work and methods, which provides a basis for changes and measures. The results of the Board's evaluation are made available to the Nomination Committee, which uses the evaluation in its work.

**Board committees**

The Board of Directors has established three sub-committees in the form of a Compensation Committee, Audit Committee and Risk Committee. The committees consist of three to four board members, two to three shareholder-elected board members and one-employee elected board member. This helps ensure thorough and independent consideration of matters that concern internal control, financial reporting and the remuneration of executive personnel. The committees are preparatory and advisory working committees and assist the Board with the preparation of items for consideration. Decisions are made, however, by the full Board. The committees are able to hold meetings and consider matters on their own initiative without the involvement of the company's management.

The Remuneration Committee assists the Board with all matters concerning the CEO's remuneration. The committee monitors the remuneration of Storebrand's executive personnel, and proposes guidelines for the fixing of the executive personnel's remuneration and the Board's statement on the fixing of the executive personnel's remuneration, which is presented to the General Meeting each year. In addition, the committee safeguards the areas required by the Compensation Regulations in Norway and Sweden. The Compensation Committee held nine meetings in 2016.

The Audit Committee assists the Board by reviewing, evaluating and, where necessary, proposing appropriate measures with respect to the Group's overall controls, financial and operational reporting, risk management/control, and internal and external auditing. The Audit Committee held nine meetings in 2016. The external and internal auditors attend the meetings. The majority of the Committee's members are independent of the company. The Board of Directors has found that it is appropriate to have a combined Remuneration Committee for all of Storebrand.

The main task of the Risk Committee is to prepare matters to be considered by the Board of Directors in the area of risk, with a special focus on Storebrand's risk appetite and risk strategy, including 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. The Risk Committee has held eight meetings in 2016, including a joint meeting with the Audit Committee.

10. **RISK MANAGEMENT AND INTERNAL CONTROL *(NO DEVIATIONS FROM THE CODE OF PRACTICE)***

**Management and control**

The Board of Directors has drawn up general policies and guidelines for management and control. These policies deal with the Board's responsibility for determining Storebrand's appetite for risk and risk profile, approval of the organisation of the business, assignment of areas of responsibility and authority, requirements concerning reporting lines and information, and risk management and internal control requirements. The Board's and CEO's areas of responsibility are defined in the rules of procedure for the Board and instructions for the CEO, respectively. The Board of Directors has drawn up instructions for Storebrand's subsidiaries that are to ensure that they implement and comply with the Group's management and control policies and guidelines.

Storebrand's sustainability guidelines summarise how the work is an integral part of Storebrand's overarching objectives and management and control processes. The guidelines encompass all parts of Storebrand's business activities, including investing, product development, purchasing, follow-up of employees and internal operations. Storebrand's sustainability goals are adopted by the Board of Directors, and the sustainability scorecard is followed up by the Group's executive management team semi-annually. Storebrand also complies with the international reporting standard GRI (Global Reporting Initiative, version G4) and uses integrated reporting. The results are audited by Storebrand's external auditor, see the auditor's report. For the 17$^{th}$ year in a row, Storebrand qualified for the international Dow Jones Sustainability Index, which includes the top 10 per cent most sustainable companies within all industries on a global basis.

The investor relations guidelines ensure reliable, timely and identical information to investors, lenders and other stakeholders in the securities market.

As an extension of the general policies and guidelines, a code of ethics has been drawn up that applies to all employees and representatives of Storebrand, in addition to corporate rules for areas such as risk management, internal control, financial reporting, handling inside information and share trading by primary insiders. Guidelines and information about information security, contingency plans, measures against money laundering and other financial criminality have also been drawn up. Storebrand is subject to statutory supervision in the countries where it has operations that require a licence, including the Financial Supervisory Authority of Norway, as well as its own supervisory bodies and external auditor.

**Risk management and internal control**

The assessment and management of risk are integrated into Storebrand's corporate governance. This management system shall ensure that there is a correlation between goals and actions at all levels of Storebrand and the overall policy of creating value for Storebrand's shareholders.

Storebrand's financial and operational goals are defined annually in a board-approved business plan. The business plan builds on separate decisions on risk strategy and investment strategies, and includes three-year financial forecasts, budgets and action plans. The Board of Directors receives ongoing reports on the status of the strategy implementation.

Storebrand Compass is the company's monitoring tool, and it provides comprehensive reports for management and the Board concerning financial and operational targets. In addition, the Board of Directors receives risk reports from the risk management function, which monitors the development of key figures for risk, solidity, etc.

Risk assessment forms part of the managerial responsibilities in the organisation. The purpose of this is to identify, assess and manage risks that can hamper a unit's ability to achieve its goals. The process covers both the risk of incurring losses and failing profitability linked to economic downturns, changes in the general conditions, changed customer behaviour, etc., and the risk of incurring losses due to inadequate or failing internal processes, systems, human error or external events. Developments in the financial markets are important risk factors in relation to Storebrand's earnings and solvency position. In addition to assessing the effects of sudden shifts in the equity markets or interest rate levels (stress tests), scenario analysis is used to estimate the effect of various sequences of events in the financial markets on Storebrand's financial performance and solvency. This provides important premises for the Board's general discussion of risk appetite, risk allocation and capital adequacy.

The responsibility for Storebrand's control functions for risk management and internal control lies in the CRO function under the management of the Group CRO. The Group CRO reports directly to the CEO. The CRO function is responsible for supporting the Board and group management team with respect to the establishment of a risk strategy and operationalisation of the setting of limits and monitoring of risk raking across Storebrand's business areas.

Storebrand has a common internal audit function, which conducts an independent review of the robustness of the management model. The internal audit function's instructions and annual plan are determined by the Board pursuant to the current legislation, regulations and international standards. The internal audit function produces quarterly reports for the boards of the respective Storebrand companies.

The appraisal of all Storebrand employees is integrated into the business management and is designed to ensure that the Group's strategies are implemented. The policies for earning and paying any variable remuneration to Storebrand's risk managers comply with the regulations relating to remuneration in financial institutions, cf. Section 12 below. The CRO and employees with control functions related to risk management, internal control and compliance only have fixed salaries.

**Financial information and Storebrand's accounting process**

Storebrand publishes four interim financial statements, in addition to the ordinary annual financial statements. The financial statements shall 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's consolidated financial statements are prepared by the *Consolidated Financial Statements* unit, which reports to the Group's CFO. Key executives in the *Consolidated Financial Statements* unit receive a fixed annual remuneration that is not affected by Storebrand's financial earnings. The work involved in the preparation of the financial statements is organised in such a way that the *Consolidated Financial Statements* unit does not carry out valuations of investment assets. Instead it exercises a control function in relation to the accounting processes of the group companies.

A series of risk assessment and control measures have been established in connection with the preparation of the financial statements. Valuations associated with significant accounting items and any changes to policies, etc., are described in a separate document (Valuation Items Memo). The Board's Audit Committee conducts a preparatory review of interim financial statements and annual financial statements, focusing in particular on the discretional valuations and estimations that have been made prior to consideration by the Board.

Monthly and quarterly operating reports are prepared in which the results by business area and product area are analysed and assessed against set budgets. The operating reports are reconciled against other financial reporting.

## 11. **REMUNERATION OF THE BOARD OF DIRECTORS** *(NO DEVIATIONS FROM THE CODE OF PRACTICE)*

The General Meeting fixes the Board's remuneration annually on the basis of the recommendations of the Nomination Committee. The fees paid to the members of the Board are not linked to earnings, option schemes or similar arrangements. Members of the Board and Board Committees do not receive incentive-based remuneration; instead they receive a fixed annual compensation, either per year or per meeting the member attends, or a combination of such remuneration. The shareholder-elected members of the Board do not participate in Storebrand's pension schemes. None of the shareholder-elected members of the Board carry out any duties for Storebrand beyond their appointment to the Board. More detailed information on the compensation, loans and shareholdings may be found in notes 25 (Group) and 6 and 16 (ASA). Board members are encouraged to hold shares in the company.

## 12. **REMUNERATION OF EXECUTIVE PERSONNEL** *(NO DEVIATIONS FROM THE CODE OF PRACTICE)*

The Board determines the structure of the remuneration of executive personnel at Storebrand, and a statement on the fixing of remuneration (executive remuneration statement) is presented to the General Meeting. The executive remuneration statement shall clearly specify which guidelines are binding and which are advisory. The General Meeting shall vote separately on the binding and advisory guidelines. The remuneration consists of fixed salaries, variable remuneration, pension schemes and other fringe benefits deemed to be natural in a financial group. The aim of the remuneration is to motivate greater efforts to ensure long-term value creation and resource utilisation in the company. In the opinion of the Board the overall remuneration shall be competitive, but not leading. An annual assessment is carried out based on external market data to ensure remuneration is adequate in relation to equivalent positions in the market.

Storebrand shall have an incentive model that supports the Group's strategy, with emphasis on the customer's interests and long-term perspective, an ambitious model of cooperation, as well as transparency that enhances the Storebrand's reputation. Storebrand will therefore largely emphasise fixed salaries as an instrument of financial compensation, and make use of variable remuneration only to a limited extent. The Group's executive personnel, as defined in detail in the regulatory framework, receive only a fixed salary. The Group's executive management team use a percentage of their fixed salaries to purchase shares in Storebrand with a lock-in period of three years. This is to clarify that Storebrand's top management act in accordance with the long-term interests of the owners.

Employee performance is followed up by a special monitoring system The unit and individual's action plan are directly linked to the strategy adopted by the Board. This helps to further strengthen agreement between the owners and the management.

More detailed information about the remuneration of executive personnel may be found in notes 25 (Group) and 6, 16 (ASA) and in the Board's statement on the fixing of salaries and other remuneration to executive personnel, which is included in the notice of the General Meeting and available at www.storebrand.no. Executive personnel are encouraged to hold shares in Storebrand ASA, even beyond the lock-in period.

## 13. **INFORMATION AND COMMUNICATIONS** *(NO DEVIATIONS FROM THE CODE OF PRACTICE)*

The Board has issued guidelines for the company's reporting of financial and other information and for contact with shareholders other than through the General Meeting. Storebrand's reporting with regard to sustainable investments goes beyond the statutory requirements. Storebrand's financial calendar is published on the Internet and in the company's annual report. Financial information is published in the quarterly and annual reports, as described above under Section 10 – *Financial information and Storebrand's accounting process*. Documentation that is published is available on Storebrand's website. All reporting is based on the principle of transparency and takes into account the need for the equal treatment of all participants in the securities markets and the rules concerning good stock exchange practice. Further information may be found in the chapter for Shareholder matters. Storebrand has its own guidelines for handling insider information, see also section 10 – *Management and control*, above.

14. **TAKEOVERS** ***(NO DEVIATIONS FROM THE CODE OF PRACTICE)***

The Board of Directors has prepared guidelines for how to act in the event of a possible takeover bid for the company. These guidelines are based on the Board of Directors ensuring the transparency of the process and that all the shareholders are treated equally and given an opportunity to evaluate the bid that has been made. It follows from the guidelines that the Board of Directors will evaluate the bid and issue a statement on the Board's opinion of the bid, in addition to obtaining a valuation from an independent expert. Moreover, the Board will in the event of any takeover bid seek whenever possible to maximise the shareholders' assets. The guidelines cover the situation before and after a bid is made.

15. **AUDITOR** ***(NO DEVIATIONS FROM THE CODE OF PRACTICE)***

The external auditor is elected by the General Meeting and is responsible for the financial auditing. The external auditor issues an auditor's report in connection with the annual financial statements and conducts limited audits of the interim financial statements. The external auditor attends Board meetings in which interim financial statements are reviewed, and all meetings of the Audit Committee, unless the items on the agenda do not require the presence of the auditor. The Board has decided that the external auditor must rotate the partner responsible for the audit assignment every seven years. The external auditor's work and independence are evaluated every year by the Board's Audit Committee. Deloitte has been elected by Storebrand ASA's General Meeting as the company's external auditor. The other companies in Storebrand use the same auditor as Storebrand ASA.

**OTHER**

As one of the largest investors in the Norwegian stock market, Storebrand has considerable potential influence over the development of listed companies. Storebrand attaches importance to exercising its ownership in listed companies on the basis of straightforward and consistent ownership principles that place considerable emphasis on sustainability. Storebrand applies the Norwegian Code of Practice for Corporate Governance in this role. Storebrand has had an administrative Corporate Governance Committee since 2006. The Committee is responsible for ensuring good corporate governance across Storebrand.

In 2016, Storebrand Asset Management AS also established a Corporate Governance Committee. The Committee has a mandate to set the level of ambition and establish frameworks for corporate governance. The Committee shall coordinate Storebrand's use of voting rights, including prioritising matters and ensuring consistency in the work. The Committee shall meet every quarter.

Storebrand has issued guidelines with respect to employees holding positions of trust in external companies, which regulate, for example, the number of external board positions.

Further information on Storebrand's corporate governance can be found at www.storebrand.no > About Storebrand > Facts on Storebrand, where we have also published an overview of the members of Storebrand's governing and controlling bodies, CVs for the members of Storebrand ASA's Board of Directors, the Articles of Association, and ownership policies.

**STATEMENT IN ACCORDANCE WITH SECTION 3-3B, SECOND PARAGRAPH OF THE NORWEGIAN ACCOUNTING ACT**

A summary of the matters that Storebrand is to report on in accordance with Section 3-3b, second paragraph of the Norwegian Accounting Act follow here. The points follow the numbering used in the provision.

1. The principles for Storebrand's corporate governance have been prepared in accordance with Norwegian law, and they are based on the Norwegian Code of Practice for Corporate Governance published by the Norwegian Corporate Governance Board (NUES).
2. The Norwegian Corporate Governance Board's Code of Practice is available at nues.no.
3. Any deviations from the Code of Practice are commented on under each section in the statement above, see the deviations discussed in section 3.
4. A description of the main elements of Storebrand's systems for internal control and risk management related to the financial reporting process is discussed in section 10 above.
5. Provisions in the Articles of Association that refer to the provisions in chapter 5 of the Norwegian Public Limited Companies Act with regard to the general meeting are discussed in section 6 above.
6. The composition of the governing bodies and a description of the main elements in the current rules of procedure and guidelines can be found in sections 6, 7, 8 and 9 above.
7. The provisions in the Articles of Association that regulate the appointment and replacement of board members are discussed in section 8 above.
8. Provisions in the Articles of Association and authorisations granting the board the authority to buy back or issue the Group's own shares are discussed in section 3 above.

# Management

**ODD ARILD GREFSTAD (1965)**
**CEO**

**Education**
State Authorized Public Accountant
Authorized Finance Analyst (AFA) — (Norwegian School of Economics and Business Administration)

**Career**
2011–2012: Managing Director, Storbrand Life Insurance
2002–2011: Executive Vice President, CFO and Group Legal
1998–2002: Head of Business Control, Storebrand ASA
1997–1998: Group Controller, Life Insurance, Storebrand ASA
1994–1997: Vice President, Internal Audit, Storebrand ASA
1989–1994: Arthur Andersen & Co

**Ownership Storebrand**
Number of shares as of 31.12.2016: 92,602

**LARS AA. LØDDESØL (1964)**
**CFO**

**Education**
Master of General Business, Norwegian School of Management
MBA, Thunderbird (AGSIM), USA

**Career**
2004–2011: Executive Vice President, Life and Pensions, Norway
2001–2004: Executive Vice President, Finance Director Storebrand ASA
1994–2001: Vice President / Relationship Manager, Citibank International plc
1990–1994: Asst. Treasurer, Scandinavian Airlines Systems

**Ownership in Storebrand**
Number of shares as of 31.12.2016: 60,169

**HEIDI SKAARET (1961)**
**Managing Director, People & Technology**

**Education**
Siviløkonom, University of Washington, Seattle, USA

**Career**
2008–2012: Lindorff Group AB, Executive Vice President Region Scandinavia, CEO Lindorff AS, Norway.
2001–2008: IKANO Finans ASA, CEO
1987–2000: leading positions in Den norske Bank ASA
1986–1987: Financial Services Officer, Bank of America, San Francisco, USA
1981–1983: Nord-Video (Aftenposten, Gyldendal, Mortensen), sales secretary

**Ownership in Storebrand**
Number of shares as of 31.12.2016: 24,982

**ROBIN KAMARK (1963)**

**Managing Director, Customer Area Norway**

**Education**

MBA Norwegian School of Management

BBA Norwegian School of Management

**Career**

2010–2012: Chief Commercial Officer, SAS Group

2010–2012: Senior Vice President, Global Head of Sales & Marketing, SAS Group

2005–2008: Senior Vice President, SAS Group

2003–2005: Vice President, Sales & Marketing, SAS Norway

2001–2003: General Manager, Scandinavian Airlines, UK & Ireland

1997–2001: Director Marketing & Sales, Scandinavian Airlines, UK & Ireland

1995–1997: Manager Business Controll, SAS International

**Ownership in Storebrand**

Number of shares as of 31.12.2016: 54,112

**GEIR HOLMGREN (1972)**

**Managing Director, Customer Service and product**

**Education**

Cand. Scient m/aktuarkompetanse (UiO)

MBA Griffith University Brisbane, Australia

**Career**

2011–2012: Head of Product, Claims and Service, Storebrand Life Insurance

2003–2011: Head of Product, Storebrand Life Insurance

2002–2003: Head of UL and DC business, Storebrand Life Insurance

2000–2002: Head of DC business, Storebrand Life Insurance

1998–2000: International Sales, Storebrand Life Insurance

1997–1998: Actuary trainee , Storebrand Life Insurance

1995–1997: Teacher, Oslo University

**Ownership in Storebrand**

Number of shares as of 31.12.2016: 26,316

**STAFFAN HANSÉN (1965)**

**Managing Director, Customer Area Sweden**

**Education**

Licentiate of Science (Economics), Åbo Akademi University, Finland

Post graduate studies at the Finnish Doctoral Program in Economics (FDPE) and Stockholm School of Economics

**Career**

2013–: CEO, SPP Life Insurance AB

2011–: CIO, Storebrand Life Group

2008–2011: Investment Director, SPP Life Insurance AB

2006–2008: Head of Strategic Allocation, SPP Life Insurance AB

2003–2006: Head of Government and Covered Bond Trading, Svenska Handelsbanken

1996–2003: Head of Fixed Income, Alfred Berg Finland

1994–1996: Trainee, Pohjola Bank (OKOBANK)

**Ownership in Storebrand**

Number of shares as of 31.12.2016: 26,218

**JAN ERIK SAUGESTAD (1965)**
**Executive Vice President Asset Management**

**Education**
MBA MSc from NTNU
MBA from INSEAD in France fra INSEAD I Frankrike

**Career**
2006–2015 Chief Investment Officer, Storebrand Asset Management
1999–2006 Senior Portfolio Manager, Storebrand Asset Management
1997–1999 Sector Head Equities Energy/Shipping, Handelsbanken Markets
1995–1997 Partner, Marsoft Capital
1992–1995 Head of Research, Christiania Markets (now: Nordea Markets)
1990–1991 Junior Consultant, McKinsey & Company

**Ownership in Storebrand**
Number of shares as of 31.12.2016: 22,768

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**JOSTEIN DALLAND (1969)**
**Managing Director, Digital business development**

**Education**
Siviløkonom/MBA og Master of Technology Management

**Career**
2015–2016: Senior Vice President Customer and Business Development, Storebrand
2011–2015: Chief Marketing Officer/SVP Marketing, Storebrand
2009–2011: CEO, Inven2 AS
2007–2009: Senior Vice President Marketing and Sales, Aker BioMarine ASA
2002–2007: CEO, Natural ASA
2001–2002: Director/Partner, Refleks AS
1995–2001: Senior Vice President Pizza and various Marketing positions, Orkla Foods AS
1993–1995: Management Consulting

**Ownership in Storebrand**
Number of shares as of 31.12.2016: 4,119

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# Storebrand ASA Board

**BIRGER MAGNUS (1955)**
**Chairman of the Board Storebrand ASA since 2009**

**Current position**
Independent consultant

**Qualifications**
INSEAD, MBA, NTNU, sivilingeniør

**Previous positions**

- EVP Schibsted ASA (1996–2009)
  Partner McKinsey & Co. (1985–1996)

**Offices held**

- Chairman of the Board Hafslund ASA
- Chairman of the Board NRK A/S
- Chairman of the Board Kolonial.no
- Chairman of the Board XENETA A/S
- Chairman of the Board Holmenkollen skifest
- Chairman of the Board stiftelsen Aktiv Mot Kreft
- Board member Harvard Business Publishing
- Board member KGJG Ltd
- Board member Stiftelsen Kristian Gerhard Jebsen

**Ownership Storebrand**
Number of shares as of 31.12.2016: 20,000

Number of Board Meetings: 12/12

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**HÅKON REISTAD FURE (1987)**
**Board member Storebrand ASA since 2015**

**Current position**
Partner, Magni Partners

**Qualifications**

- Siviløkonom with specialty in Finance (BI)

**Previous positions**

- Equity research in DNB Markets (2007–2014)

**Ownership Storebrand**
Number of shares as of 31.12.2016: 18,500

Number of Board Meetings: 12/12

**LAILA S. DAHLEN (1968)**
**Board member Storebrand ASA since 2013**

**Current position**
VP, Finn.no AS

**Qualifications**

- Statsautorisert revisor (NHH)
- Siviløkonom (BI)
- Master of Science in Finance (University of Wisconsin)

**Previous positions**

- COO in Kelkoo/Yahoo, London (2007-2009)
- VP Marketplace in Yahoo Europe,London (2006-2007)
- Regional Manager Scandinavia and the Netherlands in Kelkoo/Yahoo,
- Stockholm (2003-2006)
- VP International Operations in Kelkoo, Paris (2000-2001)
- Manager in PricewaterhouseCoopers, Oslo (1993-2000)

**Offices held**

- Board member in Willhaben GmbH & Co KG
- Board member in Personal Finance AS

**Ownership Storebrand**
Number of shares as of 31.12.2016: 9,000

Number of Board Meetings: 12/12

**GYRID SKALLEBERG INGERØ (1967)**
**Board member Storebrand ASA since 2013**

**Current position**
SVP, Head of Finance in Telenor Digital Business

**Qualifications**

- Statsautorisert revisor (NHH)

**Previous positions**

- CF in Telenor Norge AS (2012-2016)
- Reorganization of Expertkjeden (2011-2012)
- CFO in Opplysningen 1881 AS (2008-2010)
- CFO/IR ansvarlig in Komplett ASA (2003-2008)
- CFO with Reiten & Co. ASA (2000-2003)
- Senior Manager in KPMG (1992-2000)
- Group audit with Nordea (1990-1993)

**Offices held**

- Board Member in Telenor Eiendom AS
- Board Member in Sporveien i Oslo AS
- Board member in Opplysningen 1881 AS

**Ownership Storebrand**
Number of shares as of 31.12.2016: 5,000

Number of Board Meetings: 12/12

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**MARTIN SKANCKE (1966)**
**Board member Storebrand ASA since 2014**

**Current position**
Independent Consultant

**Qualifications**

- Authorized financial analyst (NHH)
- MSC Econ (London School of Economics and Political Science)
- Russian intermediate (UiO
- International Finance Program (Stockholm School of Economics
- Siviløkonom (NHH)

**Previous positions**

- Special advisor in Storebrand (2011–2013)
- Head of Asset Management Department of the Ministry of Finance (1994–2001, 2006–2011)
- Director General at the office of the Prime Minister (2002–2006)
- Advisor in McKinsey & Company (2001–2002)

**Offices held**

- Chairman of the Board of Principles of Responsible Investments (PRI)
- Board member in Kommunalbanken AS, Norfund and beCuriou Private Travel

**Ownership Storebrand**
Number of shares as of 31.12.2016: 11,414

Number of Board Meetings: 11/12

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**JAN CHR. OPSAHL (1949)**
**Board member Storebrand ASA since 2016**

**Current position**
Chairman of the board, Dallas Asset Management AS

**Qualifications**

- Sloan Fellow (London Business School)
- Computer Science (University of Strathclyde)

- Bachelor of Arts (University of Strathclyde)

**Previous positions**

- Senior Executive in Tandberg/Cisco Systems Inc. (2010–2012)
- CEO in Tandberg ASA (1989–1997)
- CEO in Tomra Systems ASA (1986–1988)
- Executive VP in Unitor ASA (1983–1986)
- Sales and Marketing Director in Dyno Industries AS (1980–1983)

**Offices held**

- Board member NEL Hydrogen ASA
- Chairman of the Board Dallas Asset Management AS
- Elected member of Norges Tekniske Vitenskapsakademi
- Board member Rec Solar ASA (2013–2015)
- Chairman of the Board Tandberg ASA (1997–2010)
- Chairman of the Board Tomra Systems ASA (1989–2008)
- Chairman of the Board Tandberg Television ASA (1989–2007)
- Vice Presiden in Komplett ASA (1996–2003)

**Ownership Storebrand**
Number of shares as of 31.12.2016: 1,100,000

Number of Board Meetings: 3/3

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**KARIN BING ORGLAND (1959)**
**Board member Storebrand ASA since 2015**

**Current position**
Self employed

**Qualifications**

- Top management program (DNB IMD)
- Top management program (DNB, BI and Management in Lund)
- Siviløkonom (NHH)
- Civ. Engineer (University of Pittsburgh)

**Previous positions**

- Managing Director in DNB succession of diverse management positions internally (1985–2013)
- Consultant in Norwegian Ministry of Trade and Shipping (1983–1985)

**Offices held**

- Chairman of the Board GIEK
- Chairman of the Board Reiseplan og billett AS
- Chairman of the Board Røisheim Hotell AS
- Chairman of the Board Visit Jotunheimen AS
- Board member Boligselskapet INI AS Grønland
- Board member HAV Eiendom AS
- Board member Grieg Seafood ASA
- Board member Røisheim Eiendom
- Board member Berghammeren AS
- Member of election committee Orkla

**Ownership Storebrand**
Number of shares as of 31.12.2016: 0

Number of Board Meetings: 12/12

**KNUT DYRE HAUG (1956)**
**Employee appointed board member Storebrand ASA since 2006**

**Current position**
Consumer economist, Storebrand Livsforsikring ASA

**Qualifications**

- Authorized insurance advisor
- Officer's Training School

**Previous positions**

- Marketing Director Sparebank1 Livsforsikring (1998–1999)
- Lecturer and author at BI Center for Finance education (1990–2006)

**Offices held**

- Board member Boligstiftelsen Ungdomsboliger i Asker
- Board member in FINAUT
- Member of Rådet for Finansstudier (BI)
- Advisory Board for finance education in Europe
- Deputy member Asker Counsil

**Ownership Storebrand**
Number of shares as of 31.12.2016: 13,255

Number of Board Meetings: 12/12

**ARNE FREDRIK HÅSTEIN (1973)**
**Employee-elected board member Storebrand ASA since 2014**

**Current position**
Product specialist Pension & Savings in Storebrand Livsforsikring AS

**Qualifications**

- Master of Arts in International finance and accounting (University of Newcastle upon Tyne)
- Bachelor Business & Administration (Handelshøyskolen BI/University of Texas at Austin)
- Authorized portfolio manager (NHH/NFF)
- Depth study in valuation (NHH/NFF)

**Previous positions**

- Sales- and Product Manager in Delphi Fondene (2009–2014)
- Sales- and Key Account Manager in Storebrand Kapitalforvaltning AS (2005–2009)
- Senior financial advisor in Fokus Bank AS (2003–2005)
- Senior financial advisor in Storebrand Livsforsikring AS (1999–2003)

**Offices held**

- Board member Finansforbudet i Storebrand
- Board member Kunstforeningen i Storebrand

**Ownership Storebrand**
Number of shares as of 31.12.2016: 3,644

Number of Board Meetings: 12/12

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**HEIDI STORRUSTE (1965)**
**Employee elected board member Storebrand ASA since 2013**

**Current position**
Senior Union Representative for Employees and head of the Finance Sector Union of Norway at Storebrand

**Qualifications**

- Bachelor of Management (BI)
- Certified Executive Coach (Coach Team AS)
- DNCF certified Coach (Metaresource AS)
- Bedriftsøkonom (BI)

**Previous positions**

- Project manager in Storebrand Bank ASA (2011–2013)
- Process manager in Storebrand Bank ASA (2008–2011)
- Senior consultant Kreditt PM in Storebrand Bank ASA (1998–2008)
- Financial consultant Kreditt PM in Gjensidige Bank AS (1996–1998)
- Customer consultant in Sparebankenes Kredittselskap AS (1987–1996)

**Offices held**

- Head of Finansforbundet in Storebrand
- Board member in Den Norske CoachForening

**Ownership Storebrand**
Number of shares as of 31.12.2016: 2,865

Number of Board Meetings: 11/12

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# Members of Storebrand's corporate bodies

## BOARD OF DIRECTORS STOREBRAND ASA

**Chairman**
Birger Magnus

**Members**
Laila S. Dahlen
Håkon Reistad Fure
Gyrid Skalleberg Ingerø
Jan Chr. Opsahl
Karin Bing Orgland
Martin Skancke

**Members (employee elected)**
Knut Dyre Haug
Arne Fredrik Håstein
Heidi Storruste

**RISK COMMITTEE**
**Chairman**
Martin Skancke

**Members**
Håkon Reistad Fure
Arne Fredrik Håstein

## AUDIT COMMITTEE

**Chairman**
Karin Bing Orgland

**Members**
Martin Skancke
Knut Dyre Haug

## REMUNERATION COMMITTEE

**Chairman**
Birger Magnus

**Members**
Håkon Reistad Fure
Gyrid Skalleberg Ingerø
Heidi Storruste

## ELECTION COMMITTEE

**Chairman**
Terje R. Venold

**Members (elected by shareholders)**
Odd Ivar Biller
Per Otto Dyb
Olaug Svarva
Tor Olav Trøim

# Profit and Loss Account

| NOK Million | Note | **2016** | 2015 [1] |
|---|---|---|---|
| Premium income | 14 | 25,829 | 25,459 |
| Net interest income – banking activities | 15 | 373 | 377 |
| *Net income from financial assets and real estate for the company:* | | | |
| – equities and other units at fair value | 16 | 38 | 5 |
| – bonds and other fixed-income securities at fair value | 16 | 553 | 7 |
| – financial derivatives at fair value | 16 | 111 | 127 |
| – bonds at amortised cost | 16 | 106 | 89 |
| – real estate | 17 | 10 | 294 |
| – profit from investments in associated companies/joint controlled operation | 31 | 65 | 34 |
| *Net income from financial assets and real estate for the customers:* | | | |
| – equities and other units at fair value | 16 | 11,609 | 7,072 |
| – bonds and other fixed-income securities at fair value | 16 | 3,640 | 4,426 |
| – financial derivatives at fair value | 16 | 2,570 | -5,179 |
| – lending at fair value | 16 | 18 | |
| – bonds at amortised cost | 16 | 4,197 | 4,083 |
| – lending at amortised cost | 16 | 289 | 108 |
| – real estate | 17 | 2,295 | 2,407 |
| – profit from investments in associated companies | 31 | 167 | 134 |
| Other income | 18 | 2,904 | 2,500 |
| **Total income** | | **54,772** | **41,945** |
| Insurance claims | 19 | -25,287 | -25,247 |
| Change in insurance liabilities | 3,20 | -23,522 | -15,998 |
| To/from buffer capital | 21 | 1,475 | 3,930 |
| Losses from lending | 22 | -17 | -45 |
| Operating costs | 23,24,25,26 | -3,570 | -3,727 |
| Other costs | 27 | -463 | -439 |
| Interest expenses | | -475 | -462 |
| **Total costs before amortisation** | | **-51,859** | **-41,987** |
| **Profit before amortisation** | | **2,913** | **-42** |
| Amortisation of intangible assets | 29 | -406 | -396 |
| **Group pre-tax profit** | | **2,506** | **-438** |
| Tax cost | 28 | -364 | 1,821 |
| **Profit/loss for the year** | | **2,143** | **1,382** |
| **Profit/loss for the year due to:** | | | |
| Share of profit for the period – shareholders | | 2,118 | 1,178 |
| Share of profit for the period – hybrid capital investors | | 11 | 9 |
| Share of profit for the period – minority | | 14 | 196 |
| **Total** | | **2,143** | **1,382** |
| Earnings per ordinary share (NOK) | | 4.73 | 2.63 |
| Average number of shares as basis for calculation (million) | | 448.2 | 447.6 |
| There is no dilution of the shares | | | |

[1] There has been made changes in classifiacation between the lines «operating costs» and «amortisation and write-downs of intangible assets» for comparative figures 2015, see note 5, 23 and 29

# Statement of total comprehensive income

| NOK Million | Note | 2016 | 2015 |
|---|---|---|---|
| **Profit/loss for the year** | | **2,143** | **1,382** |
| Change in actuarial assumptions | | -142 | -187 |
| Adjustment of value of properties for own use | | 205 | 180 |
| Gains/losses from cash flow hedging | 43 | -60 | 27 |
| Total comprehensive income elements allocated to customers | | -205 | -180 |
| Tax on other result elements not to be classified to profit/loss | | 37 | 49 |
| Total other result elements not to be classified to profit/loss | | -166 | -111 |
| Translation differences | | -793 | 769 |
| Unrealised gains on financial instruments available for sale | | -3 | |
| Tax on other result elements that may be classified to profit/loss | | | 2 |
| **Total other result elements that may be classified to profit/loss** | | **-796** | **771** |
| **Total other result elements** | | **-961** | **660** |
| **Total comprehensive income** | | **1,181** | **2,042** |
| **Total comprehensive attribute to:** | | | |
| Share of total comprehensive income – shareholders | | 1,163 | 1,830 |
| Share of total comprehensive income – hybrid capital investors | | 11 | 9 |
| Share of total comprehensive income – minority | | 7 | 203 |
| **Total** | | **1,181** | **2,042** |

# Statement of financial position

| NOK Million | Note | 31/12/16 | 31/12/15 |
|---|---|---|---|
| **Assets company portfolio** | | | |
| Deferred tax assets | 28 | 595 | 957 |
| Intangible assets and excess value on purchased insurance contracts | 29 | 4,858 | 5,810 |
| Tangible fixed assets | 30 | 57 | 71 |
| Investments in associated companies | 31 | 458 | 385 |
| *Financial assets at amortised cost:* | | | |
| – Bonds | 11,32,33 | 3,398 | 3,454 |
| – Lending to financial institutions | 11,32 | 272 | 123 |
| – Lending to customers | 11,32,34 | 25,310 | 28,049 |
| Reinsurers' share of technical reserves | | 40 | 22 |
| Real estate at fair value | 9,35 | 51 | 335 |
| Biological assets | | 64 | 64 |
| Accounts receivable and other short-term receivables | 32,36 | 2,647 | 2,722 |
| *Financial assets at fair value:* | | | |
| – Equities and other units | 9,13,32,37 | 121 | 114 |
| – Bonds and other fixed-income securities | 9,11,13,32,38 | 30,503 | 29,123 |
| – Derivatives | 11,13,32,39 | 1,206 | 1,715 |
| – Lending to customers | 34 | 1,958 | 1,215 |
| Bank deposits | 11,32 | 3,694 | 3,009 |
| Minority interests in consolidated securities funds | | 20,386 | 23,044 |
| **Total assets company portfolio** | | **95,619** | **100,212** |
| **Assets customer portfolio** | | | |
| Tangible fixed assets | 30 | 433 | 429 |
| Investments in associated companies | 31 | 1,918 | 1,465 |
| Receivables from associated companies | 31 | 37 | 41 |
| *Financial assets at amortised cost:* | | | |
| – Bonds | 11,32,33 | 79,378 | 73,434 |
| – Bonds held-to-maturity | 11,32,33 | 15,644 | 15,648 |
| – Lending to customers | 11,32,34 | 16,727 | 6,017 |
| Reinsurers' share of technical reserves | | 106 | 112 |
| Real estate at fair value | 9,35 | 24,110 | 24,081 |
| Real estate for own use | 35 | 2,863 | 2,887 |
| Biological assets | | 702 | 725 |
| Accounts receivable and other short-term receivables | 32,36 | 1,053 | 2,999 |
| *Financial assets at fair value:* | | | |

| NOK Million | Note | 31/12/16 | 31/12/15 |
|---|---|---|---|
| – Equities and other units | 9,13,32,37 | 129,416 | 124,476 |
| – Bonds and other fixed-income securities | 9,11,13,32,38 | 141,334 | 161,653 |
| – Derivatives | 11,13,32,39 | 3,621 | 2,988 |
| – Lending to customers | 34 | 2,346 | |
| Bank deposits | 11,32 | 4,375 | 4,164 |
| **Total assets customer portfolio** | | **424,065** | **421,118** |
| **Total assets** | | **519,684** | **521,329** |
| **Equity and liabilities** | | | |
| Paid-in capital | | 11,726 | 11,724 |
| Retained earnings | | 15,631 | 14,477 |
| Hybrid capital | | 226 | 226 |
| Minority interests | | 54 | 520 |
| **Total equity** | | **27,637** | **26,946** |
| Subordinated loan capital | 10,32 | 7,621 | 7,766 |
| Buffer capital | 40 | 16,719 | 19,016 |
| Insurance liabilities | 40,41 | 405,257 | 400,211 |
| Pension liabilities | 24 | 289 | 465 |
| Deferred tax | 28 | 175 | 200 |
| *Financial liabilities:* | | | |
| – Liabilities to financial institutions | 10,13,32 | 407 | 416 |
| – Deposits from banking customers | 10,13,32 | 15,238 | 17,825 |
| – Securities issued | 10,32 | 16,219 | 15,475 |
| – Derivatives company portfolio | 11,13,32,39 | 326 | 851 |
| – Derivatives customer portfolio | 11,13,32,39 | 1,868 | 2,501 |
| Other current liabilities | 10,32,42 | 7,542 | 6,614 |
| Minority interests in consolidated securities funds | | 20,386 | 23,044 |
| **Total liabilities** | | **492,047** | **494,383** |
| **Total equity and liabilities** | | **519,684** | **521,329** |

LYSAKER, 7. FEBRUAR 2017

BOARD OF DIRECTORS OF STOREBRAND ASA

Birger Magnus (sign.)
*Chairman of the Board*

| | | |
|---|---|---|
| Karin Bing Orgland (sign.) | Laila S. Dahlen (sign.) | Gyrid Skalleberg Ingerø (sign.) |
| Martin Skancke (sign.) | Håkon Reistad Fure (sign.) | Jan Chr. Opsahl (sign.) |
| Arne Fredrik Håstein (sign.) | Knut Dyre Haug (sign.) | Heidi Storruste (sign.) |

# Statement of changes in equity

| | Majority's share of equity | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Million NOK | Share capital [2] | Own shares | Share premium | Total paid in equity | Restatement differences | Other equity [3] | Total retained earnings | Hybrid capital [1] | Minority interests | Total equity |
| **Equity at 31 December 2014** | **2,250** | **-12** | **9,485** | **11,722** | **1,078** | **11,574** | **12,652** | | **366** | **24,741** |
| Profit for the period | | | | | | 1,178 | 1,178 | | 196 | 1,382 |
| Total other profit elements | | | | | 753 | -100 | 653 | | 7 | -109 |
| **Total comprehensive income for the period** | | | | | **753** | **1,078** | **1,830** | | 203 | 2,042 |
| **Equity transactions with owners:** | | | | | | | | | | |
| Own shares | | 2 | | 2 | | 21 | 21 | | | 23 |
| Hybrid capital classified as equity | | | | | | 2 | 2 | 226 | | 228 |
| Paid out interest hybrid capital | | | | | | | | -9 | | -9 |
| Dividend paid | | | | | | | | | -25 | -25 |
| Purchase of minority interests | | | | | | | | | -25 | -25 |
| Other | | | | | | -28 | -28 | | 1 | -28 |
| **Equity at 31 December 2015** | **2,250** | **-10** | **9,485** | **11,724** | **1,831** | **12,646** | **14,477** | **226** | **520** | **26,946** |
| Profit for the period | | | | | | 2,118 | 2,118 | 11 | 14 | 2,143 |
| Total other profit elements | | | | | -789 | -166 | -955 | | -7 | -961 |
| **Total comprehensive income for the period** | | | | | **-789** | **1,952** | **1,163** | **11** | **7** | **1,181** |
| **Equity transactions with owners:** | | | | | | | | | | |
| Own shares | | 2 | | 2 | | 26 | 26 | | | 28 |
| Hybrid capital classified as equity | | | | | | 3 | 3 | | | 3 |
| Paid out interest hybrid capital | | | | | | | | -11 | | -11 |
| Dividend paid | | | | | | | | | -14 | -14 |
| Purchase of minority interests | | | | | | -18 | -18 | | -460 | -478 |
| Other | | | | | | -19 | -19 | | | -19 |
| **Equity at 31 December 2016** | **2,250** | **-8** | **9,485** | **11,726** | **1,042** | **14,589** | **15,631** | **226** | **54** | **27,637** |

[1] Perpetual hybrid tier 1 capital classified as equity.

[2] 449,909,891 shares with a nominal value of NOK 5.

[3] Includes undistributable funds in the risk equalisation fund amounting to NOK 140 million and security reserves amounting NOK 48 million.

# Cash flow analysis

| Million NOK | 2016 | 2015 |
|---|---|---|
| **Cash flow from operational activities** | | |
| Net receipts premium – insurance | 26,483 | 24,587 |
| Net payments compensation and insurance benefits | -18,911 | -19,272 |
| Net receipts/payments – transfers | -4,647 | -4,863 |
| Net change insurance liabilities | -1,784 | -1,591 |
| Receipts – interest, commission and fees from customers | 2,896 | 2,795 |
| Payments – interest, commission and fees to customers | -587 | -731 |
| Payments relating to operations | -3,125 | -3,164 |
| Net receipts/payments – other operational activities | 136 | -1,181 |
| **Net cash flow from operations before financial assets and banking customers** | **462** | **-3,419** |
| Net receipts/payments – lending to customers | -10,969 | -2,191 |
| Net receipts/payments – deposits bank customers | -2,586 | -1,533 |
| Net receipts/payments – mutual funds | 12,935 | 5,492 |
| Net receipts/payments – real estate investments | 2,058 | -338 |
| Net change in bank deposits insurance customers | -323 | -756 |
| **Net cash flow from financial assets and banking customers** | **1,115** | **674** |
| **Net cash flow from operational activities** | **1,576** | **-2,745** |
| **Cash flow from investment activities** | | |
| Net receipts – sale of subsidaries | 64 | |
| Net payments – purchase of group companies | -5 | |
| Net receits/payments – sale/purchase of fixed assets | -63 | -212 |
| **Net cash flow from investment activities** | **-4** | **-212** |
| **Cash flow from financing activities** | | |
| Payments – repayments of loans | -4,457 | -2,763 |
| Receipts – new loans | 3,700 | 3,702 |
| Payments – interest on loans | -372 | -393 |
| Receipts – subordinated loan capital | 700 | 997 |
| Payments – repayment of subordinated loan capital | | -1,033 |
| Payments – interest on subordinated loan capital | -367 | -469 |
| Net receipts/payments – lending to and claims from other financial institutions | -9 | 396 |
| Receipts – issuing of share capital / sale of shares to own employees | 14 | 10 |
| Payments – dividends | -14 | -25 |
| Payments – repayment of hybrid capital | -11 | -9 |
| **Net cash flow from financing activities** | **-816** | **413** |
| **Net cash flow for the period** | **757** | **-2,544** |
| – of which net cash flow in the period before financial assets and banking customers | -358 | -3,218 |

| Million NOK | 2016 | 2015 |
|---|---|---|
| Net movement in cash and cash equivalents | 757 | -2,544 |
| Cash and cash equivalents at start of the period for new/sold out companies | -13 | 4 |
| Cash and cash equivalents at start of the period | 3,132 | 5,473 |
| Currency translation differences | 91 | 198 |
| **Cash and cash equivalents at the end of the period *** | **3,966** | **3,132** |
| * **Consist of:** | | |
| Lending to financial institutions | 272 | 123 |
| Bank deposits | 3,694 | 3,009 |
| **Total** | **3,966** | **3,132** |

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

#### OPERATIONAL ACTIVITIES

A substantial part of the activities in a financial group will be classified as operational. All receipts and payments from insurance activities are included from the insurance companies, and these cash flows are invested in financial assets that are also defined as operational activities. One subtotal is generated in the statement that shows the net cash flow from operations before financial assets and banking customers, and one subtotal that shows the cash flows from financial assets and banking customers. This shows that the composition of net cash flows from operational activities for a financial group includes cash flows from both operations and investments in financial assets. The life insurance companies' balance sheets include substantial items linked to the insurance customers that are included on the individual lines in the cash flow analysis. Since the cash flow analysis is intended to show the change in cash flow for the company, the change in bank deposits for insurance customers is included on its own line in operating activities to neutralise the cash flows associated with the customer portfolio in life insurance.

#### INVESTMENT ACTIVITIES

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

#### FINANCING ACTIVITIES

Financing activities include cash flows for equity, subordinated loans and other borrowing that helps fund the Group's activities. Payments of interest on borrowing and payments of share dividends to shareholders are financial activities.

#### CASH/CASH EQUIVALENTS

Cash/cash equivalents are defined as claims on central banks and claims on financial institutions without notice periods for the company portfolio. The amount does not include claims on financial institutions linked to the insurance customers portfolio, since these are liquid assets that not available for use by the Group.

# Note 1 – Company information and accounting policies

**1. Company information**

Storebrand ASA is a Norwegian public limited company that is listed on the Oslo Stock Exchange. The consolidated financial statements for 2016 were approved by the Board of Directors of Storebrand ASA on 7 February 2017.

The Storebrand Group offers a comprehensive range of insurance and asset management services, as well as securities, banking and investment services, to private individuals, companies, municipalities, and the public sector. The Storebrand Group consists of the business areas Guaranteed Pensions, Savings, Insurance 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 consolidated financial statements 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.

Storebrand ASA's 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**

New accounting standards that have a significant impact on the consolidated financial statements have not been implemented in 2016. For changes in estimates, see Note 2 for further information.

No new accounting standards that will have a significant impact on Storebrand's consolidated financial statements are expected to be implemented in 2017.

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

IFRS9

An important standard for Storebrand's consolidated financial statements will be IFRS9 Financial Instruments, that will replace IAS39 with effect from 1 January 2018. Among other things, IFRS9 deals with classification and measurement of financial instruments (use of fair value and amortised cost), and rules for writing down financial instruments. For insurance-dominated groups and companies, IFRS4 allows for either the implementation of IFRS9 to be deferred (deferral approach) or to enter the differences between IAS39 and IFRS9 through Other Comprehensive Income (overlay approach).

IFRS9 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 IFRS9, 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

Storebrand is working on adapting models and IT systems to IFRS9. It is expected that impairment losses on loans and guarantees will be recognised at an earlier stage due to the implementation of the standard and that the impairments can increase.

IFRS17

IASB has been working for several years on a new accounting standard for insurance contracts, which was often referred to as IFRS 4, Phase II, but is now known as IFRS17. It is expected that the standard will be published in the first half of 2017, with expected implementation on 1 January 2021. It is assumed that the standard will require 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).

The introduction of a new standard for insurance contracts may have an effect on Storebrand's consolidated financial statements, but the standard has not been published and its scope has not been clarified. Implementation may result in changes in the income statements, a changed result, changed value of the insurance liabilities and could impact on the equity.

IFRS15

The standard for revenue from contracts with customers enters into force on 1 January 2018. Storebrand does not expect this standard to have any major effect on the consolidated financial statements.

**5. Consolidation**

The consolidated financial statements combine Storebrand ASA and companies where Storebrand ASA 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, Storebrand Asset Management AS, Storebrand Bank ASA and Storebrand Forsikring AS are significant subsidiaries owned directly by Storebrand ASA. 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.

Storebrand consolidates certain funds in the Group's statement of financial position when the requirement for control pursuant to IFRS10 has been met. This encompasses funds in which Storebrand has an ownership interest of approximately 40 per cent or more, which are managed by companies in the Storebrand Group. In the Group's accounts, such funds are consolidated fully in the statement of financial position, and the minority ownership interests are shown on a line for assets and on a corresponding line for liabilities. Other investors in the relevant funds are considered to be minority interests, since they can demand redemption of their ownership interests and, as a result of this, the minority stake is classified as liabilities in the consolidated financial statements of Storebrand.

*Currencies and translation of foreign companies' accounts*

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 if these are not an integrated part of the business.

*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.

**6. 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, when 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.

**7. Income recognition**

**Premium income**

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

**Net interest income to the Storebrand Bank Group.**

Interest income relating to loans and bonds is recognised in the income statement using the effective interest method.

**Income from properties and financial assets**

Income from properties and financial assets is described in Sections 10 and 11.

**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.

**8. Goodwill and intangible assets**

Added value when acquiring a business that cannot be directly attributed 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. Cash flow generating units are identified in accordance with the legal entity.

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.

**9. Adequacy test for insurance liabilities and related excess values**

In accordance with IFRS4, a liability adequacy test must be conducted of the insurance liability every 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.

**10. 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.

**11. Financial instruments**

**11-1. 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 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 profit or loss.

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

**11-2. 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 *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 in relation 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, and in the banking business.

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

**11-3. 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:

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

*Accounting treatment of derivatives that are not hedging*

Derivatives that do not meet the criteria for hedge accounting are 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.

**11-4. 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.

**11-5. Financial liabilities**

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

**12. Accounting for the insurance business**

The accounting standard IFRS4 Insurance Contracts addresses the accounting treatment of insurance contracts. Storebrand's insurance contracts fall within the scope of this standard. IFRS4 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. IFRS4 no. 31b), are capitalised as assets.

Pursuant to IFRS4, 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.

**12-1. General – life insurance**

*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 and claims 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.

**12-2. 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 to 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 3, for further information on the use of the risk equalisation reserve to strengthen the longevity reserves.

**12-3. 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. 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 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.

**12-4. 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.

**13. 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 connection with new rules for disability pensions in the Norwegian Occupational Pensions Act, Storebrand altered the disability pension scheme for own employees in Norway in 2016.

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.

**13-1. 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.

**13-2. 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.

**14. 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 a determination is made as to whether to reverse previous impairment losses on non-financial assets.

**15. 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 6 above, which concerns business combinations.

*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 will follow 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 reduced to 24 per cent.

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

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 (24 or 25 per cent).

**16. 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.

**17. Leasing**

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

**18. 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.

**19. 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 47 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 higher life expectancy, 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 3.3 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 IFRS4 Insurance Contracts, the insurance liabilities that are included shall be adequate and a 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 2016, and they have thus no impact on the results in the financial statements for 2016.  Reference is made to further information in Note 29.

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 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 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.

Further information about insurance liabilities is provided in Note 8, 40 and 41.

**INVESTMENT PROPERTIES**

Investment properties are measured at fair value The commercial real estate market in Norway is not particularly liquid, nor particulary 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 13 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 property funds, 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 13 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.

A certain degree of judgement must be used in assessing whether impairment has occurred and the amount of the impairment loss. Uncertainty grows when there is turmoil in financial markets. The assessments include credit, market and liquidity risk. Changes in assumptions for these factors will affect an assessment of whether impairment is indicated. There will thus be uncertainty concerning the recognised amounts of individual and group write-downs. 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

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.

#### CONTINGENT LIABILITIES

The companies in the Storebrand Group operate an extensive business in Norway and abroad, and may become a party to litigations. Contingent liabilities are measured in each case and will be based on legal considerations.

# Note 3 – Strengthening of longevity reserves for Storebrand Life Insurance AS

In 2015, the Financial Supervisory Authority of Norway approved Storebrand's application for an escalation plan for reserves in accordance with K2013, including use of the risk equalisation reserve and equity. In general, approval has been granted to use up to seven years to complete the strengthening of reserves through the application of profit and direct equity contributions. The maximum reserve strengthening period is from 1 January 2014 to 1 January 2021. For contracts that are or will be fully reserved during the escalation period, the remaining equity contributions must be paid within three years and not later than 1 January 2021. The risk result will be used in its entirety for strengthening the longevity reserves for contracts that are not fully reserved.

In 2015, Storebrand decided to charge the remaining estimated direct contribution to expected increased longevity. The remaining reserve strengthening is expected to be covered by the surplus return and loss of profit sharing. As at 31 December 2016, the estimated remaining required reserve strengthening was NOK 352 million, of which the risk equalisation fund was NOK 140 million.

- Public sector defined benefit pensions: Estimated future, direct use of equity was completed in 2015.
- Private sector defined benefit pensions: Estimated future, direct use of equity was completed in 2016.
- Paid-up policies: Provisions set aside for the estimated future direct use of equity during the reserve strengthening period totalled NOK 84 million for the full year.

*Sensitivity*

Estimated use of equity is based on an average annual return of 4 per cent for the period 2017-2020. A higher return has a limited effect on direct use of equity. Maximum use of equity is limited to remaining required reserve strengthening of NOK 352 million.

# Note 4 – Generation of profit from guaranteed pensions

The profit and loss account for Storebrand includes result elements relating to both customers and owners. There is a description of the content of profit generation for the owner from guaranteed pensions in the segment note (Note 5) below.

**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.

**ADMINISTRATION RESULT**

The administration result is the difference between the income 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. Among other things, operating expenses consist of personnel costs, return fees, marketing expenses, commissions and IT costs.

**Storebrand Livsforsikring AS**

The administration result line includes all products apart from traditional individual products with profit sharing.

**SPP Pension & Försäkring AB**

The administration result for all insurance products is paid to or charged to the result allocated to owners.

**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.

**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

**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.

# Note 5 – Segments

Storebrand's business is divided into the following segments: Savings, Insurance, Guaranteed Pension and Other.

### CHANGE IN INCOME STATEMENT

A change has been made to the alternative income statement in 2016. The purpose of the change was to more clearly differentiate between the result elements from operations and result elements from finance. A new term "operating result" has been incorporated that is prior to the financial results from the company portfolios and risk results from the guaranteed life insurance activities.

In the new income statement, "financial items and risk result life and pensions" includes the following lines from the statement that was used in 2015:

- risk result life and pensions
- financial result
- net profit sharing and loan losses

Comparable figures have been restated.

### SAVINGS

Consists of products that include long-term saving for retirement with no interest rate guarantees. The area includes defined contribution pensions in Norway and Sweden, asset management and bank products for private individuals. In addition, certain other subsidiaries are part of Storebrand Livsforsikring and SPP.

### INSURANCE

Insurance is responsible for the Group's risk products in Norway and Sweden. The unit provides health insurance in the Norwegian and Swedish corporate and retail markets, P&C insurance and personal risk products in the Norwegian and Swedish retail markets and employee-related and pension-related insurance in the Norwegian and Swedish corporate markets.

### GUARANTEED PENSION

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

### OTHER

The result for the holding company Storebrand ASA is reported under the Other segment, as well as the result for the company portfolios and small subsidiaries of Storebrand Life Insurance and SPP. In addition, this includes, among other things, lending to the corporate market by Storebrand Bank and the activities at BenCo, as well as minority interests in securities funds and property funds. The elimination of intra-group transactions that have been included in the other segments has also been included.

### RECONCILIATION BETWEEN THE INCOME STATEMENT AND ALTERNATIVE STATEMENT OF THE RESULT (SEGMENT)

The results in the segments are reconciled against the Group result before amortisation and write-downs of intangible assets. The corporate income statement 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 reporting segment 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.

***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.

***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.

***Operating costs*** consist of the Group's operating costs in the Group's income statement minus operating costs allocated to products with profit sharing.

***The financial result*** consists of the return for the company portfolios of Storebrand ASA, Storebrand 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 AND LOAN LOSSES:

**Net profit sharing**

<u>Storebrand Livsforsikring:</u>

Net profit sharing in the Norwegian business consists of up to 35 per cent of the overall result after allocations to additional statutory reserves for the products, traditional individual capital and pension products. 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. In the Group's income statement, this item may be included in premium income, net income from financial assets and property for customers, other income, claims, change in insurance liabilities, change in buffer capital, operating costs and other costs.

<u>SPP Pension & Försäkring:</u>

Net profit sharing in the Swedish business consists of profit sharing if the total return on assets in one calendar year for a premium-determined insurance (IF portfolio) exceeds the guaranteed interest. 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.

**Loan losses:**

Loan losses consist of individual and group write-downs on lending activities that are on the balance sheet of Storebrand Bank Group. In the Group's income statement, the item is classified under loan losses. With regard to loan losses that are on the balance sheet of the Storebrand Livforsikring Group, these 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 changes in insurance liabilities.

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

### GROUP RESULT BY BUSINESS AREA

| NOK million | **2016** | 2015 |
|---|---|---|
| Savings | 1,063 | 1,001 |
| Insurance | 575 | 482 |
| Guaranteed pension | 870 | 329 |
| Other | 405 | -91 |
| **Group profit before amortisation and longevity** | **2,913** | **1,722** |
| Provision longevity | | -1,764 |
| **Group profit before amortisation** | **2,913** | **-42** |
| Amortisation of intangible assets [1] | -406 | -396 |
| **Group pre-tax profit** | **2,506** | **-438** |

| NOK million | Savings 2016 | Savings 2015 | Insurance 2016 | Insurance 2015 | Guaranteed pension 2016 | Guaranteed pension 2015 |
|---|---|---|---|---|---|---|
| Fee and administation income | 2,758 | 2,662 | | | 1,566 | 1,777 |
| Insurance result | | | 945 | 820 | | |
| *– Insurance premiums f.o.a.* | | | 3,828 | 3,642 | | |
| *– Claims f.o.a.* | | | -2,883 | -2,822 | | |
| Operational cost **[2]** | -1,700 | -1,657 | -602 | -543 | -981 | -1,156 |
| **Operating profit** | **1,058** | **1.006** | **342** | **277** | **585** | **621** |
| Financial items and risk result life & pension | 5 | -4 | 233 | 206 | 284 | -292 |
| **Group profit before amortisation and longevity** | **1,063** | **1,001** | **575** | **482** | **870** | **329** |
| Provision longevity | | | | | | -1,764 |
| **Group profit before amortisation** | **1,063** | **1,001** | **575** | **482** | **870** | **-1,435** |
| Amortisation of intangible assets **[3]** | | | | | | |
| **Group pre-tax profit** | | | | | | |

| NOK million | Other 2016 | Other 2015 | Storebrand Group 2016 | Storebrand Group 2015 |
|---|---|---|---|---|
| Fee and administation income | -88 | -123 | 4,235 | 4,317 |
| Insurance result | | | 945 | 820 |
| *– Insurance premiums f.o.a.* | | | 3,828 | 3,642 |
| *– Claims f.o.a.* | | | -2,883 | -2,822 |
| Operational cost **[4]** | 92 | 48 | -3,191 | -3,309 |
| **Operating profit** | **4** | **-75** | **1,989** | **1,828** |
| Financial items and risk result life & pension | 401 | -16 | 924 | -107 |
| **Group profit before amortisation and longevity** | **405** | **-91** | **2,913** | **1,722** |
| Provision longevity | | | | -1,764 |
| **Group profit before amortisation** | **405** | **-91** | **2,913** | **-42** |
| Amortisation of intangible assets **[5]** | | | -406 | -396 |
| **Group pre-tax profit** | | | **2,506** | **-438** |

The Storebrand Group are represented in the following countries:

| Segment/Country | Norway | Sweden | Latvia | Ireland | Guernsey |
|---|---|---|---|---|---|
| Savings | X | X | | | |
| Insurance | X | X | | | |
| Guaranteed pension | X | X | | | |
| Other | X | X | X | X | X |

## KEY FIGURES BY BUSINESS AREA

| NOK million | **2016** | 2015 |
|---|---|---|
| **Group** | | |
| Earnings per ordinary share | 4,73 | 2,63 |
| Equity | 27,637 | 27,189 |
| **Savings** | | |
| Premium income Unit Linked | 14,143 | 12,245 |
| Unit Linked reserves | 139,822 | 128,117 |
| AuM asset management | 576,704 | 571,425 |
| Retail lending | 35,400 | 26,861 |
| **Insurance** | | |
| Total written premiums | 4,533 | 4,327 |
| Claims ratio | 75% | 77% |
| Cost ratio | 16% | 15% |
| Combined ratio | 91% | 92% |
| **Guaranteed pension** | | |
| Guaranteed reserves | 258,723 | 266,811 |
| Guaranteed reseves in % of total reserves | 64.9% | 67.6% |
| Net transfer out of guaranteed reserves | 245 | 398 |
| Buffer capital in % of customer reserves Storebrand Life Group **[6]** | 5.7% | 5.8% |
| Buffer capital in % of customer reserves SPP **[7]** | 6.7% | 7.6% |
| **Solidity** | | |
| Solvency II **[8]** | 157.0% | |
| Solidity capital (Storebrand Life Group) **[9]** | 57,260 | 61,011 |
| Capital adequacy Storebrand Bank | 17.7% | 17.1% |
| Core Capital adequacy Stobrand Bank | 15.7% | 15.2% |

[1] Amortisation and write-downs of IT-systems are included in operational cost from 2016. Comparative figures for 2015 are changed, se also note 23 and 29

[2] Amortisation and write-downs of IT-systems are included in operational cost from 2016. Comparative figures for 2015 are changed, see also note 23 and 29

[3] 1. Amortisation of intangible assets are included in Storebrand Group. 2. Amortisation and write-downs of IT-systems are included in operational cost from 2016. Comparative figures for 2015 are changed, see also note 23 and 29

[4] Amortisation and write-downs of IT-systems are included in operational cost from 2016. Comparative figures for 2015 are changed, see also note 23 and 29

[5] 1. Amortisation of intangible assets are included in Storebrand Group. 2. Amortisation and write-downs of IT-systems are included in operational cost from 2016. Comparative figures for 2015 are changed, see also note 23 and 29

[6] Additional statutory reserves + market value adjustment reserve

[7] Conditional bonuses

[8] See note 47 for specification of Solvency II

[9] The term solidity capital encompasses equity, subordinated loan capital, the risk equalisation fund, the market value adjustment reserve, additional statutory reserves, conditional bonuses, excess value/deficit related to bonds at amortised cost and accrued profit.

# Note 6 – 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. In 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, which is organised directly under the CEO and reports to the board of directors 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 7 – Operational risk

The assessment of operational risks is linked to the ability to achieve targets and to implement plans. Operational risk is defined as the risk of financial losses or reduced reputation due to inadequate or the failure of internal processes, control routines, systems, human error or external incidents.

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. Storebrand's control functions also involve people with particular responsibility for controlling operational risk.

Storebrand's IT systems are vital for both operations and complete, precise and reliable financial reporting. Errors and disruptions may have consequences for operations and 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 the operation of this has also been outsourced and the individual portfolio is handled in a purchased standard system.

# Note 8 – 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.

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 5 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, damage to motor vehicle or injury to passengers, combined fire insurance, travel insurance or accident insurance.
5. Disability and survivor products without savings

RISK PREMIUMS AND TARIFFS

**Guaranteed pensions**

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 assumptionsit uses tocalculateinsurance technical reserves. The company'sassumptions arebased 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, property and motor vehicle) 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, 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 (motor vehicle accidents) segments.

The company manages its insurance risk through a variety of reinsurance programmes. Through catastrophe reinsurance (excess of loss), the company covers losses (single claims and reserves provisions) where a single event causes more than 2 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 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 Life Insurance AS | | SPP Pension & Försäkring AB | |
|---|---|---|---|---|
| NOK million | **2016** | 2015 | **2016** | 2015 |
| Survival | -8 | -130 | -53 | 51 |
| Death | 310 | 266 | 55 | 8 |
| Disability | 185 | 313 | 88 | 79 |
| Reinsurance | -17 | -9 | -3 | -3 |
| Pooling | -59 | -72 | | -2 |
| Other | -25 | -26 | -15 | -13 |
| **Total risk result** | **386** | **342** | **72** | **121** |

The risk result for Storebrand Livsforsikring AS in the table above shows the total risk result before distribution to customers and the owner. See Note 4 on risk result for the principles for distributing the risk result between customers and the owner.

# Note 9 – 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 share 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 extent of 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 reserves in Norway (one year's interest rate guarantee) and conditional bonus in Sweden. Storebrand is responsible for meeting any shortfall that cannot be covered under the interest rate guarantee.

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. During 2016, interest rates fell in Sweden, while interest rates ranged from unchanged to slightly higher in Norway. 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 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

| | Customer portfolios with guarantee | Customer portfolios without guarantee | Company portfolios |
|---|---|---|---|
| Real estate at fair value | 10% | 2% | 0% |
| Bonds at amortised cost | 37% | 0% | 11% |
| Money market | 1% | 3% | 37% |
| Bonds at fair value | 39% | 17% | 51% |
| Equities at fair value | 5% | 77% | 0% |
| Lending at amortised cost | 6% | 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 (unit linked insurance) 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 2016. 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 portfolio. Foreign exchange risk primarily arises as a result of investments in international securities, as well as subordinated loans in a foreign currency to a certain extent. 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 part of the value of SPP.

#### FINANCIAL ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

| | Balance sheet items excluding currency derivatives | Forwad contracts | | Net position |
|---|---|---|---|---|
| NOK million | Net in balance sheet | Net sales | in currency | in NOK |
| DKK | 1,706 | -134 | 1,572 | 1,962 |
| EUR | 795 | -811 | -17 | -128 |
| GBP | 140 | -152 | -13 | -131 |
| SEK | 175,590 | 5,986 | 181,557 | 172,028 |
| USD | 1,984 | -2,744 | -759 | -6,526 |
| NOK **[1]** | 14,858 | -492 | 14,366 | 14,377 |
| Other currency types | | | | -1,592 |
| Insurance liabilities in foreign exchange | -184,235 | | -184,235 | -174,563 |
| **Total net currency positions 2016** | | | | **5,425** |
| Total net currency positions 2015 | | | | 6,203 |

The table above shows the currency positions as at 31 December 2016. The currency exposure is primarily related to investments in the Norwegian and Swedish insurance business.

#### STOREBRAND LIFE INSURANCE

The company hedges most of the foreign exchange risk in the customer portfolios on an ongoing basis. Foreign exchange risk exists primarily as a result of investments in international securities, as well as subordinated loans in a foreign currency to a certain extent. 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.

#### SPP

SPP uses currency hedging for its investments to a certain degree. Currency exposure may be between 0 and 30 per cent in accordance with the investment strategy.

#### Banking business

Storebrand Bank ASA hedges net balance sheet items by means of forward contracts.
The permitted limit for the bank's foreign exchange position is 0.50 per cent of primary capital, which is presently approximately NOK 13 million.

## GUARANTEED CUSTOMER PORTFOLIOS IN MORE DETAIL

### STOREBRAND LIFE INSURANCE

The annual guaranteed return to the customers follows the basic interest rate. In 2016, new premiums were taken in with a basic interest rate of 2.0, and pensions were adjusted upwards with a basic interest rate 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

| | **2016** | 2015 |
|---|---|---|
| 6 % | 0.3 % | 0.3 % |
| 5% | 0.4 % | 0.4 % |
| 4% | 49.3 % | 50.4 % |
| 3.4 % | 0.4 % | 0.6 % |
| 3% | 30.6 % | 31.0 % |
| 2.75 % | 1.1 % | 1.5 % |
| 2.50 % | 11.4 % | 11.7 % |
| 2.00 % | 5.7 % | 3.5 % |
| 0.50 % | 0.3 % | 0.2 % |
| 0% | 0.5 % | 0.6 % |

The table includes premium reserve excluding IBNS.

#### Average interest rate guarantee in per cent

| | **2016** | 2015 |
|---|---|---|
| Individual endowment insurance | 2.7 % | 2.7 % |
| Individual pension insurance | 3.8 % | 3.9 % |
| Group pension insurance | 2.8 % | 2.9 % |
| Paid-up policy | 3.4 % | 3.5 % |
| Group life insurance | 0.1 % | 0.1 % |
| **Total** | **3.3 %** | **3.3 %** |

The table includes premium reserve including IBNS

The method of calculation for the average guaranteed interest rate is altered for individual endowment insurance, such that the calculation coincides with the same calculations for other products. To achieve comparable value, the average interest rate guarantee for 2015 is calculated once more according to the new calculation method.

There is no 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. During the escalation period, it gives an increase in risk that may be compared with increasing the interest rate guarantee. At least 20 per cent of the individual customer's building up of reserves must be covered by Storebrand. At the end of 2016, remaining required reserve strengthening was NOK 352 million.

To achieve adequate returns, it is necessary to take an investment risk. This is primarily done by investing in shares, 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.

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 individual defined contribution pensions (IF), SPP will receive profit sharing income if the return exceeds the guaranteed interest rate. The contracts' buffer capital must be intact in order for profit sharing to represent a net income for SPP. For group defined benefit pensions (KF), a certain degree of consolidation, i.e. 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.

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.

### Interest rate

| | **2016** | 2015 |
|---|---|---|
| 5.20 % | 14.2 % | 12.7 % |
| 4.5%-5.2% | 0.5 % | 0.4 % |
| 4.00 % | 1.6 % | 1.4 % |
| 3.00 % | 49.9 % | 49.7 % |
| 2.75%-4.0% | 7.1 % | 6.9 % |
| 2.70 % | 0.1 % | 0.1 % |
| 2.50 % | 7.3 % | 6.8 % |
| 1.60 % | 0.2 % | 5.4 % |
| 1.50 % | 4.0 % | 3.9 % |
| 1.25 % | 5.0 % | 4.6 % |
| 1.25% **[2]** | 1.2 % | 0.0 % |
| 0.5%-2.5% | 4.7 % | 4.0 % |
| 0.00 % | 4.3 % | 3.9 % |

### Average interest rate guarantee in per cent

| | **2016** | 2015 |
|---|---|---|
| Individual pension insurance | 3.4 % | 3.0 % |
| Group pension insurance | 2.6 % | 2.6 % |
| Individual occupational pension insurance | 3.0 % | 3.1 % |
| **Total** | **2.9 %** | **2.9 %** |

In the Swedish operations management of interest rate risk is based on the principle that the interest rate risk from assets shall 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 stresses have been applied to the company portfolio and guaranteed customer portfolios as at 31 December 2016. 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 shares, 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 Life Insurance | | SPP Pension & Försäkring | |
|---|---|---|---|---|
| **Resultrisk** | NOK million | Share of portfolio | SEK million | Share of portfolio |
| Interest rate risk | 1,225 | 0.6% | 356 | 0.4% |
| Equity price risk | 1,150 | 0.6% | 792 | 0.9% |
| Property price risk | 1,507 | 0.8% | 474 | 0.5% |
| Credit risk | 981 | 0.5% | 763 | 0.8% |
| Diversification | -735 | -0.4% | -357 | -0.4% |
| **Result** | **4,128** | **2.1%** | **2,028** | **2.2%** |

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 2016, the customer buffers are of such a size that the effects on the result are significantly lower.

### STOREBRAND LIFE INSURANCE

Based on the stress test, Storebrand Life Insurance has an overall market risk of NOK 4.1 billion, which is equivalent to 2.1 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 2.0 billion, which is equivalent to 2.2 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 capital market.

[1] Equity and bond funds denominated in NOK with foreign currency exposurein i.a. EUR and USD NOK 10.6 billion.

[2] 1.25 per cent on 85 per cent of the premium

# Note 10 – 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.

Liquidity risk is one of the most important risk factors for the banking business, and the regulations stipulate requirements for liquidity management and liquidity indicators. The guidelines for liquidity risk specify the principles for liquidity management, minimum liquidity reserves and financing indicators for measuring liquidity risk. In addition to this, an annual funding strategy and funding plan are being drawn up that set out the overall limits for the bank's funding activities.

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.

### UNDISCOUNTED CASH FLOWS FOR FINANCIAL LIABILITIES [1]

| NOK million | 0-6 months | 6-12 months | 1-3 years | 3-5 years | > 5 years | **Total cashflows** | Total booked value |
|---|---|---|---|---|---|---|---|
| Subordinated loan capital [2] | 434 | 94 | 2,255 | 2,261 | 4,295 | **9,339** | 7,621 |
| Liabilities to financial institutions | 407 | | | | | **407** | 407 |
| Deposits from bank customers | 15,238 | | | | | **15,238** | 15,238 |
| Debt raised from issuance of securities | 3,951 | 500 | 7,127 | 6,553 | | **18,132** | 16,219 |
| Other current liabilities [3] | 7,542 | | | | | **7,542** | 7,542 |
| Uncalled residual liabilities Limited partnership | 2,971 | | | | | **2,971** | |
| Unused credit lines lending | 3,574 | | | | | **3,574** | |
| Lending commitments | 3,524 | | | | | **3,524** | |
| **Total financial liabilities 2016** | **37,641** | **594** | **9,382** | **8,814** | **4,295** | **60,728** | **47,028** |
| **Derivatives related to funding 2016** | **-90** | **18** | **-147** | **-53** | **-129** | **-400** | **-906** |
| Total financial liabilities 2015 | 39,050 | 309 | 11,299 | 8,049 | 4,721 | **63,428** | 48,095 |

### SPECIFICATION OF SUBORDINATED LOAN CAPITAL

| NOK million | Nominal value | Currency | Interest | Maturity | Book value |
|---|---|---|---|---|---|
| **Issuer** | | | | | |
| **Hybrid tier 1 capital [4]** | | | | | |
| Storebrand Livsforsikring AS | 1,500 | NOK | Variable | 2018 | 1,504 |
| **Perpetual subordinated loan capital** | | | | | |

| NOK million | Nominal value | Currency | Interest | Maturity | Book value |
|---|---|---|---|---|---|
| Storebrand Livsforsikring AS | 1,000 | NOK | Variable | 2020 | 999 |
| Storebrand Livsforsikring AS | 1,100 | NOK | Variable | 2024 | 1,099 |
| **Dated subordinated loan capital** | | | | | |
| Storebrand Livsforsikring AS | 300 | EUR | Fixed | 2023 | 3,027 |
| Storebrand Livsforsikring AS | 700 | SEK | Variable | 2021 | 715 |
| Storebrand Bank ASA | 150 | NOK | Variable | 2017 | 152 |
| Storebrand Bank ASA | 125 | NOK | Variable | 2019 | 126 |
| **Total subordinated loans and hybrid tier 1 capital 2016** | | | | | **7,621** |
| Total subordinated loans and hybrid tier 1 capital 2015 | | | | | 7,766 |

### SPESIFICATION OF LIABILITIES TO FINANCIAL INSTITUTIONS

| | Book value | |
|---|---|---|
| NOK million | **2016** | 2015 |
| **Call date** | | |
| 2016 | | 416 |
| 2017 | 407 | |
| **Total liabilities to financial institutions** | **407** | **416** |

### SPECIFICATION OF DEBT RAISED THROUGH ISSUANCE OF SECURITIES

| | Book value | |
|---|---|---|
| NOK million | **2016** | 2015 |
| **Call date** | | |
| 2016 | | 1,922 |
| 2017 | 3,051 | 4,311 |
| 2018 | 4,062 | 4,068 |
| 2019 | 2,692 | 2,246 |
| 2020 | 3,417 | 2,928 |
| 2021 | 2,997 | |
| **Total debt raised through issuance of securities** | **16,219** | **15,475** |

The loan agreements contain standard covenants. Storebrand is in compliance with all relevants covenants in 2016.

**Covered bonds**

For covered bonds issued by Storebrand Boligkreditt AS ascribed to the company's cover pool, an overcollateralization requirement of 109,5 per cent applies.

This means that the company must at all times have assets in its cover pool that exceed at least 109,5 per cent of the total outstanding covered bonds.

**Credit facilities**

Storebrand ASA has an unused credit facility of EUR 240 million.

**Facilities issued to Storebrand Boligkreditt AS**

The bank has two credit facilities with Storebrand Boligkreditt AS. One of these is an ordinary overdraft facility of up to NOK 6 billion. This has no fixed expiry date, but may be terminated by the bank with 15 months' notice. The other facility must at all times be sufficient to cover interest and principal on covered bonds and related derivatives for the next 31 days. The credit facility is not revocable by the bank until three months after the maturity of the longest covered bonds and related derivatives.

[1] Liabilities for which repayment may be demanded immediately are included in the 0-6 month column.

[2] In the case of perpetual subordinated loans the cash flow is calculated through to the first call date.

[3] Includes subordinated loan capital in SPP Pension & Försäkring AB of SEK 700 million which is reclassified to ohter current liabilities. The subordinated loan is repaid in January 2017

[4] In addition, Storebrand Bank ASA has issued hybrid tier 1 capital bonds/hybrid capital that is classified as equity. See the statement of changes in equity.

# Note 11 – 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.

## CREDIT RISK BY COUNTERPARTY

### BONDS AND OTHER FIXED-INCOME SECURITIES AT FAIR VALUE

| Category by issuer or guarantor<br>NOK million | AAA<br>Fair value | AA<br>Fair value | A<br>Fair value | BBB<br>Fair value | NIG<br>Fair value | Total<br>Fair value |
|---|---|---|---|---|---|---|
| Government and government guaranteed bonds | 19,335 | 7,805 | 11,550 | 6,177 | 1,036 | 45,904 |
| Corporate bonds | 18,180 | 15,540 | 21,547 | 24,212 | 105 | 79,585 |
| Structured notes | | | | 29 | | 29 |
| Collateralised securities | 32,329 | 3,285 | | 360 | | 35,974 |
| **Total interest bearing securities stated by rating** | **69,845** | **26,631** | **33,097** | **30,778** | **1,141** | **161,492** |
| Bond funds not managed by Storebrand | | | | | | 3,234 |
| Non-interest bearing securities managed by Storebrand | | | | | | 7,111 |
| **Total 2016** | **69,845** | **26,631** | **33,097** | **30,778** | **1,141** | **171,837** |
| Total 2015 | 85,571 | 25,540 | 32,161 | 32,307 | 5,500 | 190,776 |

### INTEREST BEARING SECURITIES AT AMORTISED COST

| Category of issuer or guarantor<br>NOK million | AAA<br>Fair value | AA<br>Fair value | A<br>Fair value | BBB<br>Fair value | NIG<br>Fair value | Total<br>Fair value |
|---|---|---|---|---|---|---|
| Government and government guaranteed bonds | 11,850 | 15,358 | 1,140 | 2,071 | | 30,420 |
| Corporate bonds | 1,039 | 4,428 | 4,428 | 9,328 | 6,716 | 46,049 |
| Structured notes | | 580 | | | | 580 |
| Collateralised securities | 27,834 | 2,280 | | | 50 | 30,165 |
| **Total 2016** | **40,724** | **22,646** | **25,678** | **11,400** | **6,766** | **107,214** |
| Total 2015 | 38,064 | 26,589 | 17,501 | 11,709 | 9,255 | 103,118 |

### COUNTERPARTIES

| NOK million | AAA<br>Fair value | AA<br>Fair value | A<br>Fair value | BBB<br>Fair value | Other<br>Fair value | NIG<br>Fair value | Total<br>Fair value |
|---|---|---|---|---|---|---|---|
| Derivatives | | 1,871 | 2,335 | 238 | | 512 | 4,956 |
| Of which derivatives in bond funds, managed by Storebrand | | 65 | 58 | | | 5 | 129 |
| **Total derivatives excluding derivatives in bond funds 2016** | | **1,806** | **2,277** | **238** | | **506** | **4,827** |
| Total derivatives excluding derivatives in bond funds 2015 | | 2,127 | 2,014 | 436 | | 127 | 4,703 |
| Bank deposits | 465 | 6,730 | 1,710 | 15 | | 10 | 8,929 |

| NOK million | AAA Fair value | AA Fair value | A Fair value | BBB Fair value | Other Fair value | NIG Fair value | Total Fair value |
|---|---|---|---|---|---|---|---|
| Of which bank deposits in bond funds, managed by Storebrand | | 859 | | | | | 859 |
| **Total bank deposits excluding bank deposits in bond funds 2016** | **465** | **5,870** | **1,710** | **15** | | **10** | **8,069** |
| Total bank deposits excluding bank deposits in bond funds 2015 | 189 | 4,750 | 2,222 | 1 | 40 | 58 | 7,259 |
| Lending to financial institutions | | 141 | 131 | | | | 272 |

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

## CREDIT RISK FOR THE LOAN PORTFOLIO

### COMMITMENTS BY CUSTOMER GROUPS

| NOK million | Lending to and receivables from customers | Guarantees | Unused creditlines | Total commitments | Unimpaired commitments | Impaired commitments | Individual writedowns | Net defaulted commitments |
|---|---|---|---|---|---|---|---|---|
| Development of building projects | 22 | 2 | | 25 | | | | |
| Sale and operation of real estate | 9,067 | 21 | | 9,089 | | 47 | 10 | 37 |
| Other service providers | 897 | | 4 | 901 | | | | |
| Wage-earners and others | 35,368 | | 3,627 | 38,996 | 107 | 39 | 16 | 130 |
| Others | 1,053 | | 23 | 1,076 | 1 | 2 | 1 | 1 |
| **Total** | **46,409** | **24** | **3,654** | **50,086** | **107** | **88** | **27** | **168** |
| – Individual write-downs | -29 | | | -29 | | | | |
| + Group write-downs | -38 | | | -38 | | | | |
| **Total lending to and receivables from customers 2016*** | **46,342** | **24** | **3,654** | **50,020** | **107** | **88** | **27** | **168** |
| Total lending to and receivables from customers 2015** | 35,281 | 49 | 3,728 | 39,058 | 87 | 166 | 63 | 190 |
| * *2016:* | | | | | | | | |
| *– Of whcih Storebrand Bank* | 27,268 | 24 | 3,548 | 30,840 | 107 | 88 | 27 | 168 |
| *– Of which Storebrand Livsforsikring* | 19,074 | | 105 | 19,180 | | | | |
| ** *2015:* | | | | | | | | |
| *– Of whcih Storebrand Bank* | 29,262 | 49 | 3,728 | 33,039 | 87 | 100 | 58 | 129 |
| *– Of which Storebrand Livsforsikring* | 6,019 | | | 6,019 | | 66 | 5 | 61 |

The division into customer groups is based on Statistics Norway's standard for sector and business grouping. The placement of the individual customer is determined by the customer's primary business

As a result of group priorities regarding use of capital at Storebrand and a strategic assessment of the future direction of the Group, the Corporate Market segment at Storebrand Bank is no longer prioritised as a core activity, and will be run down and eventually wound up. Lending is an asset class that will increase in the coming years for the Storebrand Life Insurance Group to ensure a guaranteed return. In future, lending in the corporate market will consist of loans in the statement of financial position of the Storebrand Life Insurance Group.

The lending portfolio consists of income-generating properties and development properties 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. There are housing loans amounting to about NOK 26.6 billion with an additional NOK 2.6 billion in unused credit facilities. Total loans and credit facilities in housing are therefore about NOK 29.2 billion. 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 58 per cent on home loans. Over 84 per cent of home loans have a loan to value ratio within 80 per cent and approximately 97 per cent are within a 90 per cent loan to value ratio. About 49 per cent of the home loans are within a 60 per cent LVR. The portfolio is considered to have low to moderate credit risk.

### TOTAL COMMITTMENTS BY REMAINING TERM

| | 2016 | | | | 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| NOK million | Loans to and receivables from customers | Guarantees | Unused credit line | Total commitments | Loans to and receivables from customers | Guarantees | Unused credit line | Total commitments |
| Up to one month | 55 | | | **55** | 215 | | | **215** |
| 1 – 3 months | 505 | 2 | 22 | **529** | 214 | | 1 | **215** |
| 3 months – 1 year | 1,350 | 2 | 136 | **1,489** | 701 | 3 | 62 | **767** |
| 1 – 5 years | 8,364 | 20 | 1,086 | **9,469** | 7,961 | 46 | 994 | **9,000** |
| More than 5 years | 36,135 | | 2,410 | **38,545** | 26,288 | | 2,671 | **28,959** |
| **Total gross commitments** | **46,409** | **24** | **3,654** | **50,086** | **35,379** | **49** | **3,728** | **39,157** |

Commitments are regarded as non-performing and loss exposed when a credit facility has been overdrawn for more than 90 days and when an instalment loxan has arrears older than 90 days and the amount is at least NOK 2000.

### CREDIT RISKS BY CUSTOMER GROUPS

| NOK million | Gross non-performing commitments | Individual writedowns | Net non-performing commitments | Total recognised value changes during the period |
|---|---|---|---|---|
| Sale and operation of real estate | 47 | 10 | 37 | -23 |
| Wage-earners and others | 146 | 16 | 130 | -8 |
| Others | 3 | 1 | 1 | 1 |
| **Total 2016** | **195** | **27** | **168** | **-30** |
| Total 2015 | 187 | 58 | 129 | 25 |

In the case of default, Storebrand Bank ASA will sell the securities or repossess the properties if this is most suitable.

### TOTAL ENGAGEMENT AMOUNT BY REMAINING TERM TO MATURITY

| | 2016 | | | | 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| NOK million | Loans to and receivables from customers | Guarantees | Unused credit line | Total commitments | Loans to and receivables from customers | Guarantees | Unused credit line | Total commitments |
| Overdue 1-30 days | 346 | 2 | 3 | 351 | 465 | 18 | 5 | 488 |
| Overdue 31-60 days | 78 | | | 79 | 89 | | | 90 |
| Overdue 61-90 days | 54 | | | 55 | 30 | | | 31 |
| Overdue more than 90 days | 107 | | 3 | 110 | 87 | | 1 | 88 |
| **Total** | **586** | **2** | **6** | **594** | **672** | **18** | **6** | **696** |

## COUNTERPARTY RISK – DERIVATES

### INVESTMENTS SUBJECT TO NETTING AGREEMENTS/CSA

| | | | | Collateral | | |
|---|---|---|---|---|---|---|
| NOK million | Booked value fin. assets | Booked value fin. liabilites | Net booked fin. assets/ liabilities | Cash (+/-) | Securities (+/-) | Net exposure |
| **Investments subject to netting agreements** | **4,693** | **2,066** | **2,628** | **2,875** | **-588** | **341** |
| Investments not subject to netting agreements | 134 | 128 | 6 | | | |
| **Total 2016** | **4,827** | **2,193** | **2,634** | | | |

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.

# Note 12 – Risk concentration

**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). Other companies directly owned by Storebrand ASA that are exposed to significant risks are Storebrand Forsikring AS, Storebrand Helseforsikring AS, Storebrand Asset Management Group and Storebrand Bank Group.

In the life insurance businesses, most of the risk is taken on behalf of the customers. Much of the risk is borne by the customers in the form of customer buffers being reduced. This reduces the risk for the result. For other companies, the entire risk will affect Storebrand's result.

For the life insurance businesses, the greatest risks are largely the same in Norway and Sweden. The 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 long life in particular can be influenced by universal trends.

Both the insurance business and the banking business are exposed to credit risk. The insurance business primarily has a credit risk relating to bonds with significant geographical and industry-related diversification, while the bank is mostly exposed to direct loans for residential property in Norway. There is no significant concentration risk across bonds and loans.

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. The banking business has little direct exposure to types of risk other than credit.

In the short term, an interest rate increase will negatively impact on the returns for the life insurance companies. An interest rate increase can also result in bank customers having lower debt-servicing capacity and increased losses for the banking business.

The risk from the P&C insurance and health insurance risk in Storebrand Skadeforsikring AS and Storebrand Helseforsikring AS has a low correlation with the risk from the rest of the businesses in the Group.

In the asset management business, the principal risk is operational risk in the form of behaviour that can trigger claims and/or impact on reputation. Since the asset management business is the principal manager of the insurance businesses, errors in asset management could result in errors in the insurance businesses.

# Note 13 – Valuation of financial instruments and investment properties

**VALUATION OF FINANCIAL INSTRUMENTS AND REAL ESTATE AT FAIR VALUE**

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. Comprehensive 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.

**Units**
Of the fund units, its 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**
The value of fixed-rate loans is determined by discounting the agreed cash flows over the remaining maturity by the current discount rate adjusted for market spread.

The discount rate that is used is based on a swap interest rate (mid swap) with a maturity that corresponds to the remaining lock-in period for the underlying loans. The market spread that is used on the date of the balance sheet is determined by assessing the market conditions, market price and the associated swap interest rate. However, the fair value of loans to corporate customers with margin loans is lower than the amortised cost because certain loans run with lower margins that they would have done if they had been taken up as of the end of 2016. The value shortfall is calculated by discounting the difference between the agreed margin and the current market price over the remaining duration.

**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. Furthermore, non-performing loans will be at the 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 so that all properties have had an external valuation at least every three years. In 2016, external valuations were obtained for properties worth

NOK 9 billion (44 per cent of the portfolio's value). In 2015, external valuations were obtained for all the properties in Storebrand's property portfolio in Norway.

For properties in the Swedish business, external valuations are obtained for all wholly-owned property investments every quarter.

### VALUATION OF FINANCIAL INSTRUMENTS AND REAL ESTATE AT FAIR VALUE

| | Level 1 | Level 2 | Level 3 | | |
|---|---|---|---|---|---|
| NOK million | Quoted prices | Observable assumptions | Non-observable assumptions | **31/12/16** | 31/12/15 |
| **Assets:** | | | | | |
| **Equities and units** | | | | | |
| – Equities | 20,371 | 523 | 1,057 | 21,951 | 20,661 |
| – Units | 244 | 99,291 | 8,050 | 107,585 | 103,928 |
| **Total equities and units 31.12.16** | **20,615** | **99,814** | **9,107** | **129,537** | |
| Total equities and units 31.12.15 | 17,890 | 94,463 | 12,236 | | 124,590 |
| **Lending to customers [1]** | | | | | |
| – Lending to customers – corporate | | | 2,346 | **2,346** | |
| – Lending to customers – retail | | | 1,959 | **1,959** | 1,215 |
| **Lending to customers 31.12.16 [2]** | | | **4,304** | **4,304** | |
| Lending to customers 31.12.15 **[3]** | | | 1,215 | | 1,215 |
| **Bonds and other fixed-income securities** | | | | | |
| – Government bonds | 22,587 | 25,109 | | 47,696 | 51,191 |
| – Corporate bonds | 44 | 32,862 | 249 | 33,154 | 30,495 |
| – Structured notes | | 29 | | 29 | 34,669 |
| – Collateralised securities | | 33,216 | | 33,216 | 15,841 |
| – Bond funds | 707 | 57,035 | | 57,742 | 58,581 |
| **Total bonds and other fixed-income securities 31.12.16** | **23,337** | **148,251** | **249** | **171,837** | |
| Total bonds and other fixed-income securities 31.12.15 | 28,792 | 161,626 | 358 | | 190,776 |
| **Derivatives:** | | | | | |
| – Interest derivatives | | 3,290 | | 3,290 | 1,768 |
| – Currency derivatives | | -657 | | -657 | -417 |
| **Total derivatives 31.12.16** | | **2,634** | | **2,634** | |
| – of which derivatives with a positive market value | | 4,827 | | 4,827 | 4,703 |
| – of which derivatives with a negative market value | | -2,194 | | -2,194 | -3,351 |
| Total derivatives 31.12.15 | | 1,352 | | | 1,352 |
| **Real Estate:** | | | | | |
| Investment properties | | | 24,161 | 24,161 | 24,415 |
| Owner-occupied properties | | | 2,863 | 2,863 | 2,887 |
| **Total real estate 31.12.16** | | | **27,024** | **27,024** | |
| Total real estate 31.12.15 | | | 27,302 | | 27,302 |
| **Liabilities:** | | | | | |
| Liabilities to financial institutions **[4]** | | 402 | | 402 | 404 |
| Deposits from and debt to customers | | | | | |
| Securities issued | | | | | |
| **Total liabilities 31.12.16 [5]** | | **402** | | **402** | |
| Total liabilities 31.12.15 **[6]** | | 404 | | | 404 |

### MOVEMENTS BETWEEN QUOTED PRICES AND OBSERVABLE ASSUMPTIONS

| NOK million | From quoted prices to observable assumptions | From observable assumptions to quoted prices |
|---|---|---|
| Equities and units | 9 | 20 |

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

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

### FINANCIAL INSTRUMENTS AND REAL ESTATE AT FAIR VALUE – LEVEL 3

| NOK million | Equities | Units | Lending to customers | Corporrate bonds | Investment properties | Owner-occupied properties |
|---|---|---|---|---|---|---|
| Book value 01.01.16 | 2,477 | 9,759 | 1,215 | 361 | 24,417 | 2,887 |
| Net gains/losses on financial instruments | -128 | -308 | -10 | -12 | 111 | 50 |
| Supply | 15 | 863 | 3,371 | 14 | 1,708 | 20 |
| Sales | -1,255 | -2,013 | -272 | -87 | -2,863 | |
| Translation differences | -53 | -251 | | -27 | -393 | -131 |
| Other | | | | | 1,182 | 37 |
| **Book value 31.12.16** | **1,057** | **8,050** | **4,304** | **249** | **24,161** | **2,863** |

As of 31.12.16, Storebrand Life Insurance had NOK 1 928 million invested in Storebrand Eiendomsfond Norge KS.

The investment is classified as “Investment in Associated Companies” in the Consolidated Financial Statements.

Storebrand Eiendomsfond Norge KS invests exclusively in real estate at fair value.

### VALUATION OF FINANCIAL INSTRUMENTS TO AMORTISED COST

| | Level 1 | Level 1 | Level 1 | | | | |
|---|---|---|---|---|---|---|---|
| NOK Mill. | Quoted prices | Observable assumptions | Non- observable assumptions | Total fair value 31.12.16 | Total fair value 31.12.15 | Book value 31.12.16 | Book value 31.12.15 |
| **Financial assets** | | | | | | | |
| Loans to and due from financial institutions | | 272 | | **272** | 123 | 272 | 123 |
| Lending to customers – corporate | | 1,477 | 6,997 | **8,474** | 8,298 | 8,518 | 8,331 |
| Lending to customers – retail | | 23,796 | 9,724 | **33,520** | 25,735 | 33,520 | 25,735 |
| Bonds held to maturity | | 17,537 | | **17,537** | 17,578 | 15,644 | 15,648 |
| Bonds classified as loans and receivables | | 89,677 | | **89,677** | 85,540 | 82,777 | 76,888 |
| **Total financial assets 31.12.2016** | | **132,759** | **16,721** | **149,480** | | **140,730** | |
| Total financial assets 31.12.2015 | | 131,257 | 6,016 | | 137,273 | | 126,725 |
| **Financial liabilities** | | | | | | | |
| Debt raised by issuance of securities | | 16,290 | | **16,290** | 15,428 | 16,219 | 15,475 |
| Liabilities to financial institutions | | 5 | | **5** | 12 | 5 | 12 |
| Deposits from banking customers | | 15,238 | | **15,238** | 17,825 | 15,238 | 17,825 |
| Subordinatd loan capital | | 7,720 | | **7,720** | 7,709 | 7,621 | 7,766 |
| **Total financial liabilities 31.12.2016** | | **39,254** | | **39,254** | | **39,083** | |
| Total financial liabilities 31.12.2015 | | 40,973 | | | 40,973 | | 41,078 |

### SENSITIVITY ASSESSMENTS

### EQUITIES

It is primarily investments in forests that are classified under equity 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 4.27 per cent in value, depending on the maturity of the forest.

| | Change in value at change in discount rate | |
|---|---|---|
| Million NOK | Increase + 25 bp | Decrease – 25 bp |
| **Change in fair value per 31.12.16** | **86** | **-84** |
| Change in fair value per 31.12.15 | -102 | 110 |

### 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 the MSCI World (Net – currency hedged to NOK) of around 0.45.

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 58 per cent on average.

| | Change MSCI World | |
|---|---|---|
| Million NOK | Increase + 10 % | Decrease – 10 % |
| **Change in fair value per 31.12.16** | **384** | **-384** |
| Change in fair value per 31.12.15 | 495 | -494 |

### LENDING TO CUSTOMERS

The value of fixed-rate loans is determined by discounting the agreed cash flows over the remaining maturity by the current discount rate adjusted for market spread. The discount rate that is used is based on a swap interest rate (mid swap) with a maturity that corresponds to the remaining lock-in period for the underlying loans. The market spread that is used on the date of the balance sheet is determined by assessing the market conditions, market price and the associated swap interest rate.
Loans from SPP Pension & Försäkring AB are appraised at fair value. The value of these loans is determined by future cash flows being discounted by an associated swap curve adjusted for a customer-specific credit spread.

| | Change in marketspread | |
|---|---|---|
| Million NOK | + 10 bp | – 10 bp |
| **Change in fair value per 31.12.16** | **-19** | **19** |
| Change in fair value per 31.12.15 | -4 | 4 |

### CORPORATE 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.

| | Change MSCI World | |
|---|---|---|
| Million NOK | Increase + 10 bp | Decrease – 10 bp |
| Change in fair value per 31.12.16 | 12 | -12 |
| Change in fair value per 31.12.15 | 15 | -15 |

### REAL ESTATE

The sensitivity assessment for real estate includes both investments properties and owner occupied properties.
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 property portfolio of approximately 4.5 per cent. About 25 per cent of the property's cash flow is linked to lease contracts that have been entered into. This entails that the changes in the uncertain parts of the cash flow of 1 per cent will mean a change in value of 0.75 per cent.

| | Change in required rate of return | |
|---|---|---|
| Million NOK | 0.25% | -0.25% |
| Change in fair value per 31.12.16 | -1,199 | 1,343 |
| Change in fair value per 31.12.15 | -1,180 | 1,306 |

[1] Includes lending to customers/liabilities to financial institutions classified at fair value through profit and loss

[2] Includes lending to customers/liabilities to financial institutions classified at fair value through profit and loss

[3] Includes lending to customers/liabilities to financial institutions classified at fair value through profit and loss

[4] Includes lending to customers/liabilities to financial institutions classified at fair value through profit and loss

[5] Includes lending to customers/liabilities to financial institutions classified at fair value through profit and loss

[6] Includes lending to customers/liabilities to financial institutions classified at fair value through profit and loss

# Note 14 – Premium income

| NOK million | **2016** | 2015 |
|---|---|---|
| **Savings:** | | |
| Unit Linked Storebrand Life Insurance | 10,875 | 12,606 |
| Unit Linked SPP | 5,159 | 5,027 |
| **Total savings** | **16,034** | **17,632** |
| Of which premium reserve transferred to company | 1,890 | 5,309 |
| **Insurance:** | | |
| P&C & Individual life **[1]** | 1,831 | 1,722 |
| Group life **[2]** | 743 | 788 |
| Pension related disability insurance | 1,330 | 1,170 |
| **Total insurance** | **3,904** | **3,680** |
| Of which premium reserve transferred to company | 38 | 23 |
| **Guaranteed pension:** | | |
| Defined Benefit (fee based) Storebrand Life Insurance | 4,035 | 5,601 |
| Paid-up policies Storebrand Life Insurance | -348 | -3,527 |
| Traditional individual life and pension Storebrand Life Insurance | 272 | 284 |
| SPP Guaranteed Products | 1,786 | 1,609 |
| **Total guaranteed pension** | **5,746** | **3,968** |
| Of which premium reserve transferred to company | -474 | -3,497 |
| **Other:** | | |
| BenCo | 146 | 178 |
| Total other | 146 | 178 |
| **Total premium income** | **25,829** | **25,459** |
| Of which premium reserve transferred to company | 1,455 | 1,835 |

[1] Individual life and disability, property and caualty insurance

[2] Group life, workers comp. And health insurance

# Note 15 – Net interest income – Bank

| NOK million | **2016** | 2015 |
|---|---|---|
| Total interest income | 766 | 949 |
| Total interest costs **[1]** | -393 | -572 |
| **Total net interest income Bank** | **373** | **377** |

[1] Interest costs for other companies are included in the line «Interest expenses» in the Profit and Loss

# Note 16 – Net income analysed by class of financial instrument

| NOK million | Dividend/ interest income etc. | Net gains and losses on financial assets | Net revaluation on investments | **Total 2016** | Of which Company | Of which Customer | 2015 |
|---|---|---|---|---|---|---|---|
| Profit on equities and units | 1,014 | 2,690 | 7,942 | 11,647 | 38 | 11,609 | 7,076 |
| Profit on bonds and other fixed-income securities at fair value | 3,523 | 900 | -231 | 4,192 | 553 | 3,640 | 4,433 |
| Profit on financial derivatives | 897 | 761 | 1,023 | 2,681 | 111 | 2,570 | -5,051 |
| Profit on lending | 16 | | 2 | 18 | | 18 | |
| **Total gains and losses on financial assets at fair value** | **5,451** | **4,352** | **8,736** | **18,538** | **701** | **17,837** | **6,458** |
| – of which FVO (fair value option) | 4,499 | 3,584 | 7,691 | 15,774 | 459 | 15,266 | 11,453 |
| – of which trading | 898 | 723 | 1,020 | 2,641 | 77 | 2,570 | -5,016 |
| Net income bonds to amortised cost, lendings and accounts receivables | 3,329 | 274 | -6 | 3,597 | 106 | 3,491 | 3,486 |
| Net income bonds held to maturity | 706 | | | 706 | | 706 | 686 |
| Net income lending | 290 | -1 | | 289 | | 289 | 108 |
| **Total gains and losses on financial assets at amortised cost** | **4,325** | **273** | **-6** | **4,592** | **106** | **4,486** | **4,280** |

# Note 17 – Net income from real estate

| NOK million | 2016 | 2015 |
|---|---|---|
| Rent income from real estate * | 1,282 | 1,364 |
| Operating costs (including maintenance and repairs) relating to real estate that have provided rent income during the period ** | -292 | -240 |
| **Total** | **990** | **1,124** |
| Change in fair value | 1,314 | 1,578 |
| **Total income real estate** | **2,304** | **2,701** |
| * Of which real estate for own use | 181 | 174 |
| ** Of which real estate for own use | -42 | 37 |
| | | |
| **Allocation by company and customers:** | | |
| Company [1] | 10 | 295 |
| Customer | 2,295 | 2,407 |
| **Total income from real estate** | **2,304** | **2,701** |

[1] Applicable to the company’s share of the result is the minority interest's share of the profit from the sale of investment properties.

# Note 18 – Other income

| NOK million | 2016 | 2015 |
|---|---|---|
| Fee and commission income, banking | 64 | 52 |
| Fee and commission expense, banking | -15 | -11 |
| **Net fee and commission income, banking** | **48** | **41** |
| Management fees, asset management | 738 | 587 |
| Management fees | 517 | 802 |
| Indexing fees | | 127 |
| Return commissions/Kick-back | 347 | 609 |
| Insurance related income | 440 | 93 |
| Interest income insurance | 441 | 5 |
| Revenue from companies other than banking and insurance | 214 | 304 |
| Other financial income | -7 | -221 |
| Other income | 166 | 155 |
| **Total other income** | **2,904** | **2,500** |

# Note 19 – Insurance claims

| NOK million | **2016** | 2015 |
|---|---|---|
| **Savings:** | | |
| Unit Linked Storebrand Life Insurance | -3,312 | -2,019 |
| Unit Linked SPP | -3,106 | -3,050 |
| **Total savings** | **-6,418** | **-5,069** |
| Of which premium reserve transferred to company | -3,356 | -2,505 |
| **Insurance:** | | |
| P&C & Individual life **[1]** | -1,138 | -997 |
| Group life **[2]** | -715 | -534 |
| Pension related disability insurance | -166 | -159 |
| **Total insurance** | **-2,020** | **-1,690** |
| Of which premium reserve transferred to company | -34 | -14 |
| **Guaranteed pension:** | | |
| Defined Benefit (fee based) Storebrand Life Insurance | -4,097 | -6,003 |
| Paid-up policies Storebrand Life Insurance | -4,607 | -3,927 |
| Traditional individual life and pension Storebrand Life Insurance | -1,420 | -1,584 |
| SPP Guaranteed Products | -5,769 | -5,414 |
| **Total guaranteed pension** | **-15,893** | **-16,927** |
| Of which premium reserve transferred to company | -2,812 | -4,179 |
| **Other:** | | |
| BenCo | -956 | -1,561 |
| **Total other** | **-956** | **-1,561** |
| **Total net premium income** | **-25,287** | **-25,247** |
| Of which premium reserve transferred to company | -6,202 | -6,698 |

The table below  shows the anticipated compensation payments

### DEVELOPMENT IN EXECTED INSURANCE CLAIM PAYMENTS – LIFE INSURANCE

| NOK billion | Storebrand Life Insurance | SPP | BenCo |
|---|---|---|---|
| 0-1 year | 9 | 6 | 2 |
| 1-3 years | 17 | 11 | 3 |
| > 3 years | 212 | 135 | 10 |
| **Total** | **237** | **152** | **15** |

### DEVELOPMENT IN INSURANCE CLAIM PAYMENT – P&C INSURANCE, EXLUSIVE RUN-OFF

| NOK million | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | **Total** |
|---|---|---|---|---|---|---|---|
| **Calculated gross cost of claims** | | | | | | | |
| At end of the policy year | 369 | 391 | 461 | 513 | 690 | 793 | |

| NOK million | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | **Total** |
|---|---|---|---|---|---|---|---|
| – one year later | 350 | 373 | 482 | 506 | 687 | | |
| – two years later | 334 | 364 | 478 | 500 | | | |
| – three years later | 326 | 357 | 482 | | | | |
| – four years later | 321 | 370 | | | | | |
| – five years later | 327 | | | | | | |
| | | | | | | | |
| **Calculated amount 31.12.16** | | | | | | | |
| Total disbursed to present | 311 | 346 | 433 | 453 | 563 | 511 | 2,616 |
| Claims reserve | 16 | 24 | 49 | 48 | 124 | 282 | 543 |
| Claims reserve for previous years (before 2011) | | | | | | | 14 |

The overview shows the development in the estimate for occurred insurance claims over time and the remaining claims reserve.

[1] Individual life and disability, property and caualty insurance

[2] Group life, workers comp. And health insurance

# Note 20 – Change in insurance liabilities – life insurance

| NOK million | Storebrand Life Insurance | BenCo | SPP | Eliminations | **2016** | 2015 |
|---|---|---|---|---|---|---|
| Guaranteed return | -5,702 | -74 | -2,311 | | -8,086 | -7,863 |
| Other changes in premium reserves customer funds with guaranteed return | 5,565 | -1,517 | 1,568 | 91 | 5,707 | 9,946 |
| Change in premium reserve customer funds without guaranteed return | -11,256 | 49 | -8,466 | | -19,673 | -16,865 |
| Change in premuim fund/pensioners surplus fund | -11 | 321 | | | 310 | 323 |
| Profit to customers | -761 | | | | -761 | -382 |
| Change in allocations, risk products | -1,019 | | | | -1,019 | -1,157 |
| **Change in insurance liabilities – life insurance** | **-13,184** | **-1,221** | **-9,209** | **91** | **-23,522** | **-15,998** |

# Note 21 – Change in buffer capital

| NOK million | **2016** | 2015 |
| --- | --- | --- |
| Change in market value adjustment reserve | 1,836 | 1,295 |
| Change in additional statutory reserves | -1,488 | -415 |
| Change in conditional bonuses | 1,126 | 3,050 |
| **Total change in buffer capital** | **1,475** | **3,930** |

# Note 22 – Losses from lendings 1)

| NOK million | 2016 | 2015 |
|---|---|---|
| **Write-downs/income recognition for lending and guarantees for the period** | | |
| Change in individual loan write-downs for the period | 31 | -24 |
| Change in grouped loan write-downs for the period | -4 | -20 |
| Realised losses on loans where provisions have previously been made | -35 | |
| Realised losses on loans where no provisions have previously been made | -7 | -16 |
| Recovery of loan losses realised previously | 1 | 1 |
| **Write-downs/income recognition for lending and guarantees for the period** | **-14** | **-58** |
| | | |
| 1) Losses from lendings related to the customer portfolio are included in the line Net interest income lending | 3 | -13 |

# Note 23 – Operating costs and number of employees

## OPERATING COSTS

| NOK million | **2016** | 2015 |
|---|---|---|
| Personnel costs **[1]** | -1,741 | -2,181 |
| Amortisation/write-downs **[2]** | -275 | -178 |
| Other operating costs | -1,554 | -1,368 |
| **Total operating costs** | **-3,570** | **-3,727** |

## NUMBER OF EMPLOYEES [3]

| | **2016** | 2015 |
|---|---|---|
| Number of employees 31.12 | 1,745 | 2,298 |
| Average number of employees | 1,816 | 2,261 |
| Number of person-years 31.12 | 1,723 | 2,274 |
| Average number of person-years | 1,791 | 2,236 |

[1] Including an income of NOK 189 million related to change in pension scheme for disability- and survivors' pension in 2016

[2] Comparative figures for 2015 are changed by NOK 41 million due to change in classification of amortisation of IT-systems

[3] Including Storebrand Helseforsikring with 100 per cent.

# Note 24 – Pension costs and pension liabilities

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 92,576 as at 31 December 2016)
– 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.

In connection with new rules for disability pensions in the Norwegian Occupational Pensions Act, Storebrand altered the disability pension scheme for own employees in Norway effective from 1 June 2016. The survivor coverage associated with the pension scheme came to an end from the same date. These schemes are capitalised as defined-benefit schemes in the accounts. The winding up of this scheme resulted in a reduction in recognised liabilities that has given a profit of NOK 188 million upon derecognition and which reduces the pension costs in the profit and loss account.

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 2016. 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 59,300 in 2016 and will be SEK 61,500 in 2017), 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 | **2016** | 2015 |
|---|---|---|
| Present value of insured pension liabilities | 979 | 1,142 |
| Fair value of pension assets | -948 | -1,010 |
| Net pension liabilities/assets insured scheme | 31 | 132 |
| Present value of unsecured liabilities | 258 | 333 |
| **Net pension liabilities recognised in statement of financial position** | **289** | **465** |

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

### BOOKED IN STATEMENT OF FINANCIAL POSITION

| NOK million | **2016** | 2015 |
|---|---|---|
| Pension liabilities | 289 | 465 |

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

| NOK million | **2016** | 2015 |
|---|---|---|
| Net pension liabilities 01.01 | 1,481 | 1,457 |
| Pensions earned in the period | 32 | 58 |
| Pension cost recognised in period | 39 | 42 |
| Estimate deviations | 118 | 112 |
| Gain/loss on insurance reductions | -179 | |
| Pensions paid | -104 | -207 |
| Changes to pension scheme | -71 | -33 |
| Pension liabilities additions/disposals and currency adjustments | -73 | 58 |
| Payroll tax of employer contribution, assets | -7 | -12 |
| **Net pension liabilities 31.12** | **1,237** | **1,475** |

### CHANGES IN THE FAIR VALUE OF PENSION ASSETS

| NOK million | **2016** | 2015 |
|---|---|---|
| Pension assets at fair value 01.01 | 1,016 | 888 |
| Expected return | 30 | 28 |
| Estimate deviation | -27 | -44 |
| Premiums paid | 89 | 121 |
| Pensions paid | -31 | -22 |
| Changes to pension scheme | -61 | |
| Pension liabilities additions/disposals and currency adjustments | -61 | 42 |
| Payroll tax of employer contribution, assets | -7 | -3 |
| **Net pension assets 31.12** | **948** | **1,010** |

| | |
|---|---|
| **Expected premium payments (pension assets) in 2017** | 32 |
| **Expected premium payments (contributions) in 2017** | 173 |
| **Expected AFP early retirement scheme payments in 2017** | 18 |
| **Expected payments from operations (uninsured scheme) in 2017** | 68 |

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

| | Storebrand Life Insurance | | SPP | |
|---|---|---|---|---|
| NOK million | **2016** | 2015 | **2016** | 2015 |
| Real estate | 15% | 12% | 8% | 6% |
| Bonds at amortised cost | 40% | 45% | | |
| Lending | 6% | | | |
| Equities and units | 12% | 11% | 6% | 8% |
| Bonds and other interest bearing securities | 27% | 27% | 86% | 86% |
| Other short-term financial assets | | 4% | | |
| **Total** | **100%** | **100%** | **100%** | **100%** |
| The table shows the percentage asset allocation of pension assets at year-end managed by Storebrand Life Insurance. | | | | |
| Realised return on assets | 6,4% | 5,4% | 5,3% | 5,4% |

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

| NOK million | **2016** | 2015 |
|---|---|---|
| Current service cost | 32 | 59 |
| Net interest cost/expected return | 9 | 25 |
| Changes to pension scheme | -189 | |
| **Total for defined benefit schemes** | **-147** | **83** |
| The period´s payment to contribution scheme | 152 | 215 |
| The period´s payment to contractual pension | 17 | 17 |
| **Net pension cost recognised in profit and loss account in the period** | **22** | **315** |

## OTHER COMPREHENSIVE INCOME (OCI) IN THE PERIOD

| NOK million | **2016** | 2015 |
|---|---|---|
| Actuarial loss (gain) – change in discount rate | 100 | -69 |
| Actuarial loss (gain) – change in other financial assumptions | -2 | -8 |
| Actuarial loss (gain) – experience DBO | 27 | 193 |
| Loss (gain) – experience Assets | 24 | 41 |
| Investment management cost | 3 | 3 |
| **Remeasurements loss (gain) in the period** | **152** | **160** |

## MAIN ASSUMPTIONS USED WHEN CALCULATING NET PENSION LIABILITY 31.12

| | Storebrand Life Insurance | | SPP | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| Discount rate | 2.3 % | 2.7 % | 2.8 % | 3.5 % |
| Expected earnings growth | 2.0 % | 2.3 % | 3.5 % | 3.5 % |
| Expected annual increase in social security pensions | 2.0 % | 2.3 % | 3.0 % | 3.0 % |

| | Storebrand Life Insurance | | SPP | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| Expected annual increase in pensions payment | 0.0 % | 0.0 % | 2.0 % | 2.0 % |
| Disability table | KU | KU | 0.0 % | 0.0 % |
| 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 2016.

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 2015 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% |

# Note 25 – Remuneration to senior employees and elected officers of the company

| | 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] |
|---|---|---|---|---|---|---|---|
| **Senior employees** | | | | | | | |
| Odd Arild Grefstad | 5,924 | 192 | 6,116 | 1,099 | 24 | 3,930 | 92,602 |
| Lars Aa. Løddesøl | 4,575 | 209 | 4,784 | 892 | 18 | 8,508 | 60,169 |
| Geir Holmgren | 3,607 | 209 | 3,816 | 649 | 12 | 7,967 | 26,316 |
| Robin Kamark | 5,113 | 188 | 5,302 | 1,151 | 18 | 2,178 | 55,702 |
| Heidi Skaaret | 3,653 | 185 | 3,838 | 729 | 12 | 3,501 | 24,982 |
| Staffan Hansén | 4,486 | 31 | 4,517 | 1,014 | 12 | | 27,718 |
| Hege Hodnesdal [5] | 2,973 | 163 | 3,136 | 530 | 12 | | na |
| Jan Erik Saugestad | 4,795 | 156 | 4,951 | 879 | 12 | 1,200 | 22,768 |
| Jostein Chr. Dalland [6] | 1,879 | 130 | 2,009 | 343 | 12 | | 4,119 |
| **Total 2016** | **37,006** | **1,463** | **38,469** | **7,286** | | **27,283** | **314,376** |
| Total 2015 | 33,277 | 1,294 | 34,571 | 9,377 | | 27,058 | 287,437 |

| | Remuneration | Loan | No. of shares owned [7] |
|---|---|---|---|
| **Board of Directors** | | | |
| Birger Magnus | 688 | | 20,000 |
| Gyrid Skalleberg Ingerø | 383 | | 5,000 |
| Laila S. Dahlen | 315 | | 9,000 |
| Martin Skancke | 580 | | 11,414 |
| Håkon Reistad Fure | 561 | | 18,500 |
| Nils Are Karstad Lysø [8] | 325 | na | na |
| Karin Bing Orgland | 459 | | |
| Jan Chr. Opsahl [9] | 106 | | 1,100,000 |
| Heidi Storruste | 383 | 2,987 | 2,865 |
| Knut Dyre Haug | 412 | 1,493 | 13,255 |
| Arne Fredrik Håstein | 412 | 3,370 | 3,644 |
| **Total 2016** | **4,623** | **7,850** | **1,183,678** |
| Total 2015 | 3,889 | 8,046 | 81,175 |

Loans to Group employees totalled NOK 2.468 million.

[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.

[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

[5] Senior employee until 1.11.2016

[6] Senior employee from 30.11.2016

[7] 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.

[8] Board member until 15.09.2016

[9] Board member from 20.09.2016

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

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

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

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

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

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

**Bonus scheme**

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

**Pension scheme**

The company shall arrange and pay for ordinary group pension insurance common to all employees, from the moment employment commences, and in accordance with the pension agreement in force at any given time. With effect from 2015, the company has defined contribution pension schemes for all employees. This applies both to salaries above and below 12 G (G = the National Insurance base amount).

In connection with the transition from defined-benefit to defined-contribution schemes, compensation schemes were established for employees who were estimated to have a poorer position after the change. These schemes provide monthly additional savings for employees for a maximum of 36 months. Additional savings are taxed as wage income.

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

**Severance pay**

The Chief Executive Officer and executive vice presidents are entitled to severance pay if their contracts are terminated by the Company. Entitlement to a severance package is also available if the employee decides to leave the company due to substantial changes in the organisation, or equivalent circumstances, which result in the individual being unable to naturally continue in his position. If the employment is brought to an end due to a gross breach of duty or other material non-performance of the employment contract, the provisions in this section do not apply.

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

2. **BINDING GUIDELINES FOR SHARES, SUBSCRIPTION RIGHTS, OPTIONS, ETC. FOR THE COMING 2017 FINANCIAL YEAR**

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

In 2017, a limited group with a small number of employees may be covered by an equivalent scheme to the executive management with the compulsory purchase of the company's shares.

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

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

The executive employee remuneration policy established for 2016 has been observed. The annual independent assessment of the guidelines and the practising of these guidelines in connection with bonuses to be paid in 2017 will be carried out during the first half of 2017.

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

A proportion of the fixed salary of the executive management and a limited group of employees will be linked to the purchase of physical STB shares with a lock-in period of three years. The purchase of shares will take place once a year.

In the opinion of the Board of Directors, this has a positive effect on the company and the shareholders, given the structure of the scheme and the size of each person's portfolio of shares in Storebrand ASA.

# Note 26 – Remuneration paid to auditors

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

| NOK million | **2016** | 2015 |
|---|---|---|
| Statutory audit | 12.7 | 14.1 |
| Other reporting duties | 2.1 | 2.1 |
| Tax advice | 1.3 | 2.4 |
| Other non-audit services | 0.4 | 0.3 |
| **Total remuneration to auditors** | **16.5** | **18.9** |

The amounts are excluding VAT.

# Note 27 – Other costs

| NOK million | 2016 | 2015 |
| --- | --- | --- |
| Pooling | -60 | -95 |
| Insurance related costs | -273 | -312 |
| Other costs | -130 | -31 |
| **Total other costs** | **-463** | **-439** |

# Note 28 – Tax

## TAX COST IN THE RESULT

| NOK million | 2016 | 2015 |
|---|---|---|
| Tax payable | -28 | -20 |
| Change in deferred tax | -336 | 1 841 |
| **Total tax cost** | **-364** | **1 821** |

## RECONCILIATION OF EXPECTED AND ACTUAL TAX COST

| NOK million | 2016 | 2015 |
|---|---|---|
| Ordinary pre-tax profit | 2,506 | -438 |
| Expected income tax at nominal rate | -625 | 118 |
| Tax effect of | | |
| realised/unrealised shares | -89 | 1,918 |
| share dividends received | -47 | -11 |
| associated companies | 15 | |
| permanent differences | 319 | -299 |
| recognition/write-down of tax asets | | 152 |
| change in tax rate | 118 | -73 |
| Changes from previous years | -55 | 15 |
| **Total tax charge** | **-364** | **1,821** |
| Effective tax rate **[1]** | 15% | 15% |

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

| NOK million | 2016 | 2015 |
|---|---|---|
| **Tax-increasing temporary differences** | | |
| Securities | 9,769 | 11,133 |
| Real estate **[2]** | 11,063 | 10,391 |
| Operating assets | 158 | 64 |
| Gains/losses account | 106 | 132 |
| Other | 1,116 | 999 |
| **Total tax-increasing temporary differences** | **22,211** | **22,719** |
| **Tax-reducing temporary differences** | | |
| Securities | -64 | -105 |
| Operating assets | -35 | -73 |
| Provisions | -6,914 | -4,635 |
| Accrued pension liabilities | -254 | -427 |
| Gains/losses account | -11 | -6 |
| Other | | -26 |
| **Total tax-reducing temporary differences** | **-7,278** | **-5,273** |

| NOK million | 2016 | 2015 |
|---|---|---|
| Carryforward losses | -15,969 | -20,468 |
| **Total tax loss and assets carried forward** | **-15,969** | **-20,468** |
| **Basis for net deferred tax and tax assets** | **-1,036** | **-3,021** |
| Write-down of basis for deferred tax assets | | 1 |
| **Net basis for deferred tax and tax assets [3]** | **-1,036** | **-3,020** |
| **Net deferred tax assets/liabilities in balance sheet** | **-420** | **-756** |
| **Recognised in balance sheet** | | |
| Deferred tax assets | **595** | **957** |
| Deferred tax | **175** | 200 |

[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 11.1 billion), are included in the Group's temporary differences, on which deferred tax is calculated at a nominal tax rate of 24 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] 1. 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 11.1 billion), are included in the Group's temporary differences, on which deferred tax is calculated at a nominal tax rate of 24 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). 2. In December 2016, the Norwegian Parliament (Storting) agreed to reduce the company tax rate from 25 to 24 per cent with effect from 1 January 2017. It was also agreed to introduce a financial tax that would enter into force from the same date. Therefore, for companies subject to the financial tax, the company tax rate will be continued at the 2016 level (25 per cent). 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 Group companies is used (24 or 25 per cent).

# Note 29 – Intangible assets and excess value on purchased insurance contracts

| NOK million | Intangible assets IT systems | VIF [1] | Other intangible assets | Goodwill | 2016 | 2015 |
|---|---|---|---|---|---|---|
| Acquisition cost 01.01, | 781 | 10,394 | 829 | 1,349 | 13,353 | 12,185 |
| Additions in the period | | | | | | |
| – Developed internally | 44 | | | | 44 | 79 |
| – Purchased separately | 105 | | | | 105 | 45 |
| Disposals in the period | -190 | | -88 | -8 | -287 | -9 |
| Currency differences on converting foreign units | -3 | -1,014 | -69 | -80 | -1,166 | 1,058 |
| Other changes | | | | | | -4 |
| **Acquisition cost 31.12** | **737** | **9,380** | **672** | **1,260** | **12,049** | **13,353** |
| Accumulated depreciation and write-downs 01.01 | -409 | -6,162 | -666 | -305 | -7,543 | -6,474 |
| Write-downs in the period | -10 | | | | -10 | -6 |
| Amortisation in the period * [2] | -100 | -330 | -77 | | -506 | -479 |
| Disposals in the period | 109 | | 88 | 1 | 199 | 9 |
| Currency differences on converting foreign units | | 613 | 58 | | 671 | -600 |
| Other changes | | | | | | 8 |
| **Acc. depreciation and write-downs 31.12** | **-410** | **-5,880** | **-597** | **-304** | **-7,190** | **-7,543** |
| **Book value 31.12** | **327** | **3,501** | **75** | **956** | **4,858** | **5,810** |
| | | | | | | |
| * Classified as depreciations under operating costs | **-139** | | | | **-139** | **-89** |

## 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 (2017 to 2019). The management has made assessments for the period from 2020 to 2026, 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.

## INTANGIBLE ASSETS LINKED TO THE BANKING BUSINESS

A cash flow based valuation based on the expected result after tax is used when calculating the utility value of the banking business. In the spring of 2014, the board of the bank approved a liquidation plan for the bank's corporate market portfolio. This liquidation has been taken into account in the financial plan. In addition, budgets and forecasts approved by the Board for the next three years (2017 to 2019) are used as the basis for the valuation.

The cash flow is based on two elements, profit/loss after tax to equity and change in expected regulatory tying-up of capital. It is also assumed that all capital in addition to regulatory tied-up capital, can be withdrawn at the end of each period. For the period after 2019, a growth rate of 2.5 percent has been used for the retail market which is also included in the calculation of the terminal value. The required rate of return to equity is calculated based on the capital asset pricing model (CAPM). Long-term risk-free interest is set at the interest rate for 10 year Norwegian government bonds. The market's risk premium is set at 5 percent and this is in line with the risk premium in the Norwegian market.

Since it has been decided that the corporate market activities will be discontinued, a different beta has been used for the retail and corporate markets. The retail portfolio consists of a well-diversified home mortgage portfolio with a low loan-to-value ratio and very limited risk. It is therefore natural to assume that the risk premium for this portion of the business is lower than the rest of the market. The beta has been set at 0.8 in the calculations, which corresponds to the average beta for regional banks in Europe. The risk in the corporate market portfolio is correspondingly higher, since it consists of a smaller portfolio with larger individual commitments. In order to reflect this risk, the beta has been set at 1.5 in the calculations. The use of two different required rates of return is particularly important in relation to the terminal value, in which it is expected that only the retail part will endure.

There will be uncertainty related to the assumptions that have been made in the valuation. The value will be affected by the assumptions for the interest rate margin, expected losses on lending, growth parameters and capital requirements, as well as 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 .

## IT-SYSTEMS

Due to increased digitalisation and a focus on development, previously developed sales support systems were scrapped as at 31 December 2016 and replaced with new adapted systems.

## SPECIFICATION OF INTAGIBLE ASSETS

| NOK million | Useful economic life | Depr. rate | Depr. method | **Book value 2016** |
|---|---|---|---|---|
| Brand name SPP | 10 years | 10% | Straight line | 10 |
| SPP Fonder | 10 years | 10% | Straight line | |
| IT systems | 3-8 years | 20% | Straight line | 327 |
| Customer lists SPP | 10 years | 10% | Straight line | |
| Value of business in force SPP | 20 years | 5% | Straight line | 3,501 |
| Other intangible assets | 5 years | 20% | Straight line | 64 |
| **Total** | | | | **3,902** |

## GOODWILL DISTRIBUTED BY BUSINESS ACQUISITION

| NOK million | Business area | Acquisition cost 01.01 | Accumulated write-downs 01.01 | Book value 01.01 | Supply/ disposals/ currency effect | Write-downs | **Book value 31.12** |
|---|---|---|---|---|---|---|---|
| Delphi Fondsforvaltning | Savings | 35 | -4 | 32 | | | 32 |
| SPP Fonder | Savings | 46 | | 46 | | | 45 |
| Storebrand Bank ASA | Other | 422 | -300 | 122 | | | 122 |
| SPP | Guarant. pension/Savings | 837 | | 837 | | -80 | 757 |
| Other | Other | 8 | -1 | 7 | -7 | | |
| **Total** | | **1,348** | **-305** | **1,043** | **-7** | **-80** | **956** |

Goodwill is not amortised, but is tested annually for impairment.

[1] Value of business-in-force, the difference between market value and book value of the insurance liabilities in SPP.

[2] Amortisation and write-downs if IT-systems are inlcuded in operating costs in the profit and loss for 2016. Comparative figures for 2015 are changed

# Note 30 – Tangible fixed assets

| NOK million | Vehicles/ equipment | Real estate | **2016** | 2015 |
|---|---|---|---|---|
| Book value 01.01 | 72 | 428 | 500 | 454 |
| Additions | 11 | 16 | 28 | 26 |
| Disposals | -14 | -3 | -17 | -5 |
| Value adjustment recognised through the balance sheet | | 13 | 13 | 26 |
| Depreciation | -18 | | -18 | -26 |
| Currency differences from converting foreign units | -1 | -24 | -25 | 26 |
| Other changes | 7 | 2 | 9 | -2 |
| **Book value 31.12** | **58** | **432** | **490** | **500** |

## DEPRECIATION PLAN AND FINANCIAL LIFETIME:

| Depreciation method: | Straight line |
|---|---|
| Vehicles/equipment | 3-10 years |
| Fixtures & fittings | 3-8 years |
| Real estate | 15 years |

# Note 31 – Investments in other companies

Applies to subsidiaries with a significant minority, associated companies and joint ventures.

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

In the Group’s financial statements, securities funds in which Storebrand has an ownership percentage of around 40 per cent or more, and which are also managed by management companies within the Storebrand Group, are consolidated 100 per cent on the balance sheet. Minority ownership interests in consolidated securities funds are shown on one line for assets and correspondingly on one line for liabilities. In consequence of other investors in the funds being able to request redemption of their ownership interests from the respective funds, such are deemed to be minority interests that are classified as liabilities in Storebrand’s consolidated financial statements.

## SPECIFICATION OF SUBSIDARIES WITH SUBSTANTIAL MINORITY (100% FIGURES)

| | 2016 |
|---|---|
| NOK million | Benco |
| Assets | 17,238 |
| Liabilities | 16,767 |
| Equity – majority | 423 |
| Equity – minority | 47 |
| Ownership intereest – minority | 10 |
| Voting rights as a percentage of the total number of shares | 10 |
| Income | 1,366 |
| Result after tax | 43 |
| Total comprehensive income | 43 |
| Dividend paid to minority | 14 |

## SPECIFICATION OF ASSOCIATED COMPANIES AND JOINT VENTURES CLASSIFED AS SUBSTANTIAL (100% FIGURES)

| | 2016 |
|---|---|
| NOK million | Storebrand Helseforsikring AS |
| Accounting method | Equity-method |
| Type of operation | Insurance |
| Type of interest | Joint venture |
| Current assets | 678 |
| Fixed assets | 18 |
| Short term liabilities | 23 |
| Long term liabilities | 359 |
| Cash and cash equivalents | 17 |
| Income | 568 |
| Result after tax | 77 |
| Total comprehensive income | 77 |

| | 2016 |
|---|---|
| NOK million | Storebrand Helseforsikring AS |
| Dividend paid | 23 |

## OWNERSHIP INTERESTS IN ASSOCIATED COMPANIES AND JOINT VENTURES

| NOK million | Business location | Ownership interest | Book value 31.12 |
|---|---|---|---|
| **Associated companies** | | | |
| Norsk Pensjon AS | Oslo | 25.0 % | 4 |
| Inntre Holding AS | Steinkjær | 34.3 % | 75 |
| Formuesforvaltning AS | Oslo | 21.3 % | 163 |
| Handelsboderna i Sverige Fastighets AB | Stockholm | 50.0 % | 38 |
| Storebrand Eiendomsfond Invest AS | Oslo | 21.2 % | 1,880 |
| **Joint ventures** | | | |
| Försäkringsgirot AB | Stockholm | 25.0 % | 24 |
| Storebrand Helseforsikring AS | Lysaker | 50.0 % | 157 |
| Cognizant Technology Solutions | Vilnius | 34.0 % | 36 |
| **Total** | | | **2,376** |
| **Booked in the statement of financial position** | | | |
| Investments in associated companies – company | | | 458 |
| Investments in associated companies – customers | | | 1,918 |
| **Total** | | | **2,376** |

## RECEIVABLES FOR ASSOCIATED COMPANIES AND JOINT VENTURES

| NOK million | **2016** | 2015 |
|---|---|---|
| Handelsboden Örebro Rävgräva 4:4 AB | 37 | 41 |
| **Total** | **37** | **41** |
| **Allocation by company and customers** | | |
| Receivables in associated companies – customers | 37 | 41 |
| **Total receivables for associated companies** | **37** | **41** |

## INCOME FROM ASSOCIATED COMPANIES AND JOINT VENTURES

| NOK million | **2016** | 2015 |
|---|---|---|
| Proportion of the result | 230 | 164 |
| Interest income | 1 | 1 |
| Unrealised change in value | 1 | 3 |
| **Total** | **232** | **168** |
| **Allocation by company and customers** | | |
| Receivables in associated companies – company | 65 | 34 |
| Receivables in associated companies – customers | 167 | 134 |
| **Total receivables from associated companies** | **232** | **168** |

# Note 32 – Classification of financial assets and liabilities

| NOK million | Lendings and receivables | Investments, held to maturity | Fair value, held for sale | Fair value, FVO | Available for sale | Liabilities at amortised cost | **Total** |
|---|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | | |
| Bank deposits | 8,069 | | | | | | 8,069 |
| Shares and units | | | | 129,531 | 6 | | 129,537 |
| Bonds and other fixed-income securities | 82,777 | 15,644 | | 171,837 | | | 270,258 |
| Lending to financial institutions | 272 | | | | | | 272 |
| Lending to customers | 42,038 | | | 4,304 | | | 46,342 |
| Accounts receivable and other short-term receivables | 3,699 | | | | | | 3,699 |
| Derivatives | | | 4,827 | | | | 4,827 |
| **Total financial assets 2016** | **136,855** | **15,644** | **4,827** | **305,672** | **6** | | **463,004** |
| Total financial assets 2015 | 123,971 | 15,648 | 4,703 | 316,571 | 9 | | 460,902 |
| **Financial liabilities** | | | | | | | |
| Subordinated loan capital | | | | | | 7,621 | 7,621 |
| Liabilities to financial institutions | | | | 402 | | 5 | 407 |
| Deposits from banking customers | | | | | | 15,238 | 15,238 |
| Securities issued | | | | | | 16,219 | 16,219 |
| Derivatives | | | 209 | | | 1,985 | 2,194 |
| Other current liabilities | | | | | | 7,542 | 7,542 |
| **Total financial liabilities 2016** | | | **209** | **402** | | **48,611** | **49,221** |
| Total financial liabilities 2015 | | | 3,351 | 404 | | 47,691 | 51,446 |

# Note 33 – Bonds at amortised cost

## LENDING AND RECEIVABLES

| | 2016 | | 2015 | |
|---|---|---|---|---|
| NOK million | Book value | Fair value | Book value | Fair value |
| Government bonds | 26,545 | 30,008 | 28,576 | 32,787 |
| Corporate bonds | 38,356 | 39,592 | 30,062 | 31,780 |
| Structured notes | 594 | 580 | 698 | 693 |
| Collateralised securities | 17,282 | 19,496 | 17,552 | 20,279 |
| **Total bonds at amortised cost** | **82,777** | **89,677** | **76,888** | **85,540** |

## STOREBRAND BANK

| | 2016 | | 2015 | |
|---|---|---|---|---|
| NOK million | Book value | Fair value | Book value | Fair value |
| Modified duration | | 0.2 | | 0.2 |
| Average effective yield | | 1.2 % | | 1.4 % |

## STOREBRAND LIFE INSURANCE

| | 2016 | | 2015 | |
|---|---|---|---|---|
| NOK million | Book value | Fair value | Book value | Fair value |
| Modified duration | | 6.7 | | 6.1 |
| Average effective yield | 3.8% | 2.6% | 4.3% | 2.4% |

## DISTRIBUTION BEWEEN COMPANY AND CUSTOMERS

| | 2016 | | 2015 | |
|---|---|---|---|---|
| NOK million | Book value | Fair value | Book value | Fair value |
| Lending and receivables company | 3,398 | | 3,454 | |
| Lending and receivables customers with guarantee | 79,378 | | 73,434 | |
| **Total** | **82,777** | | **76,888** | |

## BONDS HELD TO MATURITY

| | 2016 | | 2015 | |
|---|---|---|---|---|
| NOK mill. | Book value | Fair value | Book value | Fair value |
| Government bonds | 363 | 412 | | |
| Corporate bonds | 5,829 | 6,456 | 4,284 | 4,659 |
| Structured notes | | | 10,326 | 11,767 |
| Collateralised securities | 9,452 | 10,669 | 1,038 | 1,152 |
| **Total bonds at amortised cost** | **15,644** | **17,537** | **15,648** | **17,578** |
| Modifed duration | | 5.5 | | 6.2 |
| Average effective yield | 4.5% | 2.4% | 4.5% | 2.8% |

| | 2016 | | 2015 | |
|---|---|---|---|---|
| NOK mill. | **Book value** | **Fair value** | Book value | Fair value |
| **Distribution beween company and customers:** | | | | |
| Bonds held to maturity – customers with guarantees | 15,644 | | 15,648 | |
| **Total** | **15,644** | | **15,648** | |

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 34 – Lendings to customers

## LENDINGS

| NOK million | 2016 | 2015 |
|---|---|---|
| Corporate market * | 10,907 | 8,399 |
| Retail market | 35,508 | 26,981 |
| **Gross lending** | **46,415** | **35,379** |
| Write-downs of lending losses | -73 | -98 |
| **Net lending **** | **46,342** | **35,281** |
| | | |
| * Of which Storebrand Bank | 1,550 | 2,372 |
| | | |
| ** Of which Storebrand Bank | 27,268 | 29,262 |
| ** Of which Storebrand Livsforsikring | 19,074 | 6,019 |

Balance per 31.12.16 of mortages from Storebrand Bank ASA to sister company Storebrand Livsforsikring AS is NOK 9.7 billion. The mortgages were sold on commercial terms.

## NON-PERFORMING AND LOSS-EXPOSED LOANS

| NOK million | 2016 | 2015 |
|---|---|---|
| Non-performing and loss-exposed loans without identified impairment | 107 | 87 |
| Non-performing and loss-exposed loans with identified impairment | 88 | 100 |
| **Gross non-performing loans** | **195** | **187** |
| Individual write-downs | -27 | -58 |
| **Net non-performing loans** | **167** | **129** |

For further information about lending, see note 11 Credit risk.

# Note 35 – Real estate

## TYPE OF REAL ESTATE

| | | | 31/12/16 | | |
|---|---|---|---|---|---|
| NOK million | 31/12/16 | 31/12/15 | Required rate of return % [1] | Average duration of lease (years) [2] | m2 |
| **Office buildings (including parking and storage):** | | | | | |
| Oslo-Vika/Filipstad Brygge | 8,186 | 7,394 | 6.5-7.0 | 4.4 | 148,307 |
| Rest of Greater Oslo | 3,583 | 6,100 | 7.5-8.5 | 4.9 | 84,998 |
| Office buildings in Sweden | 1,106 | 1,494 | 5.0 | 6.2 | 29,358 |
| **Shopping centres (including parking and storage)** | | | | | |
| Rest of Greater Oslo | 591 | 574 | 8.5 | 2.3 | 38,820 |
| Rest of Norway | 6,008 | 5,522 | 6.9-9.4 | 3.8 | 160,292 |
| Housing Sweden [3] | 458 | 485 | 6.7 | 5.9 | 20,880 |
| **Car parks** | | | | | |
| Multi-storey car parks in Oslo | 918 | 741 | 6.7 | 5.0 | 27,393 |
| Multi-storey car parks in Sweden [4] | 72 | | 5.2 | 10.0 | 4,967 |
| **Other real estate:** | | | | | |
| Cultural/conference centres in Sweden [5] | 275 | 323 | 6.8 | 14.3 | 18,757 |
| Trading Sweden [6] | 488 | 473 | 4.0 | 0.3 | 7,000 |
| Hotel Sweden [7] | 1,190 | | 4.9 | 10.7 | 22,486 |
| Service real estate Sverige [8] | 1,237 | 1,257 | 5.3 | 12.9 | 51,248 |
| Real estate Norway | 51 | 51 | | | |
| **Total investment real estate** | **24,161** | **24,415** | | | **614,506** |
| Real estate for own use | 2,863 | 2,887 | 4.1 and 7.7 | 3,1-5,0 | 59,806 |
| **Total real estate** | **27,024** | **27,303** | | | **674,312** |

As of 31.12.16, Storebrand Life Insurance had NOK 1 928 million invested in Storebrand Eiendomsfond Norge KS.
The investment is classified as «Investment in Associated Companies» in the Consolidated
Financial Statements.
Storebrand Eiendomsfond Norge KS invests exclusively in real estate at fair value.

## VACANCY

### Norway

At the end of 2016, a total of 15.9 per cent (13.9 per cent) of the floor space in the investment properties was vacant.
Of the total vacancy, 9.2 per cent (6,8 per cant) is related to to space that is unavaiilable for leasing due to ongoing development procjects.

### Sweden

At the end of 2016, there was practically no vacancy in the investment properties.

### Transactions:

**Purchases**: Further SEK 340 millions in property acquisitions in SPP have been agreed on in 4 quarter 2016 in addiition to the figures that has been finalised and included in the finacial statements as of 31 December 2016.
**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 2016.

## TANGIBLE FIXED ASSETS AND PROPERTIES FOR OWN USE

| NOK million | **2016** | 2015 |
|---|---|---|
| **Book value 01.01** | 2,887 | 2,583 |
| Additions | 20 | 16 |
| Disposals | | 4 |
| Revaluation booked in balance sheet | 52 | 152 |
| Depreciation | -66 | -45 |
| Write-ups due to write-downs in the period | 64 | 43 |
| Currency differences from converting foreign units | -133 | 104 |
| Other change | 39 | 31 |
| **Book value 31.12** | **2,863** | **2,887** |
| Acquisition cost opening balance | 2,619 | 2,599 |
| Acquisition cost closing balance | 2,639 | 2,619 |
| Accumulated depreciation and write-downs opening balance | -456 | -410 |
| Accumulated depreciation and write-downs closing balance | -521 | -456 |
| **Allocation by company and customers:** | | |
| Properties for own use – customers | 2,863 | 2,887 |
| **Total** | **2,863** | **2,887** |

| | |
|---|---|
| Depreciation method: | Straight line |
| Depreciation plan and financial lifetime Norwegian properties | 50 years |
| Depreciation plan and financial lifetime Swedish properties | 100 years |

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

[2] The average duration of the leases has been calculated proportionately based on the value of the individual properties.

[3] All of the proporties in Sweden are appraised externally. The appraisal is based on the required rates of return in the market (including 2 per cent inflation)

[4] All of the proporties in Sweden are appraised externally. The appraisal is based on the required rates of return in the market (including 2 per cent inflation)

[5] All of the proporties in Sweden are appraised externally. The appraisal is based on the required rates of return in the market (including 2 per cent inflation)

[6] All of the proporties in Sweden are appraised externally. The appraisal is based on the required rates of return in the market (including 2 per cent inflation)

[7] All of the proporties in Sweden are appraised externally. The appraisal is based on the required rates of return in the market (including 2 per cent inflation)

[8] All of the proporties in Sweden are appraised externally. The appraisal is based on the required rates of return in the market (including 2 per cent inflation)

# Note 36 – Accounts receivable and other short-term receivables

| NOK million | 2016 | 2015 |
|---|---|---|
| Accounts receivable | 1,035 | 3,159 |
| Interest earned/pre-paid expenses | 169 | 182 |
| Fee earned | 119 | 55 |
| Claims on insurance brokers | 378 | 76 |
| Forskudd avkastningsskatt | 1,259 | 1,166 |
| Activated sales costs (Swedish business) | 502 | 557 |
| Other current receivables | 237 | 525 |
| **Book value 31.12** | **3,700** | **5,721** |
| **Allocation by company and customers:** | | |
| Accounts receivable and other short-term receivables – company | 2,647 | 2,999 |
| Accounts receivable and other short-term receivables – customers | 1,053 | 2,722 |
| **Total** | **3,700** | **5,721** |

## AGE DISTRIBUTION FOR ACCOUNTS RECEIVABLE 31.12 (GROSS)

| NOK million | 2016 | 2015 |
|---|---|---|
| Receivables not fallen due | 1,013 | 3,135 |
| Past due 1 – 30 days | 19 | 25 |
| Past due 31 – 60 days | 1 | |
| Past due 61 – 90 days | 2 | |
| Past due > 90 days | 1 | |
| **Gross accounts receivable/receivables from reinsurance** | **1,037** | **3,160** |
| Provisions for losses 31.12 | -2 | -2 |
| **Net accounts receivable/receivables from reinsurance** | **1,035** | **3,159** |

# Note 37 – Equities and units

| | 2016 | 2015 |
|---|---|---|
| NOK million | Fair value | Fair value |
| Equities | 21,951 | 20,661 |
| Fund units | 107,586 | 103,928 |
| **Total equities and units** | **129,537** | **124,589** |
| **Allocation by company and customers:** | | |
| Equities and units – company | 121 | 114 |
| Equities and units – customers with guarantee | 18,158 | 21,444 |
| Equities and units – customers without guarantee | 111,258 | 103,031 |
| **Sum** | **129,537** | **124,589** |

See note 11.

# Note 38 – Bonds and other fixed-income securities

| | 2016 | 2015 |
|---|---|---|
| NOK million | Fair value | Fair value |
| Government bonds | 47,696 | 54,431 |
| Corporate bonds | 33,154 | 35,545 |
| Structured notes | 29 | |
| Collateralised securities | 33,216 | 42,220 |
| Bond funds | 57,742 | 58,580 |
| **Total bonds and other fixed-income securities** | **171,837** | **190,776** |
| **Allocation by company and customers:** | | |
| Bonds and other fixed-income securities – company | 30,504 | 29,123 |
| Bonds and other fixed-income securities – customers with guarantee | 114,680 | 131,506 |
| Bonds and other fixed-income securities – customers without guarantee | 26,654 | 30,147 |
| **Total** | **171,837** | **190,776** |

| | Fair value | | | | | |
|---|---|---|---|---|---|---|
| | Storebrand Life Insurance | SPP Pension & Insurance | Euroben | Storebrand Bank | Storebrand Insurance | Storebrand ASA |
| Modified duration | 6.5 | 7.0 | 5.1 | 0.3 | 0.4 | 0.5 |
| Average effective yield | 1.8% | 0.9% | 0.5% | 1.4% | 1.6% | 1.6% |

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 derivatives are included in the calculation of modified duration and average effective interest rate.

# Note 39 – Derivatives

**NOMINAL VOLUME**

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.

| | | | | Net amounts taken into account netting agreements | | |
|---|---|---|---|---|---|---|
| NOK million | Gross nominal volume [1] | Gross booked value fin. assets | Gross booked value fin. liabilities | Fin. assets | Fin. liabilities | Net amount |
| Interest derivatives | 75,226 | 4,584 | 1,294 | 950 | 147 | 3,290 |
| Currency derivatives | 46,462 | 244 | 900 | 115 | 716 | -657 |
| **Total derivater 31.12.16** | | **4,827** | **2,194** | **1,065** | **864** | **2,633** |
| Total derivater 31.12.15 | | 4,703 | 3,351 | 3,052 | 1,812 | 1,352 |
| **Distribution between company and customers:** | | | | | | |
| Derivatives – company | | | | | | 880 |
| Derivatives – customers with guarantee | | | | | | 2,151 |
| Derivatives – customers without guarantee | | | | | | -398 |
| **Total** | | | | | | **2,633** |

[1] Values 31.12.

# Note 40 – Technical insurance reserves – life insurance

### SPECIFICATION OF BUFFER CAPITAL ITEMS CONSERNING LIFE INSURANCE

| NOK million | Guaranteed pension | Savings | Insurance [1] | BenCo | **Total Storebrand Group 2016** | Total Storebrand Group 2015 |
|---|---|---|---|---|---|---|
| Additional statutory reserves | 6,794 | | | | 6,794 | 5,160 |
| Conditional bonus | 5,663 | | | 1,579 | 7,241 | 9,336 |
| Market value adjustment reserve | 2,626 | | 57 | | 2,684 | 4,520 |
| **Total buffer capital** | **15,082** | | **57** | **1,579** | **16,719** | **19,016** |

The excess value of bonds valued at amortised cost totalled NOK 8.785 million at the end of the 4th quarter, a decrease of 1.796 million since the turn of the year.

The excess value of bonds at amortised cost is not included in the financial statements.

### SPECIFICATION OF BALANCE SHEET ITEMS CONSERNING LIFE INSURANCE

| NOK million | Guaranteed pension | Savings | Insurance [2] | BenCo | **Total Storebrand Group 2016** | Total Storebrand Group 2015 |
|---|---|---|---|---|---|---|
| Premium reserve | 241,150 | 139,821 | 3,473 | 14,835 | 399,280 | 394,678 |
| – of which IBNS | | | | | 3,128 | 2,549 |
| Pension surplus fund | 12 | | | | 12 | 3 |
| Premium fund/deposit fund | 2,659 | | | | 2,659 | 2,710 |
| Other technical reserves | | | 684 | | 684 | 655 |
| – of wich IBNS | 0 | | 646 | | 646 | 598 |
| Claims reserve | 658 | 1 | 832 | 53 | 1,543 | 1,168 |
| – of which IBNS | | | | | 1,543 | 1,168 |
| **Total insurance liabilities – life insurance** | **244,480** | **139,822** | **4,988** | **14,888** | **404,178** | **399,214** |

### MARKET VALUE ADJUSTMENT RESERVE

| NOK million | **2016** | **2015** |
|---|---|---|
| Equities | 1,266 | 2,074 |
| Interest-bearing | 1,417 | 2,446 |
| **Total market value adjustment reserves at fair value** | **2,684** | **4,520** |

See note 41 for insurance liabilities – P&C.

[1] Including personal risk and employee insurance of the Insurance segment.

[2] Including personal risk and employee insurance of the Insurance segment.

# Note 41 – Technical insurance reserves – P&C insurance

### ASSETS AND LIABILITIES – P&C INSURANCE

| NOK million | **2016** | 2015 |
|---|---|---|
| Reinsurance share of insurance technical reserves | 40 | 22 |
| **Total assets** | 40 | 22 |
| Premium reserve | 467 | 455 |
| Claims reserve | 582 | 518 |
| – of which IBNS | 582 | 518 |
| Administration reserve | 29 | 24 |
| **Total liabilities** | **1,079** | **998** |

See note 40 for insurance liabilities – life insurance.

# Note 42 – Other current liabilities

| NOK million | **2016** | 2015 |
|---|---|---|
| Accounts payable | 149 | 182 |
| Accrued expenses/appropriations | 517 | 599 |
| Other appropriations | 227 | 253 |
| Governmental fees and tax withholding | 351 | 394 |
| Collateral received derivates in cash | 2,953 | 2,296 |
| Liabilities in connection with direct insurance | 1,250 | 1,413 |
| Liabilities to broker | 458 | 279 |
| Subordinated loan SPP Pension & Försäkring AB **[1]** | 663 | |
| Other current liabilities | 973 | 1,198 |
| **Book value 31.12** | **7,542** | **6,614** |

## SPECIFICATION OF RESTRUCTURING RESERVES

| NOK million | **2016** | 2015 |
|---|---|---|
| Book value 01.01 | 105 | 86 |
| Increase in the period | 80 | 84 |
| Amount recognised against reserves in the period | -85 | -64 |
| **Book value 31.12** | **100** | **105** |

[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 43 – Hedge accounting

### 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 reconised in the income statement.

The effectiveness of hedging is monitored at the individual security level.

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

| | 2016 | | | | | 2015 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Book value [1] | | | | | Book value [2] | | | |
| NOK million | Contract/ nominal value | Assets | Liabilities | Booked | Recognised of comprehensive income | Contract/ nominal value | Assets | Liabilities | Booked | Recognised of comprehensive income |
| Interest rate swaps | 4,623 | 1,081 | | -74 | -197 | 4,388 | 1,371 | | -33 | 234 |
| Subordinated loans | -2,238 | | 3,027 | -13 | 137 | -2,238 | | 3,158 | 49 | -207 |
| Debt raised through issuance of securities | -2,350 | | 2,508 | 70 | | -2,115 | | 2,352 | 30 | |

### CURRENCY HEDGING OF NET INVESTMENT IN SPP

In 2016, 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, a time-limited subordinated loan of SEK 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

| | 2016 | | | 2015 | | |
|---|---|---|---|---|---|---|
| | | Book value [3] | | | Book value [4] | |
| NOK million | Contract/ nominal value | Assets | Liabilities | Contract/ nominal value | Assets | Liabilities |
| Currency derivatives | -4,700 | | 51 | -6,706 | | 244 |
| Loan used as hedging instrument | -750 | | 722 | | | |
| Underlying items | | 5,560 | | | 7,063 | |

[1] Book values as at 31.12.

[2] Book values as at 31.12.

[3] Book values at 31.12.

[4] Book values at 31.12.

# Note 44 – Collateral

| NOK million | 2016 | 2015 |
|---|---|---|
| Collateral for Derivatives trading | 2,179 | 1,719 |
| Collateral received in connection with Derivatives trading | -3,087 | -2,559 |
| **Total received and pledged collateral** | **-908** | **-840** |

Collateral pledged in connection with futures and options are regulated on a daily basis in the daily margin clearing on individual contracts. Collatrals are received and given both as cash and securities.

| NOK million | 2016 | 2015 |
|---|---|---|
| Book value of bonds pledged as collateral for the bank's lending from Norges Bank | 880 | 651 |
| Booked value of securities pledged as collateral in other financial institutions | 151 | |
| **Total** | **1,031** | **651** |

Securities pledged as collateral are linked to lending access in Norges Bank for which, pursuant to the regulations, the loans must be fully guaranteed with collateral in interest-bearing securities and/or the bank's deposits in Norges bank. Storebrand Bank ASA has none F-loan in Norges Bank as per 31.12.2016.

Of total loans of NOK 27.3 billion , NOK 13.4 billion has been mortgaged in connection with the issuing of covered bonds (covered bond rate) in Storebrand Boligkreditt AS.

Loans in Storebrand Boligkreditt AS are security for covered bonds (covered bond rate) issued in the company and these assets are therefore mortgaged through the bondholder's preferential right to the security holding in the company.

Storebrand Boligkreditt AS has over-collateralisation (OC) of 17.9 per cent, however committed OC is 12.8 per cent. Storebrand Boligkreditt AS therefore has security that is NOK 583 million more than what is committed in the loan programme.

Storebrand Bank ASA considers the security to be adequate.

# Note 45 – Contingent liabilities

| NOK million | **2016** | 2015 |
|---|---|---|
| Guarantees | 24 | 49 |
| Unused credit limit lending | 3,548 | 3,763 |
| Uncalled residual liabilities re limited partnership | 2,971 | 3,922 |
| Loan commitment retail market | 3,524 | 1,981 |
| **Total contingent liabilities** | **10,067** | **9,716** |

Guarantees principally concern payment guarantees and contract guarantees.

Unused credit facilities concern granted and unused overdrafts and credit cards, as well as unused facility for credit loans secured by property.

Storebrand Group companies are engaged in extensive activities in Norway and abroad and may become a party in legal disputes.

# Note 46 – Securities lending and buy-back guarantees

### COVERED BONDS – STOREBRAND BANK GROUP

| NOK mill. | 2016 | 2015 |
|---|---|---|
| Transferred bonds still recognised on the statement of financial position | 402 | 403 |
| Liabilities related to the assets | 402 | 404 |

Transferred bonds that are included in buyback agreements (repos) are not derecognised, since all risk and return on the securities are retained by Storebrand Bank ASA.

# Note 47 – Solvency II

The Storebrand Group is an insurance-dominated, cross-sectoral financial group with capital requirements in accordance with Solvency II. Storebrand calculates Solvency II according to the standard method as defined in the Solvency II Regulations.

Solvency II entered into force on 1 January 2016. In accordance with the Solvency II regulations, the first complete Solvency II annual report for 2016 will be reported to the financial markets in the first 6 months of 2017.

Consolidation is carried out in accordance with Section 18-2 of the Norwegian Act relating to Financial Undertakings and Financial Groups.

The solvency capital requirement and minimum capital requirement for the group are calculated in accordance with Section 46 (1)-(3) 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 expexctations of future events and represent the management's best judgement 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. Tier 1 capital consists of paid-in capital and reconciliation reserve. **[1]** It also includes perpetual subordinated loans (perpetual hybrid Tier 1 capital) with up to 20 per cent of Tier 1 capital.

Other subordinated loans (time limited) and risk equalisation reserve are categorised as Tier 2 capital. Tier 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 Tier 3 capital. Tier 3 capital can cover up to 15 per cent of the solvency capital requirement. Tier 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 Tier 1 capital despite them not fully satisfying the requirements for viable capital in the Solvency II regulations.

The companies in the group governed by CRD IV are included in the group's solvency capital and solvency capital requirements with their respective primary capital and capital requirements.

**SOLVENCY CAPITAL**

| | | | 31/12/16 | | |
|---|---|---|---|---|---|
| NOK million | **Total** | Tier 1 unlimited | Tier 1 limited | Tier 2 | Tier 3 |
| Share capital | **2,250** | 2,250 | | | |
| Share premium | **9,485** | 9,485 | | | |
| Reconciliation reserve | **23,524** | 23,524 | | | |
| *Including the effect of the transitional arrangement* | **3,073** | 3,073 | | | |
| Subordinated loans | **7,198** | | 2,575 | 4,623 | |

| | 31/12/16 | | | | |
|---|---|---|---|---|---|
| NOK million | **Total** | Tier 1 unlimited | Tier 1 limited | Tier 2 | Tier 3 |
| Deferred tax assets | **102** | | | | 102 |
| Risk equalisation reserve | **140** | | | 140 | |
| Minority interests | **46** | | | | 46 |
| Unavailable minority interests | **-30** | | | | -30 |
| Deductions for CRD IV subsidiaries | **-2,690** | -2,190 | -225 | -275 | |
| Expected paid out dividend | **-695** | -695 | | | |
| **Total basic solvency capital** | **39,331** | 32,374 | 2,350 | 4,489 | 118 |
| Subordinated capital for subsidiaries regulated in accordance with CRD IV | 2,690 | | | | |
| **Total solvency capital** | **42,020** | | | | |
| **Total solvency capital available to cover the minimum capital requirement** | **36,726** | 32,374 | 2,350 | 2,002 | |

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 CAPITAL REQUIREMENT AND -MARGIN

| NOK million | 31/12/16 |
|---|---|
| Market | 24,175 |
| Counterparty | 529 |
| Life | 8,773 |
| Health | 731 |
| P&C | 295 |
| Operational | 1,449 |
| Diversification | -6,340 |
| Loss-absorbing tax effect | -5,363 |
| **Total solvency capital requirement – insurance company** | **24,249** |
| Capital requirements for subsidiaries regulated in accordance with CRD IV | 2,537 |
| **Total solvency capital requirement** | **26,786** |
| **Solvency margin with transitional rules** | **157%** |
| **Minimum capital requirement** | **10,010** |
| **Minimum margin** | **367%** |

[1] 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.

# Note 48 – Cross-sectoral financial group

The Storebrand Group has a requirement to report capital adequacy in a multi-sectoral financial group (conglomerate directive). The calculation in accordance with the Solvency II regulations and capital adequacy calculation in accordance with the conglomerate directive give the same primary capital and essentially the same capital requirements.

| NOK million | **31/12/16** |
|---|---|
| Capital requirements for CRD IV companies | 2,700 |
| Solvency captial requirements for insurance | 24,249 |
| **Total capital requirements** | **26,950** |
| Net primary capital for companies included in the CRD IV report | 2,690 |
| Net primary capital for insurance | 39,331 |
| **Total net primary capital** | **42,020** |
| **Overfunding** | **15,070** |

Under Solvency II, the capital requirement from the CRD IV companies in the Group is included in accordance with their respective capital requirements. In a multi-sectoral financial group, all the capital requirements of the CRD IV companies are calculated based on their respective applicable requirements, including buffer requirement for the largest company in the Group (Storebrand Bank). This increases the total requirement from the CRD IV companies in relation to what is included in the Solvency II calculation. As at 31 December 2016, the difference amounted to NOK 164 million.

# Note 49 – Information related parties

Companies in the Storebrand Group have transactions with related parties who are shareholders in Storebrand ASA and senior employees. These are transactions that are part of the products and services offered by the Group's companies to their customers. The transactions are entered into on commercial terms and include occupational pensions, private pensions savings, P&C insurance, leasing of premises, bank deposits, lending, asset management and fund saving. See note 25 for further information about senior employees.

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 note 1 Accounting Policies for further information.

For further information about close associates, see notes 31 and 42.

# Profit and loss account

| NOK million | Note | 2016 | 2015 |
|---|---|---|---|
| *Operating income* | | | |
| Income from investments in subsidiaries | 2 | 899 | 519 |
| *Net income and gains from financial instruments:* | | | |
| – bonds and other fixed-income securities | 3 | 48 | 33 |
| – financial derivatives/other financial instruments | 3 | -7 | -4 |
| Other financial instruments | | 55 | 1 |
| **Operating income** | | **996** | **550** |
| Interest expenses | | -85 | -109 |
| Other financial expenses | | -6 | -15 |
| *Operating costs* | | | |
| Personnel costs | 4,5,6 | -27 | -29 |
| Amortisation | 12 | -1 | -1 |
| Other operating costs | | -48 | -63 |
| **Total operating costs** | | **-76** | **-93** |
| **Total costs** | | **-167** | **-217** |
| **Pre-tax profit** | | **829** | **333** |
| Tax | 7 | -91 | -81 |
| **Profit for year** | | **738** | **252** |

## Statement of total comprehensive income

| NOK million | Note | 2016 | 2015 |
|---|---|---|---|
| **Profit for year** | | **738** | **252** |
| *Other result elements not to be classified to profit/loss* | | | |
| Change in estimate deviation pension | | -41 | -18 |
| Tax on other result elements | | 10 | 5 |
| **Total other result elements** | | **-31** | **-14** |
| **Total comprehensive income** | | **707** | **238** |

# Statement of financial position

| NOK million | Note | 2016 | 2015 |
|---|---|---|---|
| **Fixed assets** | | | |
| Deferred tax assets | 7 | 236 | 317 |
| Tangible fixed assets | 12 | 29 | 29 |
| Shares in subsidiaries and associated companies | 8 | 17,102 | 17,095 |
| **Total fixed assets** | | **17,367** | **17,441** |
| **Current assets** | | | |
| Owed within group | 16 | 891 | 511 |
| Other current receivables | | 11 | 21 |
| *Investments in trading portfolio:* | | | |
| – bonds and other fixed-income securities | 9,11 | 2,123 | 2,231 |
| – financial derivatives/other financial instruments | 10,11,14 | 20 | 28 |
| Bank deposits | 11 | 72 | 161 |
| **Total current assets** | | **3,117** | **2,952** |
| **Total assets** | | **20,484** | **20,393** |
| **Equity and liabilities** | | | |
| Share capital | | 2,250 | 2,250 |
| Own shares | | -8 | -10 |
| Share premium reserve | | 9,485 | 9,485 |
| **Total paid in equity** | | **11,726** | **11,724** |
| Other equity | | 5,129 | 5,105 |
| **Total equity** | | **16,855** | **16,829** |
| **Non-current liabilities** | | | |
| Pension liabilities | 5 | 159 | 157 |
| Securities issued | 13,14 | 2,698 | 3,261 |
| **Total non-current liabilities** | | **2,857** | **3,418** |
| **Current liabilities** | | | |
| Debt within group | 16 | 7 | 76 |
| Provision for dividend | | 695 | |
| Other current liabilities | | 71 | 71 |
| **Total current liabilities** | | **773** | **147** |
| **Total equity and liabilities** | | **20,484** | **20,393** |

LYSAKER, 7. FEBRUAR 2017

BOARD OF DIRECTORS OF STOREBRAND ASA

Birger Magnus (sign.)
*Chairman of the Board*

Karin Bing Orgland (sign.) | Laila S. Dahlen (sign.) | Gyrid Skalleberg Ingerø (sign.)

Martin Skancke (sign.) | Håkon Reistad Fure (sign.) | Jan Chr. Opsahl (sign.)

Arne Fredrik Håstein (sign.) | Knut Dyre Haug (sign.) | Heidi Storruste (sign.)

Odd Arild Grefstad (sign.)
*CEO*

# Statement of changes in equity

| NOK million | Share capital [1] | Own shares | Share premium | Other equity | Total equity |
|---|---|---|---|---|---|
| **Equity at 31.12. 2014** | **2,250** | **-12** | **9,485** | **4,859** | **16,581** |
| Profit for the period | | | | 252 | 252 |
| Total other result elements | | | | -14 | -14 |
| **Total comprehensive income** | | | | **238** | **238** |
| Own share bought back | | 2 | | 21 | 23 |
| Employee share | | | | -12 | -12 |
| **Equity at 31.12. 2015** | **2,250** | **-10** | **9,485** | **5,105** | **16,829** |
| Profit for the period | | | | 738 | 738 |
| Total other result elements | | | | -31 | -31 |
| **Total comprehensive income** | | | | **707** | **707** |
| Provision for dividend | | | | -695 | -695 |
| Own share bought back [2] | | 2 | | 26 | 28 |
| Employee share [3] | | | | -14 | -14 |
| **Equity at 31.12. 2016** | **2,250** | **-8** | **9,485** | **5,129** | **16,855** |

[1] 1) 449 909 891 shares with a nominal value of NOK 5.

[2] In 2016, 431 334 shares were sold to our own employees. Holding of own shares 31. December 2016 was 1 631 387

[3] In 2016, 431 334 shares were sold to our own employees. Holding of own shares 31. December 2016 was 1 631 387

# Cash flow statement

| NOK million | 2016 | 2015 |
|---|---|---|
| **Cash flow from operational activities** | | |
| Receipts – interest, commission and fees from customers | 48 | 39 |
| Net receipts/payments – securities at fair value | 112 | -618 |
| Payments relating to operations | -117 | -124 |
| Net receipts/payments – other operational activities | 522 | 776 |
| **Net cash flow from operational activities** | **565** | **73** |
| **Cash flow from investment activities** | | |
| Net receipts – sale of subsidiaries | 64 | |
| Net payments – sale/capitalisation of subsidiaries | -79 | -23 |
| **Net cash flow from investment activities** | **-15** | **-23** |
| **Cash flow from financing activities** | | |
| Payments – repayments of loans | -555 | -671 |
| Receipts – new loans | 2 | 802 |
| Payments – interest on loans | -100 | -111 |
| Receipts – sold own shart to employees | 14 | 10 |
| **Net cash flow from financing activities** | **-639** | **29** |
| **Net cash flow for the period** | **-89** | **79** |
| Net movement in cash and cash equivalents | -89 | 79 |
| Cash and cash equivalents at start of the period | 161 | 82 |
| **Cash and cash equivalents at the end of the period** | **72** | **161** |

# Note 1 – Accounting policies

Storebrand ASA is the holding company of the Storebrand Group. The Storebrand Group is engaged in life and P&C insurance, banking and asset management, with insurance being the primary business. The financial statements of Storebrand ASA have accordingly been prepared in accordance with the Norwegian Accounting Act, generally accepted accounting policies in Norway, and the Norwegian Regulations relating to annual accounts for nonlife insurance companies. Storebrand ASA has used the simplified IFRS provisions in the regulations for recognition and measurement.

### USE OF ESTIMATES AND DISCRETIONARY ASSUMPTIONS

In preparing the annual financial statements, Storebrand has made assumptions and used estimates that affect the reported value of assets, liabilities, revenues, costs, as well as the information provided on contingent liabilities. Future events may cause these estimates to change. Such changes will be recognised in the financial statements when there is a sufficient basis for using new estimates. The most important estimates and assessments are related to the valuation of the company's subsidiaries and the assumptions used for pension calculations.

### CLASSIFICATION AND VALUATION POLICIES

Assets intended for permanent ownership and use are classified as fixed assets, and assets and receivables due for payment within one year are classified as current assets. Equivalent policies have been applied to liability items.

### PROFIT AND LOSS ACCOUNT AND STATEMENT OF FINANCIAL POSITION

Storebrand ASA is a holding company with subsidiaries in the fields of insurance, banking and asset management. The layout plan in the Regulations relating to annual financial statements for nonlife insurance companies has not been used, a custom layout plan has been used.

### INVESTMENTS IN SUBSIDIARIES, DIVIDENDS AND GROUP CONTRIBUTIONS

In the company's accounts, investments in subsidiaries and associated companies are valued at the acquisition cost less any write-downs. The need to write down is assessed at the end of each accounting period. Storebrand ASA's primary income is the return on capital invested in subsidiaries. Group contributions and dividends received in respect of these investments are therefore recorded as ordinary operating income. Proposed and approved dividends and group contributions from subsidiaries at the end of the year are recognised in the financial statements of Storebrand ASA as income in that financial year.

A prerequisite for recognition is that this is earned equity by a subsidiary. Otherwise, this is recognised as an equity transaction, which means that the ownership interest in the subsidiary is reduced by dividends or group contributions.

### TANGIBLE FIXED ASSETS

Tangible fixed assets for own use are recognised at acquisition cost less accumulated depreciation. Write-downs are made if the book value exceeds the recoverable amount of the asset.

### PENSION LIABILITIES FOR COMPANY'S OWN EMPLOYEES

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 or losses and the effect of changes in assumptions are recognised in other comprehensive income. The effects of changes in the pension scheme are recognised on an ongoing basis, unless the changes are conditional upon accrued future pension entitlements, The effects are apportioned on a straight line basis until the entitlement has been fully earned. The employer's National Insurance contributions are included as part of the pension liability and are included in the actuarial gains/losses shown in total comprehensive income.

The defined-contribution pension scheme involves the company 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 company 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.

## TAX

The tax cost in the profit and loss account consists of tax payable and changes in deferred tax. Deferred tax and deferred tax assets are calculated on the differences between accounting and tax values of assets and liabilities. Deferred tax assets are recorded on the balance sheet to the extent it is considered likely that the company will have sufficient taxable profit in the future to make use of the tax asset. Deferred tax is applied directly against equity to the extent that it relates to items that are themselves directly applied against equity.

### CURRENCY

Current assets and liabilities are translated at the exchange rate on the balance sheet date. Shares held as fixed assets are translated at the exchange rate on the date of acquisition.

## FINANCIAL INSTRUMENTS

### EQUITIES AND UNITS

Equities and units are valued at fair value. For securities listed on an exchange or other regulated market, fair value is determined as the bid price on the last trading day immediately prior to or on the balance sheet date.

Any repurchase of own shares is dealt with as an equity transaction, and own shares (treasury stock) are presented as a reduction in equity.

### BONDS AND OTHER FIXED INCOME SECURITIES

Bonds and other fixed income securities are included i the statement of financial position from such time the company becomes party to the instrument's contractual terms and conditions. Ordinary purchases and sales of financial instruments are recognised 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.

Financial assets are derecognised when the contractual right to the cash flows 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.

Bonds and other fixed income securities are recognised at fair value.

Fair value is the amount for which an asset could be sold for, or a liability settled with, between knowledgeable, willing parties in an arm's length transaction. For financial assets that are listed on an exchange or other regulated market place, fair value is determined as the bid price on the last trading day up to and including the balance sheet date, and in the case of an asset that is to be acquired or a liability that is held, the offer price.

### FINANCIAL DERIVATIVES

Financial derivatives are recognised at fair value. The fair value of such derivatives is classified as either an asset or a liability with changes in fair value through profit or loss.

### BOND FUNDING

Bond loans are recorded at amortised cost using the effective interest rate method. The amortised cost includes the transaction costs on the date of issue.

## ACCOUNTING TREATMENT OF DERIVATIVES AS HEDGING

### FAIR VALUE HEDGING

Storebrand uses fair value hedging, and the hedged items are fixed rate funding measured at amortised cost. Derivatives that fall within this category are recognised at fair value through profit or loss. Changes in the value of the hedged item that relate to the hedged risk are applied to the book value of the item and recognised through profit or loss.

# Note 2 – Income from investments in subsidiaries

| NOK million | **2016** | 2015 |
|---|---|---|
| Storebrand Bank ASA | 369 | 79 |
| Storebrand Asset Management AS | 464 | 378 |
| Storebrand Forsikring AS | 54 | 31 |
| Storebrand Baltic UAB | | 10 |
| Storebrand Helseforsikring AS | 12 | 21 |
| **Total** | **899** | **519** |

Group contribution from Storebrand ASA, see note 8

# Note 3 – Net income for various classes of financial instruments

| NOK mill. | Dividend/ interest income | Net gain/loss on realisation | Net unrealised gain/loss | **2016** | 2015 |
|---|---|---|---|---|---|
| Net income from bonds and other fixed income securities | 49 | -14 | 14 | 48 | 33 |
| Net income from financial derivatives | | | -7 | -7 | -4 |
| **Net income and gains from financial assets at fair value** | **49** | **-14** | **7** | **41** | **29** |
| – of which FVO (Fair Value Option) | 49 | -14 | 14 | 48 | 33 |
| – of which trading | | | -7 | -7 | -4 |

# Note 4 – Personnel costs

| NOK million | **2016** | 2015 |
|---|---|---|
| Ordinary wages and salaries | -16 | -13 |
| Employer's social security contributions | -4 | -3 |
| Personnel costs **[1]** | 3 | -7 |
| Other benefits | -10 | -7 |
| **Total** | **-27** | **-29** |

[1] See the spesification in note 5.

# Note 5 – Pensions costs and pension liabilities

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 92,576 as at 31 December 2016)
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

In connection with new rules for disability pensions in the Norwegian Occupational Pensions Act, Storebrand altered the disability pension scheme for own employees in Norway effective from 1 June 2016. The survivor coverage associated with the pension scheme came to an end from the same date. These schemes are capitalised as defined-benefit schemes in the accounts. The winding up of this scheme resulted in a reduction in recognised liabilities that has given a profit of NOK 9 million upon derecognition and which reduces the pension costs in the profit and loss account.

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 2016. 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.

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

| NOK million | **2016** | 2015 |
|---|---|---|
| Present value of insured pension benefit liabilities | 3 | 10 |
| Pension assets at fair value | -8 | -13 |
| Net pension liabilities/assets for the insured schemes | -4 | -3 |
| Present value of the uninsured pension liabilities | 163 | 160 |
| **Net pension liabilities in the statement of financial position** | **159** | **157** |

### CHANGES IN THE NET DEFINED BENEFITS PENSION LIABILITIES IN THE PERIOD:

| NOK million | **2016** | 2015 |
|---|---|---|
| Net pension liabilities 01.01 | 170 | 172 |

| NOK million | 2016 | 2015 |
|---|---|---|
| Net pension cost recognised in the period | 1 | 1 |
| Interest on pension liabilities | 4 | 5 |
| Gain/loss on insurance reductions | -10 | |
| Pension experience adjustments | 42 | 27 |
| Pensions paid | -34 | -35 |
| Changes to pension scheme | -5 | |
| **Net pension liabilities 31.12** | **167** | **170** |

## CHANGES IN THE FAIR VALUE OF PENSION ASSETS

| NOK million | 2016 | 2015 |
|---|---|---|
| Pension assets at fair value 01.01. | 13 | 4 |
| Pension experience adjustments | | 9 |
| Premium paid | 1 | 1 |
| Pensions paid | -1 | |
| Changes to pension scheme | -5 | |
| **Net pension assets 31.12** | **8** | **13** |

Expected premium payments are estimated to be NOK 1 million and the payments from operations are estimated to be NOK 16 million in 2017.

## PENSION ASSETS ARE BASED ON THE FINANCIAL ASSETS HELD BY STOREBRAND LIFE INSURANCE, WHICH ARE COMPOSED OF AS PER 31.12.:

| NOK million | 2016 | 2015 |
|---|---|---|
| Properties and real estate | 15% | 12% |
| Bonds at amortised cost | 40% | 45% |
| Loan | 6% | |
| Equities and units | 12% | 11% |
| Bonds | 27% | 27% |
| Other short-term financial assets | 0% | 4% |
| **Total** | **100%** | **100%** |

| | | |
|---|---|---|
| Booked returns on assets managed by Storebrand Life Insurance were: | 6,4% | 5,4% |

## NET PENSION COST BOOKED TO PROFIT AND LOSS ACCOUNTS IN THE PERIOD

| NOK million | 2016 | 2015 |
|---|---|---|
| Net pension cost recognised in the period | 1 | 1 |
| Net interest/expected return | 4 | 5 |
| Changes to pension scheme | -10 | |
| **Total for defined benefit schemes** | **-5** | **5** |
| The period's payment to contribution scheme | 2 | 2 |
| **Net pension cost booked to profit and loss accounts in the period** | **-3** | **7** |

## OTHER COMPREHENSIVE INCOME (OCI) IN THE PERIOD

| NOK million | 2016 | 2015 |
|---|---|---|
| Actuarial loss (gain) – experience DBO | 42 | 27 |
| Loss (gain) – experience Assets | | -9 |

| NOK million | **2016** | 2015 |
|---|---|---|
| **Remeasurements loss (gain) in the period** | **42** | **18** |

### MAIN ASSUMPTIONS USED WHEN CALCULATING NET PENSION LIABILITY AS PER 31.12.

| | **2016** | 2015 |
|---|---|---|
| Economic assumptions: | | |
| Discount rate | 2.3% | 2.7% |
| Expected earnings growth | 2.00% | 2.25% |
| Expected annual increase in social security pension | 2.00% | 2.25% |
| Expected annual increase in pensions in payment | 0.0% | 0.0% |
| 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 2016.

# Note 6 – Remuneration of the CEO and elected officers of the company

| NOK thousand | **2016** | 2015 |
|---|---|---|
| **Chief Executive Officer [1]** | | |
| Salery **[2]** | 5,924 | 5,360 |
| Other taxable benefits | 192 | 181 |
| **Total remuneration** | **6,116** | **5,541** |
| Pension costs **[3]** | 1,099 | 1,155 |
| Board of Representatives **[4]** | 591 | 897 |
| Control Committee **[5]** | | 1,722 |
| Chairman of the Board | 688 | 599 |
| Board of Directors including the Chairman | 4,623 | 3,889 |
| **Remuneration paid to auditors** | | |
| Statutory audit | 1,682 | 1,730 |
| Other reporting duties | 214 | 258 |
| Other non-audit services | | 23 |

For further information on senior employees, the Board of Directors, the Control Committee and the Board's statement on fixing the salary and other remuneration of senior employees, see note 25 in the Storebrand Group.

[1] Odd Arild Grefstad is the CEO of Storebrand ASA and the amount stated in the note is the total remuneration from the Group. He has a guaranteed salary for 24 months after the ordinary period of notice. All work-related income including consulting assignments will be deducted.

[2] 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.

[3] Pension costs include accrual for the year. See also the description of the pension scheme in Note 5.

[4] Including remuneration to the Nomination Committee. The Board of Representatives was disbanded at the Ordinary General Meeting in 2016.

[5] The Control Committee was disbanded from 1 January 2016.

# Note 7 – Tax

### THE DIFFERENCE BETWEEN THE FINANCIAL RESULTS AND THE TAX BASIS FOR THE YEAR IS PROVIDED BELOW.

| NOK million | **2016** | 2015 |
|---|---|---|
| Pre-tax profit | 829 | 333 |
| | | |
| Dividend | -117 | -31 |
| Gain/loss equities | -54 | |
| Tax-free group contribution | -302 | -91 |
| Group contribution toward balance | | 22 |
| Permanent differences | -41 | -17 |
| Change in temporary differences | -20 | |
| **Tax base for the year** | **295** | **216** |
| – Use of losses carried forward | -295 | -216 |
| **Payable tax** | | |

### TAX COST

| NOK million | **2016** | 2015 |
|---|---|---|
| Payable tax | – | – |
| Change in deferred tax | -91 | -81 |
| **Tax cost** | **-91** | **-81** |

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

| (NOK mill.) | **2016** | 2015 |
|---|---|---|
| **Tax increasing temporary differences** | | |
| Other | 1 | 1 |
| **Total tax increasing temporary differences** | **1** | **1** |
| **Tax reducing temporary differences** | | |
| Securities | -4 | -17 |
| Operating assets | -1 | -1 |
| Provisions | -19 | -4 |
| Accrued pension liabilities | -159 | -157 |
| Gains/losses account | -4 | -5 |
| **Total tax reducing temporary differences** | **-186** | **-183** |
| **Net tax increasing/(reducing) temporary differences** | **-185** | **-182** |
| Losses carried forward | -760 | -1,086 |
| **Net tax increasing/(reducing) temporary differences** | **-945** | **-1,267** |
| **Net deferred tax asset/liability in the statement of financial position** | **236** | **317** |

## RECONCILIATION OF TAX COST AND ORDINARY PROFIT

| NOK million | **2016** | 2015 |
|---|---|---|
| Pre-tax profit | 829 | 333 |
| Expected tax at nominal rate (27 %) | -207 | -90 |
| Tax effect of: | | |
| dividends received | 29 | 8 |
| gains on equities | 14 | |
| permanent differences | 75 | 25 |
| change in tax rules | | -25 |
| changes from previous year | -2 | 1 |
| **Tax cost** | **-91** | **-81** |
| Effective tax rate | 11% | 24% |

In December 2016, the Norwegian Parliament (Storting) agreed to reduce the company tax rate from 25 to 24 per cent with effect from 1 January 2017. It was also agreed to introduce a financial tax that would enter into force from the same date. Therefore, for companies subject to the financial tax, the company tax rate will be continued at the 2016 level (25 per cent).

Since Storebrand ASA has activities within Section K – Financial and insurance activities (as defined in the Norwegian Standard Industrial Classification SN2007), which exceed 30 per cent and are therefore subject to the financial tax, a tax rate of 25 per cent has been used for capitalising deferred tax/deferred tax assets.

# Note 8 – Parent company's shares in subsidiaries and associated companies

| | Business office | Interest/ votes in | Carrying amount | |
|---|---|---|---|---|
| NOK million | | | **2016** | 2015 |
| **Subsidiaries** | | | | |
| Storebrand Livsforsikring AS | Oslo | 100 % | 13,703 | 13,703 |
| Storebrand Bank ASA | Oslo | 100 % | 2,339 | 2,339 |
| Storebrand Asset Management AS | Oslo | 100 % | 613 | 595 |
| Storebrand Forsikring AS | Oslo | 100 % | 359 | 359 |
| **Jointly controlled/associated companies** | | | | |
| Storebrand Helseforsikring AS | Oslo | 50 % | 78 | 78 |
| Cognizant Technologi Solutions Lithyanua UAB | Vilnius | 34 % | 6 | 17 |
| AS Værdalsbruket **[1]** | Værdal | 25 % | 4 | 4 |
| **Sum** | | | **17,102** | **17,095** |

[1] 74.9 per cent owned by Storebrand Livsforsikring AS.

# Note 9 – Bonds and other fixed-income securities

| | **2016** | 2015 |
|---|---|---|
| NOK million | **Fair value** | Fair value |
| State and state guaranteed | 595 | 365 |
| Company bonds | 774 | 989 |
| Covered bonds | 754 | 877 |
| **Total bonds and other fixed-income securities** | **2,123** | **2,231** |
| Modified duration | 0.5 | 0.3 |
| Average effective yield | 1.6% | 1.6% |

# Note 10 – Financial derivatives

| NOK million | Gross nominal volume [1] | Gross booked value fin. assets | Gross booked fin. liabilities | Net amount |
|---|---|---|---|---|
| Interest rate swaps [2] | 300 | 20 | | 20 |
| **Total derivatives 2016** | **300** | **20** | | **20** |
| Total derivatives 2015 | 580 | 28 | | 28 |

[1] Used for hedge accounting, also see note 14

[2] Used for hedge accounting, also see note 14

# Note 11- Financial risks

### CREDIT RISK BY RATING

| Short-term holdings of interest-bearing securities<br>Category of issuer or guarantor<br>NOK million | AAA<br>Fair value | AA<br>Fair value | A<br>Fair value | BBB<br>Fair value | NIG<br>Fair value | Total<br>Fair value |
|---|---|---|---|---|---|---|
| State and state guaranteed | | 595 | | | | 595 |
| Company bonds | | 23 | 701 | 51 | | 774 |
| Supranational organisations | 754 | | | | | 754 |
| **Total 2016** | **754** | **618** | **701** | **51** | | **2,123** |
| Total 2015 | 891 | 395 | 840 | 95 | 10 | 2,231 |

### COUNTERPARTIES

| | **AA** | **A** | **Total** |
|---|---|---|---|
| NOK million | Fair value | Fair value | Fair value |
| Derivatives | 20 | | 20 |
| Bank deposits | 2 | 70 | 72 |

The rating classes are based on Standard & Poors's

NIG = Non-investment grade.

### INTEREST RATE RISK

Storebrand ASA has both interest-bearing securities and interest-bearing debt. A change in interest rates will have a limited effect on the company's equity.

### LIQUIDITY RISK

| Undiscounted cash flows for financial liabilities<br>NOK million | 0-6 months | 6-12 months | 1-3 years | 3-5 years | Total value | Carrying amount |
|---|---|---|---|---|---|---|
| Securities issued/bank loans | 658 | 38 | 1,833 | 315 | 2,844 | 2,698 |
| **Total financial liabilities 2016** | **658** | **38** | **1,833** | **315** | **2,844** | **2,698** |
| Derivatives related to funding 2016 | 5 | -10 | -11 | -6 | -22 | -20 |
| Total financial liabilities 2015 | 597 | 50 | 2,009 | 837 | 3,494 | 3,261 |
| Derivatives related to funding 2015 | 5 | -10 | -11 | -11 | -27 | -28 |

Storebrand ASA had as per 31 December 2016 liquid assets of NOK 2.2 billion.

### CURRENCY RISK

Storebrand ASA has low currency risk.

# Note 12 – Tangible fixed assets

## EQUIPMENT, FIXTURES & FITTINGS

| NOK million | **2016** | 2015 |
|---|---|---|
| Acquisition cost 01.01 | 35 | 35 |
| Accumulated depreciation | -6 | -5 |
| Carrying amount 01.01 | 29 | 30 |
| Depreciation/write-downs for the year | -1 | -1 |
| **Carrying amount 31.12** | **29** | **29** |

## STRAIGHT LINE DEPRECIATION PERIODS FOR TANGIBLE FIXED ASSETS ARE AS FOLLOWS

| | |
|---|---|
| Equipment. fixtures and fittings | 4-8 years |
| IT systems | 3 years |

# Note 13 – Bond and bank loans

| NOK million | Interest rate | Currency | Net nominal value | **2016** | 2015 |
|---|---|---|---|---|---|
| Bond loan 2014/2020 **[1]** | Fixed | NOK | 300 | 321 | 327 |
| Bond loan 2011/2016 | Variable | NOK | | | 558 |
| Bond loan 2012/2017 | Variable | NOK | 625 | 627 | 627 |
| Bond loan 2014/2018 | Variable | NOK | 450 | 452 | 452 |
| Bond loan 2015/2019 | Variable | NOK | 500 | 499 | 499 |
| Bank loan 2015/2018 | Variable | NOK | 800 | 799 | 798 |
| Total bond and bank loans **[2]** | | | | **2,698** | **3,261** |

Signed loan agreements have standard covenant requirements. The terms and conditions have been redeemed persuant to signed loan agreements.
Storebrand ASA has an unused drawing facility of EUR 240 million.

[1] Loans with fixed rates are hedged by interest swaps, which are booked at fair value through profit and loss. Changes in values of loans that can be related to the hedged risk are included in the carrying amount and included in the result.

[2] Loans are booked at amortised cost and include earned not due interest.

# Note 14 – Hedge accounting

The company uses fair value hedging to hedge interest rate risk. The effectiveness of hedging is monitored at the individual security level.

## HEDGING INSTRUMENT/HEDGED ITEM – FAIR VALUE HEDGING

| | 2,016 | | | | 2,015 | | | |
|---|---|---|---|---|---|---|---|---|
| | | Carrying amount [1] | | | | Carrying amount [2] | | |
| NOK million | Contract/nominal value | Assets | Liabilities | Booked | Contract/nominal value | Assets | Liabilities | Booked |
| Interest rate swaps | 300 | 20 | | -7 | 300 | 27 | | -1 |
| Securities issued | 300 | | 321 | 7 | 300 | | 327 | 1 |

[1] Carrying amount 31.12.

[2] Carrying amount 31.12.

# Note 15 – Shareholders

### THE 20 LARGEST SHAREHOLDERS [1]

| | Ownership interest in % |
|---|---|
| J.P.Morgan Chase Bank NA London | 15.2 |
| Folketrygdfondet | 12.8 |
| Northern Trust Comp London BR | 4.7 |
| State Street Bank and Trust Comp | 4.2 |
| Various Holders | 3.7 |
| Varma Mutual Pension Insurance | 3.2 |
| Prudential Assurance Comp Limited | 2.2 |
| DnB NOR Markets Aksjehandanalyse | 2.0 |
| Skandinaviska Enskilda A/C Clients | 1.9 |
| Goldman Sachs & Company Equity | 1.5 |
| BNP Paribas Sec Services SCA | 1.4 |
| Verdipapirfondet DNB Norge IV | 1.3 |
| KLP Aksje Norge | 1.2 |
| VPF Nordea Norge Verdi | 1.1 |
| Citibankl NA | 1.1 |
| Clearstream Banking SA | 1.1 |
| VPF Nordea Kapital | 1.0 |
| Verdipapirfondet Handelsbanken | 0.9 |
| KLP Aksje Norge Indeks | 0.9 |
| Various Holders | 0.9 |
| | |
| **Foreign ownership of total shares** | **56.7%** |

[1] The summary includes Nominee (client account).

# Note 16 – Information about close associates

| | Number of shares [1] |
|---|---|
| **Senior employees** | |
| Odd Arild Grefstad | 92,602 |
| Lars Aa. Løddesøl | 60,169 |
| Geir Holmgren | 26,316 |
| Robin Kamark | 55,702 |
| Heidi Skaaret | 24,982 |
| Staffan Hansén | 27,718 |
| Jan Erik Saugestad | 22,768 |
| Jostein Chr. Dalland | 4,119 |

| | |
|---|---|
| **Board of Directors** | |
| Birger Magnus | 20,000 |
| Gyrid Skalleberg Ingerø | 5,000 |
| Laila S. Dahlen | 9,000 |
| Martin Skancke | 11,414 |
| Håkon Reistad Fure | 18,500 |
| Karin Bing Ogland | |
| Jan Chr. Opsahl | 1,100,000 |
| Heidi Storruste | 2,865 |
| Knut Dyre Haug | 13,255 |
| Arne Fredrik Håstein | 3,644 |

## TRANSACTIONS BETWEEN GROUP COMPANIES

| NOK million | **2016** | 2015 |
|---|---|---|
| **Profit and loss account items:** | | |
| Group contributions and dividends from subsidiaries | 899 | 519 |
| Purchase and sale of services (net) | -32 | -34 |
| **Statement of financial position items:** | | |
| Due from group companies | 891 | 511 |
| Payable to group companies | 7 | 76 |

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

# Note 17 – Number of employees/person-years

| | 2016 | 2015 |
|---|---|---|
| Number of employees | 8 | 6 |
| Number of full time equivalent positions | 8 | 6 |
| Average number of employees | 7 | 6 |

# Declaration of the Board and the CEO

On this date, the Board of Directors and the Chief Executive Officer have considered and approved the annual report and annual financial statements for Storebrand ASA and the Storebrand Group for the 2016 financial year and as at 31 December 2016 (2016 Annual Report).

The consolidated financial statements have been prepared in accordance with the EU-approved International Financial Reporting Standards (IFRS) and the associated interpretations, as well as the other disclosure obligations stipulated in the Norwegian Accounting Act that must be applied as at 31 December 2016. The annual financial statements for the parent company have been prepared in accordance with the Norwegian Accounting Act, Norwegian Regulations relating to annual accounts, etc. for insurance companies and the additional requirements in the Norwegian Securities Trading Act. The annual report for the Group and parent company complies with the requirements of the Norwegian Accounting Act and Norwegian Accounting Standard no. 16 as at 31 December 2016.

In the best judgment of the Board and the CEO, the annual 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 parent company's and Group's assets, liabilities, financial standing and results as a whole as at 31 December 2016. In the best judgment of the Board and the 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 for Storebrand ASA and the Storebrand Group. In the best judgement of the Board and the CEO, the descriptions of the most important elements of risk and uncertainty that the group faces in the next accounting period, and a description of related parties' material transactions, also provide a true and fair view.

**LYSAKER, 7. FEBRUAR 2017**
**BOARD OF DIRECTORS OF STOREBRAND ASA**

Birger Magnus (sign.)
*Chairman of the Board*

| | | |
|---|---|---|
| Karin Bing Orgland (sign.) | Laila S. Dahlen (sign.) | Gyrid Skalleberg Ingerø (sign.) |
| Martin Skancke (sign.) | Håkon Reistad Fure (sign.) | Jan Chr. Opsahl (sign.) |
| Arne Fredrik Håstein (sign.) | Knut Dyre Haug (sign.) | Heidi Storruste (sign.) |

Odd Arild Grefstad (sign.)
*CEO*

# Auditor's report

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Translation from the original Norwegian version

To the General Meeting of Storebrand ASA

INDEPENDENT AUDITOR'S REPORT

**Report on the Audit of the Financial Statements**

*Opinion*

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

- The financial statements of the parent company, which comprise the statement of financial position as at 31 December 2016, and profit and loss account, 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 statement of financial position as at 31 December 2016, and profit and loss account, statement for 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 2016, 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 give a true and fair view of the financial position of the group as at 31 December 2016, 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, included 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 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 |
|---|---|
| Storebrand has an extensive IT environment which includes several IT systems. The IT systems are both internally developed and standardized systems with | Storebrand has established an overall governance model and control activities related to its IT- systems. We have gained an understanding of Storebrand's |

*IT-systems and control activities relevant to financial reporting, cont.*

| Key audit matter | How the matter was addressed in the audit |
|---|---|
| varying degree of customisations and modifications.<br><br>The operation of the IT systems is largely outsourced to various service providers.<br><br>Storebrand'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.<br>We refer to note 7 for a more detailed description of management and operation of IT systems in Storebrand.<br><br>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. | overall governance model for the IT-systems relevant to financial reporting.<br><br>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.<br><br>We assessed and tested the design of selected automated control activities within the IT- systems related to calculations, reconciliations and settlement of transactions. For a sample of these control activities, we tested if they operated effectively in the reporting period.<br><br>We assessed third-party confirmations (ISAE 3402 reports) from several of Storebrand's service providers to assess whether these service providers had adequate internal controls in areas that are important for Storebrand's financial reporting.<br><br>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.<br><br>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 40 and 42 specifies the insurance liabilities.<br><br>The calculation models, assumptions and estimates will be of particular significance for the measurement of the IBNS reserves related to property and casualty (p&c) insurance and risk products in life insurance. The calculation models and assumptions used to estimate future expected payments | Storebrand has established various control activities related to the measurement of IBNS reserves for p&c insurance and risk products in life insurance ("IBNS reserves"), and for insurance liabilities related to insurance contracts with guaranteed interest in the Swedish operations.<br><br>For IBNS reserves we assessed and tested the design of selected control activities related to the input data, calculation models and determination of some assumptions. For a sample of these control activities, we tested if they operated effectively in the reporting period.<br><br>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 the determination of certain assumptions about future expected payments and the determination of the yield curve used in the |

*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. | discounting. For a sample of these control activities, we tested if they operated effectively in the reporting period.<br><br>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.<br><br>For the insurance liabilities related to insurance contracts with guaranteed interest in the Swedish operations we assessed selected assumptions related to future expected payments. We also compared the models and assumptions used by Storebrand to determine the yield curve used in the discounting to the requirements in the Swedish regulations.<br><br>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.<br><br>We have used our own actuaries to assess the choice of models, assumptions and estimates 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 40.684 as of 31 December 2016, of which NOK mill 27.024 in investment property.<br><br>Note 2 and 13 describes important accounting estimates and judgement related to valuation of level 3 investments.<br><br>The valuation of investments not traded in active markets, level 3 investments, are uncertain and the valuations are based on several assumptions and estimates.<br><br>The assumptions and estimates are crucial to the valuation, and the valuation of level | Storebrand has established various control activities related to the valuation of investments classified as Level 3 in IFRS.<br><br>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 controls operated effectively in the reporting period.<br><br>We assessed whether the valuation methods applied for investment properties and financial instruments were in accordance with industry valuation standards and practice.<br><br>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 the applied discount rates and fair value changes throughout the year. We obtained and assessed Storebrand's reasoning for the changes.<br><br>We also assessed whether the notes related to the financial instruments and investment properties classified as Level 3 investments were adequate. |

*Solvency II notes to the financial statements*

| Key audit matter | How the matter was addressed in the audit |
|---|---|
| The new European solvency regulation for insurance companies, Solvency II entered into force 1 January 2016. The Solvency II directive is implemented in Norwegian law through the Norwegian Act on Financial Undertakings and Financial Groups and the Norwegian Solvency II regulation.<br><br>The regulation of 18 December 2015 on Financial Statements for life insurance companies requires disclosures about Solvency II in the financial statements. Note 2 describes important accounting estimates and judgement and note 47 describes solvency capital including transitional rules, solvency capital requirement and solvency margin with transitional rules and important models, assumptions and estimates used in the calculations of these numbers.<br><br>The models used as a basis for the calculation of solvency capital requirement and solvency capital including transitional rules 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 calculations of the solvency capital including transitional rules and solvency capital requirement are complex and are based on several uncertain assumptions and estimates. This also includes assumptions regarding future profit margins on insurance products. The models, assumptions and estimates used are crucial to the calculation of the solvency margin. | Storebrand has established various control activities related to the calculation of solvency capital including transitional rules, solvency capital requirement, and solvency margin including transitional rules. We assessed and tested the design of selected control activities related to some of the calculations and to the determination of some assumptions and estimates, including selected assumptions resulting in the future profit margins on insurance products. For a sample of these control activities, we tested if they operated effectively in the reporting period.<br><br>For selected parts of the Solvency II regulations, we assessed Storebrand's interpretations against the Norwegian Act on Financial Undertakings and Financial Groups, the Norwegian Solvency II regulation and guidance from The Financial Supervisory Authority of Norway.<br><br>We tested the accuracy of Storebrand's calculation for selected expected cash flows for two insurance products. We used contract information received from Storebrand, applied Storebrand's assumptions and interpretations of the Solvency II regulations and performed a simplified calculation of the expected cash flows. We reconciled our estimates with Storebrand's and evaluated the results.<br><br>We tested the accuracy of selected parts of one type of asset stress included in Storebrand's calculation of the solvency capital requirement. We used information received from Storebrand regarding the fair value and allocation to the different insurance products, applied Storebrand's assumptions and interpretations of the Solvency II regulations and performed a simplified calculation of the asset stress and the aggregation to the solvency capital requirement. We reconciled our calculations with Storebrand's and evaluated the results. |

*Solvency II notes to the financial statements, cont.*

| Key audit matter | How the matter was addressed in the audit |
|---|---|
| The fact that compliance with the solvency capital requirement and the minimum capital requirement according to the Norwegian Act on Financial Undertakings and Financial Groups is a basis for the going concern assumption and that the calculations are complex and are based on several assumptions and estimates causes it to be a key audit matter. | We assessed whether the solvency margin with transitional rules and the minimum margin met the solvency capital requirement and the minimum capital requirement in the Norwegian Act on Financial Undertakings and Financial Groups.<br><br>We assessed the adequacy of the notes on Solvency II with regards to the requirement in the regulation as of 18. December 2015 on Financial statements for life insurance companies.<br><br>We used our own actuaries when performing the work. |

*Other information*

Management is responsible for the other information. The other information comprises the Annual Report for 2016, but does not include the financial statements and the 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 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, included International Standards on Auditing (ISAs), we exercise professional judgment and maintain professional skepticism 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 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, 7 February 2017
Deloitte AS

**Henrik Woxholt**
State Authorised Public Accountant (Norway)

Translation has been made for information purposes only

# Auditor's report on corporate sustainibility

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**Translation from the original Norwegian version**

**To the management of Storebrand ASA**

## AUDITOR'S REPORT ON STOREBRAND'S SUSTAINABILITY REPORTING 2016

We have reviewed certain aspects of Storebrand's sustainability reporting for 2016 (the Report). The Report includes the chapters "Sustainability in the Storebrand Group" and "Organisation and working environment" in the Board of Directors report and the chapters "The green transition", "Materiality" and "Impact" presented in the Storebrand Annual Report 2016, as well as the sustainability information on the Internet referred to from these chapters. The Report is the responsibility of and has been approved by the management of the Company. Our responsibility is to draw a conclusion based on our review.

We have based our work on the international standard ISAE 3000 "Assurance Engagements other than Audits or Reviews of Historical Financial Information", issued by the International Auditing and Assurance Standards Board. The objective and scope of the engagement were agreed with the management of the Company and included those subject matters on which we have concluded below.

Based on an assessment of materiality and risks, our work included analytical procedures and interviews of employees responsible for the subject matters, as well as a review on a sample basis of supporting evidence.

We believe that our work provides an appropriate basis for us to conclude with a limited level of assurance on the subject matters. In such an engagement, less assurance is obtained than would be the case had an audit-level engagement been performed.

**Conclusion**
Based on our review, nothing has come to our attention causing us not to believe that:

- Storebrand ASA has applied procedures, as referred to in the chapter "Materiality" in the Report, for the purpose of collecting, compiling and validating information for 2016 to be included in the Report.
- The information accumulated as a result of the procedures noted above is consistent with the source documentation presented to us and appropriately reflected in the Report.
- Storebrand ASA applies a reporting practice for its reporting on sustainability aligned with the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines, version G4, reporting principles and the reporting fulfils application level Core according to the GRI guidelines. The GRI Index referred to in the chapter "Materiality" in the Report appropriately reflects where relevant information on each of the reported standard and specific disclosure indicators of the GRI guidelines is presented.

Oslo, 8 March 2017
Deloitte AS

Henrik Woxholt
State Authorized Public Accountant (Norway)

Frank Dahl
Deloitte Sustainability

# 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 capital adequacy 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.

### EARNINGS PER ORDINARY SHARE

The earnings per share are calculated as the majority interest's share of the profit after tax divided by the number of shares. The number of shares included in the calculation is the average number of shares outstanding over the course of the year. If new shares are issued, the shares will be included from the date of payment.

## CAPITAL ADEQUACY

### PRIMARY CAPITAL

Primary capital is capital eligible to satisfy the capital requirements under the authorities' regulations. Primary capital may consist of core (tier 1) capital and tier 2 capital.

### CAPITAL REQUIREMENTS

A capital requirement is calculated for credit risk, market risk and operational risk. The individual asset items and off-balance-sheet items are a assigned a risk weight based on the estimated risk they represent. The capital requirement is 8 per cent of the calculation basis for credit risk, market risk and operational risk.

### CAPITAL ADEQUACY RATIO

Primary capital must at least equal the calculated capital requirement. The capital adequacy ratio is calculated by measuring the total primary capital in relation to the capital requirement of 8 per cent.

### CORE (TIER 1) CAPITAL

Core (tier 1) capital is part of the primary capital and consists of the equity less the minimum requirement for reinsurance provisions in P&C insurance, goodwill, other intangible assets, net prepaid pensions, 50 per cent of any capital adequacy reserve, and cross-ownership deductions in other financial institutions. The core (tier 1) capital will be adjusted for the valuations that are used as the basis for credit calculations at a national level for foreign companies. For Storebrand Holding AB this will entail an adjustment of SPP AB's estimated insurance liabilities for which a different yield curve is used for credit assessment than is used in the financial accounts. Issued hybrid tier 1 capital may account for 15 per cent of the core (tier 1) capital, while any amount exceeding 15 per cent may be included in the tier 2 capital.

### TIER 2 CAPITAL

Tier 2 capital is part of the primary capital and consists of subordinated loan capital and the portion of the hybrid tier 1 capital that is not counted as core (tier 1) capital. There is a 50 per cent deduction for any capital adequacy reserve and deduction for cross-ownership in other financial institutions. In order to be eligible as primary capital, tier 2 capital cannot exceed core (tier 1) capital. Perpetual subordinated loan capital, together with other tier 2 capital, cannot exceed 100 per cent of core (tier 1) capital, while dated subordinated loan capital cannot exceed 50 per cent of core (tier 1) capital. To be fully eligible as primary capital, the remaining term must be at least five years. If the remaining term is less, the eligible portion is reduced by 20 per cent per annum.

### 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-AVSETNINGER (INCURED 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 realized 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 or the group portfolio (group and individual products without investment choice) less the guaranteed return. In addition, there is the net return on the company capital, which consists of equity and subordinated loans. Any returns-based fees for asset management are included in the financial result.

**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**
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 for the insurance business, page 70.

**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, risk equalization fund and retained earnings. The solvency capital is also calculated as a percentage of total customer funds, excluding additional statutory reserves and conditional bonuses.

**Solvency margin requirements**
An expression of the risk associated with the insurance-related liabilities. Calculated on the basis of the insurance fund and the risk insurance sum for each insurance sector.

**Solvency margin capital**
Primary capital as in capital adequacy plus 50 per cent of additional statutory reserves and risk equalization fund, plus 55 per cent of the lower limit for the contingency funds in P&C insurance.

**Buffer capital**
Buffer capital consists of the market value adjustment reserve, additional statutory reserves and conditional bonuses.

## P&C INSURANCE

**F.O.A.**
Abbreviation for the term “for own account“, i.e. before additions/deductions for reinsurance.

**INSURANCE RESERVES – P&C INSURANCE**
For a more detailed description of the technical insurance reserves and accrual accounting for premiums and compensation, see note 1 – accounting for the insurance business, pages 69.

**INSURANCE (TECHNICAL) PROFIT/LOSS**
Premium income less claims and operating costs.

**COST RATIO**
Operating expenses as a percentage of premiums earned.

**CLAIMS RATIO**
Claims incurred as a percentage of premiums earned.

**COMBINED RATIO**
The sum of the cost ratio and the claims ratio.

## BANKING

**LEVEL REPAYMENT LOAN**
Periodic payments (representing both capital and interest) on a levelrepayment loan remain constant throughout the life of the loan.

**ANNUAL PERCENTAGE RATE (APR)**

The true interest rate calculated when all borrowing costs are expressed as an annual payment of interest in arrears. In calculating the APR, allowance must be made for whether interest is paid in advance or arrears, the number of interest periods per annum, and all the fees and commissions.

**REAL RATE OF INTEREST**

The return produced after allowing for actual or expected inflation. Preferably expressed as a nominal rate less the rate of inflation.

**NET INTEREST INCOME**

Total interest income less total interest expense. Often expressed as a percentage of average total assets.

**INSTALMENT LOAN**

An instalment loan is a loan on which the borrower makes regular partial repayments of principal in equal amounts throughout the repayment period. The borrower pays the sum of a fixed instalment amount and a reducing interest amount at each instalment date. Payments accordingly reduce over the life of the loan assuming a fixed interest rate.

## 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 standardized futures contracts, which are exchange traded, and are subject to established clearing arrangements. Profits and losses on futures contracts are recognized 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.

**INTEREST RATE FUTURES**

Interest rate futures contracts are related to government bond rates or short-term benchmark interest rates. Interest rate futures are standardized contracts which are exchange traded and are subject to established clearing arrangements. Profits and losses on futures contracts are recognized 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. 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/FOREIGN EXCHANGE 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.

# Storebrand Group companies

| | Org.number | Interest |
|---|---|---|
| **STOREBRAND ASA** | **916 300 484** | |
| **STOREBRAND LIVSFORSIKRING AS** | **958 995 369** | 100.0 % |
| Storebrand Holding AB | 556734-9815 | 100.0 % |
| SPP Konsult AB | 556045-7581 | 100.0 % |
| SPP Spar AB | 556892-4830 | 100.0 % |
| SPP Pension & Försäkring AB | 556401-8599 | 100.0 % |
| SPP Fastigheter AB | 556801-1802 | 100.0 % |
| SPP Hyresförvaltning | 556883-1340 | 100.0 % |
| Storebrand & SPP Business Services AB | 556594-9517 | 100.0 % |
| Storebrand Eiendomsfond Invest AS | 995 871 424 | 21.24% |
| Storebrand Eiendom Trygg AS | 876 734 702 | 100.0% |
| Storebrand Eiendom Vekst AS | 916 268 416 | 100.0% |
| Storebrand Eiendom Utvikling AS | 990 653 402 | 100.0% |
| Storebrand Finansiell Rådgivning AS | 989 150 200 | 100.0 % |
| Aktuar Systemer AS | 968 345 540 | 100.0 % |
| Storebrand Pensjonstjenester AS | 931 936 492 | 100.0 % |
| Foran Real Estate, SIA [1] | | 99.4 % |
| AS Værdalsbruket [2] | 920 082 165 | 74.9 % |
| Norsk Pensjon AS | 890 050 212 | 25.0 % |
| Benco Insurance Holding BV | 34331716 | 89.96 % |
| Euroben Life & Pension Ltd | | 100.0 % |
| Nordben Life & Pension Insurance Co. Ltd | | 100.0 % |
| **STOREBRAND BANK ASA** | **953 299 216** | 100.0 % |
| Storebrand Boligkreditt AS | 990 645 515 | 100.0 % |
| Bjørndalen Panorama AS | 991 742 565 | 100.0 % |
| Ring Eiendomsmegling AS | 987 227 575 | 100.0 % |
| MPV7 Holding AS | 915 863 000 | 100.0% |
| **STOREBRAND ASSET MANAGEMENT AS** | **930 208 868** | 100.0 % |
| Storebrand Luxembourg S.A | | 99.8 % |
| SPP Fonder AB | 556397-8922 | 100.0 % |
| Storebrand Fastigheter AB | 556801-1802 | 100.0% |
| **COGNIZANT TECHNOLOGY SOLUTIONS LITHUANIA UAB** | **330 661 912** | 34.0% |
| **STOREBRAND FORSIKRING AS** | **930 553 506** | 100.0 % |
| **STOREBRAND HELSEFORSIKRING AS** | **980 126 196** | 50.0 % |

[1] SPP Pension & Försäkring AB eier 29,4 prosent og Storebrand Livsforsikring AS eier 70,0 prosent av Foran Real Estate IA.

[2] Storebrand ASA eier 25,1 prosent og total eierandel for Storebrand er 100 prosent av AS Værdalsbruket.