

# Interim report 2016

Storebrand Livsforsikring AS (unaudited)

# Contents

## FINANCIAL PERFORMANCE BUSINESS AREAS

Storebrand Livsforsikring Group . . . . .	3
Savings . . . . .	5
Insurance . . . . .	6
Guaranteed pension . . . . .	7
Other . . . . .	9
Balance, Solidity and Capital situation . . . . .	10
Outlook . . . . .	12

## FINANCIAL STATEMENTS/NOTES

Statement of comprehensive income Storebrand Livsforsikring Group. . . . .	14
Statement of financial position Storebrand Livsforsikring Group . . . . .	16
Statement of change in equity Storebrand Livsforsikring Group . . . . .	18
Statement of cash flow . . . . .	19
Statement of comprehensive income Storebrand Livsforsikring AS . . . . .	20
Statement of financial position Storebrand Livsforsikring AS . . . . .	22
Statement of change in equity Storebrand Livsforsikring AS. . . . .	24
Notes . . . . .	25

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# Storebrand Livsforsikring Group

Storebrand Livsforsikring AS is a wholly owned subsidiary of the listed company Storebrand ASA. For information about the Storebrand Group's 4<sup>th</sup> quarter result please refer to the Storebrand Group's interim report for the 4<sup>th</sup> quarter of 2016.

## PROFIT STOREBRAND LIVSFORSIKRING GROUP

(NOK million)	2016				2015	01.01 - 31.12	
	Q4	Q3	Q2	Q1	Q4	2016	2015
Fee and administration income	754	775	728	781	815	3 038	3 283
Insurance result	192	197	153	147	77	689	604
Operational cost	-618	-623	-537	-634	-729	-2 412	-2 613
<b>Operating profit</b>	<b>328</b>	<b>348</b>	<b>344</b>	<b>294</b>	<b>163</b>	<b>1 315</b>	<b>1 274</b>
Financial items and risk result life & pension	388	166	223	2	-18	779	70
<b>Profit before amortisation and provision longevity</b>	<b>716</b>	<b>514</b>	<b>567</b>	<b>297</b>	<b>145</b>	<b>2 093</b>	<b>1 344</b>
Provision longevity					-1 362		-1 764
<b>Profit before amortisation</b>	<b>716</b>	<b>514</b>	<b>567</b>	<b>297</b>	<b>-1 217</b>	<b>2 093</b>	<b>-420</b>

The profit before amortisation was NOK 716m (minus 1 217m) in Q4 2016 and NOK 2 093m (minus 420m) for the full year 2016. The figures in parentheses show the corresponding period last year. Fee and administration income in the 4<sup>th</sup> quarter decreased 7.5 % compared with the same quarter last year. Adjusted for discontinued business and exchange rates, the income decreased 4.4 % in the 4<sup>th</sup> quarter and 5.1% year to date. The income reduction is driven by the long-term decline of the guaranteed pensions products. Premium income for non-guaranteed savings was NOK 3.6 mrd. in the 4<sup>th</sup> quarter, an increase of 14% compared with the 4<sup>th</sup> quarter 2015. The operating costs in the 4<sup>th</sup> quarter were NOK 618m (729m). Cost

rationalisation is achieved through workforce reductions, increased outsourcing and automation. In the 4<sup>th</sup> quarter NOK 55m is related to scrapping of IT systems. Volume growth within the Savings and Insurance segments has resulted in a larger part of the Group's costs being allocated to the segments. The costs in the Guaranteed Pensions segment were correspondingly reduced.

## PROFIT STOREBRAND LIVSFORSIKRING GROUP PER LINE OF BUSINESS

(NOK million)	2016				2015	01.01 - 31.12	
	4Q	3Q	2Q	1Q	4Q	2016	2015
Savings	120	100	87	111	64	418	395
Insurance	121	140	97	71	-19	429	379
Guaranteed pensions	492	126	237	15	-110	870	329
Other	-17	148	146	99	210	377	241
<b>Profit before amortisation and provision longevity</b>	<b>716</b>	<b>514</b>	<b>567</b>	<b>297</b>	<b>145</b>	<b>2 093</b>	<b>1 344</b>
Provision longevity					-1 362		-1 764
<b>Profit before amortisation</b>	<b>716</b>	<b>514</b>	<b>567</b>	<b>297</b>	<b>-1 217</b>	<b>2 093</b>	<b>-420</b>

The Savings segment reported a 4<sup>th</sup> quarter profit of NOK 120m (64m) and NOK 418m (395m) for the full year 2016. Income development is driven by the customers' conversion from defined benefit to defined contribution pension schemes in combination with strong competition in the market.

The Insurance segment delivered a profit of NOK 121m (minus 19m) in the quarter and NOK 429m (379 mill.) for the full year 2016. The combined risk result gives a claims ratio for the quarter of 72 % (89%) and a combined ratio of 89 % (105 %).

The Guaranteed Pension segment achieved a profit before amortisation and strengthening of longevity reserves of NOK 492m (minus NOK 110m) in the 4<sup>th</sup> quarter and NOK 870m (NOK 329m) in 2016. The good result was due to profit sharing in the Norwegian business and good returns in the portfolios of the Swedish business. Fee and administration income fell by 18.3% during the quarter and 11.8% for the year due to the portfolio being in long-term decline.

The Other segment includes the return in company portfolios which is driven by the interest rate market.

#### **CAPITAL SITUATION AND TAXES**

The Solvency II regulations were introduced on 1 January 2016. Storebrand uses the standard model for the calculation of Solvency II. Lower interest rates in Norway and a change in the yield curve have had a negative impact on the Solvency II margin. Changes to the regulations, methods and interpretations may occur that could affect the Solvency II margin in the future.

The Storebrand Livsforsikring Group reported a tax expense of NOK 93m for the 4<sup>th</sup> quarter and NOK 196m for the full year 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 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. 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. 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 approximately 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 approximately NOK 179m.

#### **STRENGTHENING OF RESERVES FOR LONGEVITY**

In the 4<sup>th</sup> quarter of 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. At the end of the 4<sup>th</sup> quarter, the estimated remaining required reserve strengthening was NOK 352 million. The strengthening of reserves for increased life expectancy is expected to conclude in 2017.

#### **MARKET AND SALES PERFORMANCE**

Storebrand's three most common saving profiles for defined contribution, Low, Balanced and Offensive had a return in 2016 of 5.0%, 7.4%, and 9.6%, which is well above inflation and wage growth.

Sales of savings products, loans and insurance products are good. Storebrand has been successful with the sale of retail market products to employees with an occupational pension from Storebrand. In Norway, Storebrand is the market leader in defined contribution schemes with 34% of the market share of gross premiums written.

SPP is the fifth largest actor in the Other Occupational Pensions segment with a market share of 9.3% measured by premium income from unit linked insurance.

# Savings

## Volume growth in reserves and premiums

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

### SAVINGS

(NOK million)	4Q	2016			2015		01.01 - 31.12	
		3Q	2Q	1Q	4Q	2016	2015	
Fee and administration income	353	347	323	355	333	1 378	1 393	
Operational cost	-232	-248	-244	-242	-270	-966	-996	
<b>Operating profit</b>	<b>121</b>	<b>99</b>	<b>79</b>	<b>113</b>	<b>63</b>	<b>412</b>	<b>398</b>	
Financial items and risk result life & pension	-1		9	-2	1	6	-2	
- Risk result life & pension	-1		8	-2	1	6	-3	
- Net profit sharing							1	
<b>Profit before amortisation</b>	<b>120</b>	<b>100</b>	<b>87</b>	<b>111</b>	<b>64</b>	<b>418</b>	<b>395</b>	

The Savings segment reported a profit before amortisation of NOK 120m (64m) for the 4<sup>th</sup> quarter and NOK 418m (395m) for the year. Fee and administration income in 4<sup>th</sup> quarter at the level of the previous year and for the year, income decreased by 1.1%. Adjusted for currency effect and the sales of Storebrand Eiendom AS, the growth was 4.4% in the 4<sup>th</sup> quarter and 5.1% year to date.

Income growth is driven by the customers' conversion from defined-benefit to defined-contribution pension schemes in combination with new business and higher savings rates.

For the Norwegian Unit Linked products, increased competition contributes to pressure on margins, while there are relatively stable margins in the Swedish business.

4<sup>th</sup> quarter includes operating costs special items of NOK 7m related to the scrapping of IT systems.

### MARKET AND SALES PERFORMANCE

Premiums for non-guaranteed savings were NOK 3.5bn in the 4<sup>th</sup> quarter, an increase of 8% for the same period last year. Total reserves within the Unit Linked business have increased by 9 % over the last year and amounted to NOK 140bn at the end of the quarter. Assets under management in the United Linked business in Norway increased NOK 11.3bn (21%) relative to the 4<sup>th</sup> quarter of 2015. The growth is driven by premium payments for existing contracts, returns and conversion from defined-benefit schemes. In Norway, Storebrand is the market leader in Unit Linked with 34% of the market share of gross premiums written.

In the Swedish market, SPP is the fifth largest player in the Other Occupational Pensions segment with a market share of 9.3% measured by premium income from Unit Linked. Customer assets increased by SEK 4.4bn (6.3%) in the 4<sup>th</sup> quarter and SEK 6.6bn (9.8%) from the start of the year. The rate of growth has increased after turbulent stock markets and a negative development at the start of the year.

### KEY FIGURES

(NOK million)	4Q	2016			2015	
		3Q	2Q	1Q	4Q	4Q
Unit Linked Reserves	139 822	131 571	127 876	125 434	128 117	
Unit Linked Premiums	3 466	3 444	3 541	3 693	3 185	

# Insurance

## Satisfactory overall result

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

### INSURANCE

(NOK million)	2016				2015	01.01 - 31.12	
	4Q	3Q	2Q	1Q	4Q	2016	2015
Insurance result	192	197	153	147	77	689	604
- Insurance premiums f.o.a.	689	690	693	687	687	2 759	2 680
- Claims f.o.a.	-496	-493	-540	-540	-610	-2 070	-2 076
Operational cost	-114	-107	-90	-107	-111	-418	-395
<b>Operating profit</b>	<b>78</b>	<b>90</b>	<b>63</b>	<b>40</b>	<b>-34</b>	<b>271</b>	<b>208</b>
Financial items and risk result life & pension	43	50	34	31	15	158	170
- Financial result	43	50	34	31	15	158	170
<b>Profit before amortisation</b>	<b>121</b>	<b>140</b>	<b>97</b>	<b>71</b>	<b>-19</b>	<b>429</b>	<b>379</b>

Insurance delivered a profit before amortisation of NOK 121m (minus 19m) in 4<sup>th</sup> quarter and NOK 429m (379m) year to date. Overall combined ratio for the quarter was 89% (105%). Premium income in the 4<sup>th</sup> quarter was in line with the previous year, while for the full year the premium income increased by 2.9%.

The combined risk result gives a claims ratio of 72% (89%) in the 4<sup>th</sup> quarter. 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. An improved disability result gives a satisfactory result for insurance in Sweden.

As planned, increased volumes and growth ambitions have resulted in higher allocated costs for the insurance area, and cost percentage

ends 17% (16%) for the 4<sup>th</sup> quarter. Special items had a negative effect of NOK 17m on operating costs during the quarter related to scrapping of IT-systems.

The investment portfolio of Insurance in Norway amounts to NOK 5.0bn, which is primarily invested in fixed income securities with a short and medium duration. The assets have had good return during the quarter.

### MARKET AND SALES PERFORMANCE

Premium for own account amounts to NOK 689m (687m) in the 4<sup>th</sup> quarter and NOK 2 759m (2 680m) year to date.

For risk cover in connection with defined-contribution pensions in Norway, future growth is expected to be driven by conversions from defined-benefit to defined-contribution pensions. The new disability pension regulations, which entered into force on 1 January 2016, have resulted in a lower premium volume.

### PORTFOLIO PREMIUM (ANNUAL)

(NOK million)	2016				2015
	4Q	3Q	2Q	1Q	4Q
Individual life *	632	629	626	623	617
Group life **	896	908	890	901	943
Pension related disability insurance ***	1 297	1 268	1 253	1 204	1 159
<b>Portfolio premium</b>	<b>2 824</b>	<b>2 805</b>	<b>2 769</b>	<b>2 728</b>	<b>2 719</b>

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

KEY FIGURES	2016				2015
	4Q	3Q	2Q	1Q	4Q
Claims ratio	72%	71%	78%	79%	89%
Cost ratio	17%	15%	13%	15%	16%
<b>Combined ratio</b>	<b>89%</b>	<b>87%</b>	<b>91%</b>	<b>94%</b>	<b>105%</b>

# Guaranteed pensions

## Income reduction in line with strategy and population trends. Strong profit sharing result during the quarter

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

### GUARANTEED PENSIONS

(NOK million)	4Q	2016			2015		01.01 - 31.12	
		3Q	2Q	1Q	4Q	2016	2015	
Fee- and administration income	376	403	383	404	460	1 566	1 777	
Operational cost	-260	-257	-192	-271	-333	-981	-1 156	
<b>Operating profit</b>	<b>116</b>	<b>146</b>	<b>191</b>	<b>132</b>	<b>128</b>	<b>585</b>	<b>621</b>	
Financial items and risk result life & pension	376	-20	46	-117	-238	284	-292	
- Risk result life & pension	-13	-18	-10	4	7	-37	89	
- Net profit sharing	389	-2	57	-122	-244	322	-382	
<b>Profit before amortisation and provision longevity</b>	<b>492</b>	<b>126</b>	<b>237</b>	<b>15</b>	<b>-110</b>	<b>870</b>	<b>329</b>	
Provision longevity					-1 362		-1 764	
<b>Profit before amortisation</b>	<b>492</b>	<b>126</b>	<b>237</b>	<b>15</b>	<b>-1 472</b>	<b>870</b>	<b>-1 435</b>	

### PROFIT

Guaranteed Pension achieved a profit before amortisation and strengthening of longevity reserves of NOK 492m (NOK - 110m) in the 4<sup>th</sup> quarter and NOK 870m (NOK 329m) in 2016.

Fee and administration income has performed consistent with the fact that a large part of the portfolio is mature and in long-term decline. Income was NOK 376m (NOK 460m) in the 4<sup>th</sup> quarter and NOK 1,566m (NOK 1,777m) in 2016. This is equivalent to a reduction of 12% in 2016 compared with the previous year.

The operating costs are reduced due to the area being in long-term decline. Special items had a negative effect of NOK 30m on operating costs during the quarter and a negative effect of NOK 1m for the year.

The risk result was NOK - 13m (NOK 7m) in the 4<sup>th</sup> quarter and NOK - 37m (NOK - 89m) for the year. The risk result for the year was generated in the Swedish business and has been weak due to updated biometric assumptions. The risk result in the Norwegian business was restricted due to reserve strengthening based in the introduction of a new group disability pension and the general disability development in the population.

The result from profit sharing and loan losses in the Guaranteed Pension segment consists of profit sharing and financial effects. The risk result was NOK 389m (NOK -244m) in the 4<sup>th</sup> quarter and NOK 322m (NOK -382m) in 2016. In the 4<sup>th</sup> quarter, profit sharing in the Norwegian business provided a NOK 139m (NOK - 2m) contribution to the result, which was driven by good returns and buffer situation. The Swedish business also recorded a strong profit in the 4<sup>th</sup> quarter of NOK 250m (NOK 183m) due to good returns in the portfolios.

## BALANCE SHEET AND MARKET TRENDS

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. As of the 4<sup>th</sup> quarter, customer reserves for guaranteed pensions amounted to NOK 259bn, which is a decrease of NOK 7.4bn in 2016. The total premium income for guaranteed pensions (excluding transfers) was NOK 1bn (NOK 1.2bn) in the 4<sup>th</sup> quarter. In 2016 there was an overall reduction in premium income of 17%. Net transfers from Guaranteed Pension were NOK 3.3bn (NOK 7.3bn) in 2016.

In the Norwegian business, paid-up policies were the only Guaranteed Pension portfolio experiencing growth and amounted to NOK

115bn as of the 4<sup>th</sup> quarter, an increase of NOK 12bn for 2016, which is equivalent to 11.3 per cent. From and including the 4<sup>th</sup> quarter of 2014, the customers were given an offer to convert from traditional paid-up policies to paid-up policies with investment choice. Paid-up policies with investment choice, which are included in the Savings segment, amounted to NOK 5.5bn as of the 4<sup>th</sup> quarter. Reserves for defined-benefit pensions in Norway amounted to NOK 46bn at the end of the 4<sup>th</sup> quarter, a decline of NOK 9bn since the end of 2015.

Guaranteed portfolios in the Swedish business totalled NOK 83bn as of the 4<sup>th</sup> quarter, which corresponds to a decrease of NOK 9bn for 2016. The decrease was largely due to the NOK/SEK exchange rate.

## KEY FIGURES

(NOK million)	2016				2015
	4Q	3Q	2Q	1Q	4Q
Guaranteed reserves	258 723	261 547	265 300	265 931	266 811
Guaranteed reserves in % of total reserves	64.9 %	66.5 %	67.5 %	67.9 %	67.6 %
Transfer out of guaranteed reserves	245	239	621	2 200	398
Buffer capital in % of customer reserves Storebrand	5.7 %	5.6 %	6.3 %	5.9 %	5.8 %
Buffer capital in % of customer reserves SPP	6.7 %	6.7 %	6.3 %	6.6 %	7.6 %



# Other

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

## PROFIT

(NOK million)	4Q	2016			2015		01.01 - 31.12	
		3Q	2Q	1Q	4Q	2016	2015	
Fee and administration income	25	25	22	22	22	94	113	
Operational cost	-12	-12	-10	-14	-15	-48	-66	
<b>Operating profit</b>	<b>13</b>	<b>13</b>	<b>12</b>	<b>8</b>	<b>7</b>	<b>46</b>	<b>47</b>	
Financial items and risk result life & pension	-29	136	134	91	203	331	194	
- Risk result life & pension	-11		-4	22	-31	7	-6	
- Financial result	-18	141	140	69	236	333	207	
- Net profit sharing	-1	-6	-2		-2	-9	-7	
<b>Profit before amortisation</b>	<b>-17</b>	<b>148</b>	<b>146</b>	<b>99</b>	<b>210</b>	<b>377</b>	<b>241</b>	

Fee and administration income is associated to Benco's business being wound down over a long-term.

The financial result for the Other includes the net return from the company portfolios of SPP and Storebrand Livsforsikring as well as the net result for subsidiaries.

The Storebrand Life Insurance Group is funded by a combination of equity and subordinated loans. In October, Storebrand Livsforsikring AS issued a subordinated loan of SEK 750m with an interest rate of Stibor + 3.25%. This loan strengthened the solvency margin of the Storebrand Group by approximately 2.5 percentage points. On 27 December, SPP Pension & Insurance decided to exercise the early repurchase right for their subordinated loan of SEK 700m. The actual buy-back occurred after the end of the year. The buy-back does not

have any impact on the solvency margin because this loan does not qualify as solvency capital. With the interest rate levels at the end of the 4<sup>th</sup> quarter of 2016, quarterly interest expenses of approximately NOK 100m are expected. The company portfolios in the life insurance companies totalled NOK 22bn at the end of the 4<sup>th</sup> quarter.

The investments are primarily in interest-bearing securities in Norway and Sweden with short maturities. The Norwegian company portfolio reported a return of 0.52% for the quarter and 3.38% for year end. The Swedish company portfolio gave an overall return of 0 % for the quarter and 0.8 % for year end.

# Balance sheet, solidity and capital situation

Continuous monitoring and active risk management is a core area of Storebrand's business. Risk and solidity are both followed up on at the Group level and in the legal entities. Regulatory requirements for financial strength and risk management follow the legal entities to a large extent. The section is thus divided up by legal entities.

## STOREBRAND LIVSFORSIKRING GROUP

The solidity capital<sup>1)</sup> amounted to NOK 57.3 bn. at the end of 4<sup>th</sup> quarter, a reduction of NOK 4.2bn. in the 4<sup>th</sup> quarter and NOK 3.8bn for the year. Changes in the quarter are due to increased customer buffers in the Swedish business and reduction of excess value at amortised cost.

## STORBRAND LIVSFORSIKRING AS

The market value adjustment reserve decreased by NOK 1.5bn during the 4<sup>th</sup> quarter and NOK 1.8bn for the year, and amounted to NOK 2.7bn at the end of the 4<sup>th</sup> quarter of 2016. The additional statutory reserves increased by NOK 1.6bn during the quarter and amounted to NOK 6.8bn at the end of the 4<sup>th</sup> quarter of 2016. 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 by NOK 2.8bn in the 4<sup>th</sup> quarter and by NOK 1.8bn for the year. The excess value at amortised cost was NOK 8.8bn as of the 4<sup>th</sup> quarter. The decline is attributed to rising interest rates. The excess value of bonds and loans at amortised cost is not included in the financial statements.

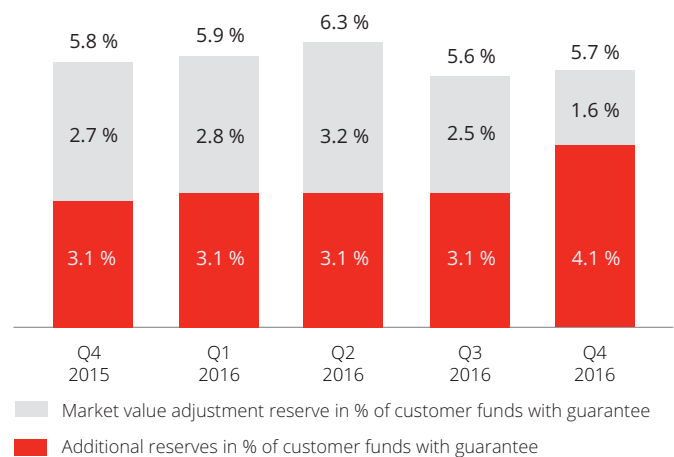
## SOLVENCY II

The Solvency II regulations were introduced on 1 January 2016. The Group's target is a solvency margin of 150% in with the new regulations, including use of transitional rules. The solvency margin for the Storebrand Group was calculated at 157% at the end of 2016, including the transitional rule. Without transitional rules, the solvency margin is 144%. Storebrand uses the standard model for the calculation of Solvency II. During the quarter, the solvency margin without transitional rules strengthened due to increased interest rates resulting in liabilities being discounted with a higher interest rate, and due to good results and borrowing of SEK 750m. The transitional rule is reduced as a result of increased interest rates that reduce the value of the obligations calculated under Solvency II. The accumulation of reserves for increased life expectancy and growth in defined-contribution pensions also contribute to reducing the effect of the transitional rule.

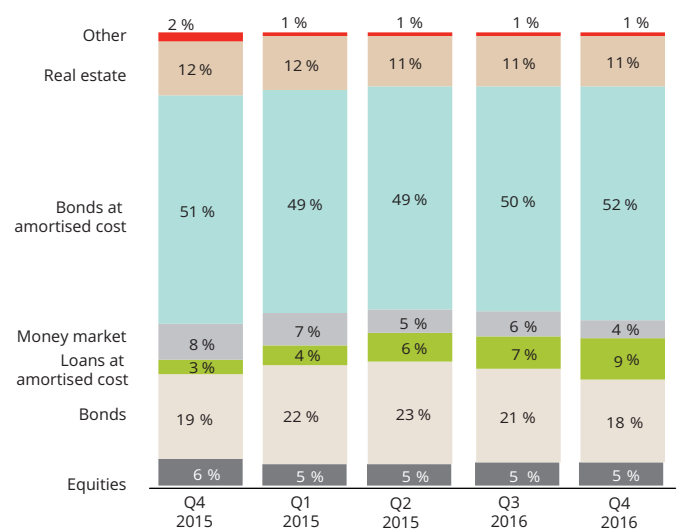
Storebrand Livsforsikring AS had a solvency margin after transitional rules of 200% (without transitional rules, the solvency margin is calculated at 184%). The Storebrand Livsforsikring Group is no longer required to report the solvency margin, requirement at consolidated level applies for the Storebrand Group.

<sup>1)</sup> 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.

## CUSTOMER BUFFERS



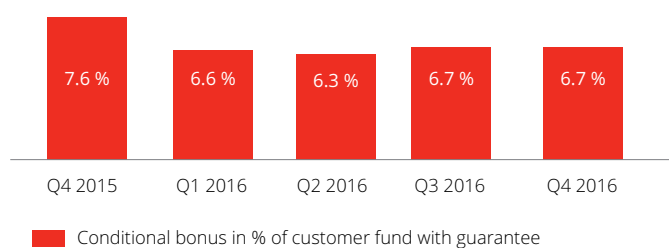
## ALLOCATION OF GUARANTEED CUSTOMER ASSETS



Customer assets increased by NOK 2.8bn in the 4<sup>th</sup> quarter and NOK 12.5bn for the year due to positive returns. Customer assets totalled NOK 242bn at the end of the 4<sup>th</sup> quarter of 2016. Customer assets within non-guaranteed savings increased NOK 3.8bn during the 4<sup>th</sup> quarter and NOK 11.3bn for the year. Guaranteed customer assets decreased by NOK 1.0bn during the 4<sup>th</sup> quarter and increased by NOK 1.3bn for the year.

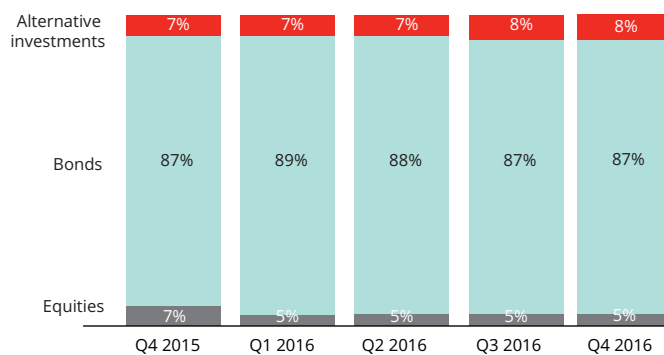
## SPP

### CUSTOMER BUFFERS



The buffer capital amounted to NOK 6.3bn (NOK 6.5bn) as of the end of 4th quarter.

### ALLOCATION OF GUARANTEED CUSTOMER ASSETS



Total assets under management in SPP were NOK 171bn. This corresponds to a decrease of 1% compared with the 3rd quarter of 2016. For customer assets in non-guaranteed savings, assets under management totalled NOK 83.1bn in the 4<sup>th</sup> quarter, which corresponds to an increase of 3.1%, compared with the 3rd quarter of 2016.

# Outlook

## FINANCIAL PERFORMANCE

Storebrand is the market leader for the sale of pension solutions to Norwegian businesses. Defined-contribution 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. 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 paid-up 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 pension 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 concerted 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 has 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 has also increased by approximately 0.4 percentage points in the fourth quarter, but is still below 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 strong economic growth which exerts pressure when setting interest rates in Europe.

The finance sector is 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 (EIOPA) 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 EIOPA.

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. EIOPA 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:

- Ensure that the capital requirements are in proportion to the actual risk
- Ensure consistent treatment between countries
- 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 EIOPA 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 collective bargaining 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 assessment 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 assessment should be followed-up.

## FINANCIAL TAX

In connection with the Storting's preparation of the 2017 national budget, it was agreed to introduce a tax on the financial sector 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. The estimated annual effect on the Storebrand Livsforsikring group's operating costs is NOK 25m.

Lysaker, 7 February 2017

# Storebrand Livsforsikring Group

## Statement of Comprehensive income

(NOK million)	Q4		01.01 - 31.12	
	2016	2015	2016	2015
<b>Technical account:</b>				
Gross premiums written	5 090	4 972	23 433	22 770
Reinsurance premiums ceded	-19	-16	-127	-107
Premium reserves transferred from other companies	332	261	1 454	1 835
<b>Premiums for own account</b>	<b>5 402</b>	<b>5 217</b>	<b>24 760</b>	<b>24 497</b>
Income from investments in subsidiaries, associated companies and joint-controlled companies	32	121	150	121
Interest income and dividends etc. from financial assets	3 625	1 313	8 517	7 138
Net operating income from real estate	203	88	897	829
Changes in investment value	-5 057	-252	1 179	-4 500
Realised gains and losses on investments	284	1 293	3 389	4 762
<b>Total net income from investments in the collective portfolio</b>	<b>-913</b>	<b>2 564</b>	<b>14 132</b>	<b>8 349</b>
Income from investments in subsidiaries, associated companies and joint-controlled companies	4	3	17	13
Interest income and dividends etc. from financial assets	613	291	625	216
Net operating income from real estate	20	4	83	70
Changes in investment value	4 535	3 835	8 552	732
Realised gains and losses on investments	121	433	1 036	3 462
<b>Total net income from investments in the investment selection portfolio</b>	<b>5 292</b>	<b>4 567</b>	<b>10 313</b>	<b>4 493</b>
<b>Other insurance related income</b>	<b>572</b>	<b>370</b>	<b>2 013</b>	<b>1 694</b>
Gross claims paid	-4 539	-4 581	-18 007	-17 693
Claims paid - reinsurance	-6	10	18	29
Gross change in claims reserve	29	-2	-383	-140
Premium reserves etc. transferred to other companies	-1 193	-812	-6 101	-6 698
<b>Claims for own account</b>	<b>-5 708</b>	<b>-5 384</b>	<b>-24 474</b>	<b>-24 502</b>
To (from) premium reserve, gross	2 581	-4 717	-3 360	451
To/from additional statutory reserves	-1 631	-654	-1 490	-358
Change in value adjustment fund	1 536	-168	1 836	1 295
Change in premium fund, deposit fund and the pension surplus fund	-7	-5	-11	-9
To/from technical reserves for non-life insurance business	26	27	-34	-40
Change in conditional bonus	-1 345	2 942	1 126	3 050
Transfer of additional statutory reserves and value adjustment fund from other insurance companies/pension funds	-2	-1	2	-57
<b>Changes in insurance obligations recognised in the Profit and Loss Account - contractual obligations</b>	<b>1 159</b>	<b>-2 576</b>	<b>-1 931</b>	<b>4 332</b>
Change in premium reserve	-7 201	-6 851	-19 352	-16 011
<b>Changes in insurance obligations recognised in the Profit and Loss Account - investment portfolio separately</b>	<b>-7 201</b>	<b>-6 851</b>	<b>-19 352</b>	<b>-16 011</b>
Profit on investment result	-501	-329	-501	-329
Risk result allocated to insurance contracts		-53		-53
Other allocation of profit	-261	-2	-263	-6
Unallocated profit	3 546	1 949		
<b>Funds allocated to insurance contracts</b>	<b>2 784</b>	<b>1 565</b>	<b>-765</b>	<b>-388</b>

Continue next page

# Storebrand Livsforsikring Group

## Statement of Comprehensive income continue

(NOK million)	Q4		01.01 - 31.12	
	2016	2015	2016	2015
Management expenses	-91	-98	-397	-388
Selling expenses	-174	-258	-706	-808
Change in pre-paid direct selling expenses	-2	1		-1
Insurance-related administration expenses (incl. commissions for reinsurance received)	-383	-420	-1 415	-1 523
<b>Insurance-related operating expenses</b>	<b>-650</b>	<b>-774</b>	<b>-2 518</b>	<b>-2 720</b>
<b>Other insurance related expenses</b>	<b>-32</b>	<b>-66</b>	<b>-451</b>	<b>-416</b>
<b>Technical insurance profit</b>	<b>706</b>	<b>-1 369</b>	<b>1 728</b>	<b>-672</b>
<b>Non-technical account</b>				
Income from investments in subsidiaries, associated companies and joint-controlled companies	7	-26	24	77
Interest income and dividends etc. from financial assets	82	504	322	261
Net operating income from real estate		185	10	225
Changes in investment value	1	-469	287	-106
Realised gains and losses on investments	53	57	124	99
<b>Net income from investments in company portfolio</b>	<b>142</b>	<b>251</b>	<b>768</b>	<b>556</b>
<b>Other income</b>	<b>144</b>	<b>58</b>	<b>277</b>	<b>381</b>
Management expenses	-8	-4	-29	-22
Other costs	-361	-254	-1 047	-1 049
<b>Management expenses and other costs linked to the company portfolio</b>	<b>-369</b>	<b>-258</b>	<b>-1 075</b>	<b>-1 072</b>
<b>Profit or loss on non-technical account</b>	<b>-83</b>	<b>51</b>	<b>-31</b>	<b>-134</b>
<b>Profit before tax</b>	<b>622</b>	<b>-1 318</b>	<b>1 697</b>	<b>-806</b>
Tax costs	-93	2 097	-196	1 967
<b>PROFIT BEFORE OTHER COMPREHENSIVE INCOME</b>	<b>529</b>	<b>778</b>	<b>1 501</b>	<b>1 161</b>
Change in actuarial assumptions	-49	-117	-79	-126
Change in value adjustment reserve own buildings	22	165	205	180
Profit/loss cash flow hedging	-10	4	-60	27
Adjustment of insurance liabilities	-22	-165	-205	-180
Tax on other profit elements not to be classified to profit/loss	19	38	19	32
<b>Total other profit elements not to be classified to profit/loss</b>	<b>-39</b>	<b>-75</b>	<b>-120</b>	<b>-67</b>
Translation differences	81	283	-783	748
<b>Total other profit elements that may be classified to profit /loss</b>	<b>81</b>	<b>283</b>	<b>-783</b>	<b>748</b>
<b>Total other profit elements</b>	<b>42</b>	<b>209</b>	<b>-902</b>	<b>682</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>571</b>	<b>987</b>	<b>598</b>	<b>1 842</b>
<b>Profit is attributable to:</b>				
Minority share of profit	528	597	1 482	964
Majority share of profit	1	181	19	197
<b>Comprehensive income is attributable to:</b>				
Minority share of profit	569	804	586	1 640
Majority share of profit	2	184	12	204

# Storebrand Livsforsikring Group

## Statement of financial position

(NOK million)	31.12.2016	31.12.2015
<b>Assets</b>		
<b>Assets in company portfolio</b>		
Goodwill	757	837
Other intangible assets	3 753	4 602
<b>Total intangible assets</b>	<b>4 510</b>	<b>5 439</b>
Real estate at fair value	51	335
Equities and units in subsidiaries, associated companies and joint-controlled companies	265	255
Lendings at amortised cost	1	2
Bonds at amortised cost	2 868	2 674
Deposits at amortised cost	146	294
Equities and other units at fair value	103	87
Bonds and other fixed-income securities at fair value	23 172	22 604
Derivatives at fair value	932	1 264
<b>Total investments</b>	<b>27 538</b>	<b>27 513</b>
Receivables in connection with direct business transactions	481	2 596
Receivables in connection with reinsurance transactions	9	11
Receivables with group company	61	64
Other receivables	2 016	1 822
<b>Total receivables</b>	<b>2 567</b>	<b>4 494</b>
Tangible fixed assets	458	462
Cash, bank	2 769	2 117
Tax assets	312	551
Other assets designated according to type	766	789
<b>Total other assets</b>	<b>4 306</b>	<b>3 919</b>
Pre-paid direct selling expenses	502	557
Other pre-paid costs and income earned and not received	101	106
<b>Total pre-paid costs and income earned and not received</b>	<b>603</b>	<b>663</b>
<b>Total assets in company portfolio</b>	<b>39 524</b>	<b>42 028</b>
<b>Assets in customer portfolios</b>		
Real estate at fair value	22 050	22 035
Real estate for own use	2 702	2 732
Equities and units in subsidiaries, associated companies and joint-controlled companies	1 718	1 320
Loans to and securities issued by subsidiaries, associated companies	37	41
Bonds held to maturity	15 644	15 648
Bonds at amortised cost	79 378	73 434
Lendings at amortised cost	16 628	6 017
Deposits at amortised cost	4 159	3 900
Equities and other units at fair value	19 329	22 737
Bonds and other fixed-income securities at fair value	113 976	135 733
Financial derivatives at fair value	3 548	2 978
Lendings at fair value	2 346	
<b>Total investments in collective portfolio</b>	<b>281 515</b>	<b>286 575</b>
<b>Reinsurance share of insurance obligations</b>	<b>106</b>	<b>112</b>
Real estate at fair value	2 060	2 045
Real estate for own use	161	156
Equities and units in subsidiaries, associated companies and joint-controlled companies	200	146

Continue next page



# Storebrand Livsforsikring Group

## Statement of Comprehensive income continue

(NOK million)	31.12.2016	31.12.2015
Lendings	100	
Deposits at amortised cost	216	264
Equities and other units at fair value	110 087	101 739
Bonds and other fixed-income securities at fair value	27 358	25 920
Financial derivatives at fair value	73	9
<b>Total investments in investment selection portfolio</b>	<b>140 255</b>	<b>130 279</b>
<b>Total assets in customer portfolio</b>	<b>421 876</b>	<b>416 966</b>
<b>TOTAL ASSETS</b>	<b>461 400</b>	<b>458 994</b>
<b>Equity and liabilities</b>		
Share capital	3 540	3 540
Share premium	9 711	9 711
<b>Total paid in equity</b>	<b>13 251</b>	<b>13 251</b>
Risk equalisation fund	140	142
Other earned equity	10 290	9 724
Minority's share of equity	114	576
<b>Total earned equity</b>	<b>10 545</b>	<b>10 442</b>
Perpetual subordinated loan capital	2 098	2 829
Dated subordinated loan capital	3 742	3 158
Hybrid tier 1 capital	1 504	1 503
<b>Total subordinated loan capital and hybrid tier 1 capital</b>	<b>7 344</b>	<b>7 489</b>
Premium reserves	258 118	264 937
Additional statutory reserves	6 794	5 160
Market value adjustment reserve	2 684	4 520
Claims allocation	1 543	1 168
Premium fund, deposit fund and the pension surplus fund	2 671	2 713
Conditional bonus	7 241	9 336
Other technical reserve	684	655
<b>Total insurance obligations in life insurance - contractual obligations</b>	<b>279 734</b>	<b>288 488</b>
Premium reserve	141 162	129 741
Claims allocation	1	1
<b>Total insurance obligations in life insurance - investment portfolio separately</b>	<b>141 162</b>	<b>129 742</b>
Pension liabilities etc.	96	217
Deffered tax	175	200
Other provisions for liabilities	3	1
<b>Total provisions for liabilities</b>	<b>274</b>	<b>418</b>
Liabilities in connection with direct insurance	1 204	1 356
Liabilities in connection with reinsurance	44	29
Financial derivatives	1 985	3 020
Liabilities to group companies	60	38
Other liabilities	5 252	4 116
<b>Total liabilities</b>	<b>8 545</b>	<b>8 559</b>
Other accrued expenses and received, unearned income	544	605
<b>Total accrued expenses and received, unearned income</b>	<b>544</b>	<b>605</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>461 400</b>	<b>458 994</b>

# Storebrand Livsforsikring Group

## Statement of change in equity

(NOK million)	Majority's share of equity							Total equity
	Share capital	Share premium	Total paid in equity	Risk equalisation fund	Other equity	Minority interests		
<b>Equity at 31.12.2014</b>	<b>3 540</b>	<b>9 711</b>	<b>13 251</b>	<b>829</b>	<b>7 432</b>	<b>421</b>	<b>21 933</b>	
Profit for the period				-686	1 651	197	1 161	
Total other profit elements					676	7	683	
<b>Total comprehensive income for the period</b>				<b>-686</b>	<b>2 326</b>	<b>204</b>	<b>1 844</b>	
<b>Equity transactions with owner:</b>								
Group contributions					-19	-25	-44	
Derecognition minority						-25	-25	
Other					-16		-16	
<b>Equity at 31.12.2015</b>	<b>3 540</b>	<b>9 711</b>	<b>13 251</b>	<b>142</b>	<b>9 724</b>	<b>576</b>	<b>23 693</b>	
Profit for the period				-2	1 484	19	1 501	
Total other profit elements					-896	-7	-902	
<b>Total comprehensive income for the period</b>				<b>-2</b>	<b>588</b>	<b>12</b>	<b>598</b>	
<b>Equity transactions with owner:</b>								
Group contributions					-17	-14	-31	
Purchase of and derecognition minority						-459	-459	
Other					-5		-5	
<b>Equity at 31.12.2016</b>	<b>3 540</b>	<b>9 711</b>	<b>13 251</b>	<b>140</b>	<b>10 295</b>	<b>114</b>	<b>23 796</b>	

# Storebrand Livsforsikring

## Statement of cash flow 1. January - 31. December

Storebrand Livsforsikring Group			Storebrand Livsforsikring AS	
2015	2016	(NOK million)	2016	2015
<b>Cash flow from operational activities</b>				
23 612	25 411	Net received - direct insurance	18 612	16 935
-18 635	-18 150	Net claims/benefits paid - direct insurance	-9 963	-9 964
-4 863	-4 647	Net receipts/payments - policy transfers	-3 364	-3 621
-1 591	-1 784	Net change insurance liabilities	-439	650
1 694	2 013	Receipts - interest, commission and fees from customers	454	388
-416	-451	Payments - interest, commission and fees to customers	-412	-354
-2 588	-2 491	Net receipts/payments operations	-1 363	-1 488
-1 532	-294	Net receipts/payments - other operational activities	-335	358
<b>-4 319</b>	<b>-394</b>	<b>Net cash flow from operational activities before financial assets</b>	<b>3 189</b>	<b>2 903</b>
-1 337	-12 956	Net receipts/payments - lendings to customers	-10 709	-1 337
4 769	11 721	Net receipts/payments - financial assets	7 866	-1 493
-344	2 058	Net receipts/payments - real estate activities		
-756	-323	Net change bank deposits insurance customers	-135	-786
<b>2 331</b>	<b>500</b>	<b>Net cash flow from operational activities from financial assets</b>	<b>-2 978</b>	<b>-3 616</b>
<b>-1 988</b>	<b>106</b>	<b>Net cash flow from operational activities</b>	<b>210</b>	<b>-713</b>
<b>Cash flow from investment activities</b>				
217		Net payments - sale/purchase of subsidiaries		108
-186	-23	Net receipts/payments - sale/purchase of fixed assets	-1	-38
<b>31</b>	<b>-23</b>	<b>Net cash flow from investment activities</b>	<b>-1</b>	<b>70</b>
<b>Cash flow from financing activities</b>				
997	700	Payment of subordinated loan capital	700	997
-1 000		Repayment of subordinated loan capital		-1 000
-455	-356	Payments - interest on subordinated loan capital	-356	-455
-25	-14	Payment of dividend		
<b>-484</b>	<b>330</b>	<b>Net cash flow from financing activities</b>	<b>344</b>	<b>-459</b>
<b>-2 441</b>	<b>413</b>	<b>Net cash flow for the period</b>	<b>553</b>	<b>-1 102</b>
-4 772	-88	of which net cash flow for the period before financial assets	3 531	2 514
-2 441	413	Net movement in cash and cash equivalent assets	553	-1 102
-131		Cash at start of the period sold companies		
4 785	2 411	Cash and cash equivalents at start of the period	1 234	2 336
198	91	Currency translation differences		
<b>2 411</b>	<b>2 915</b>	<b>Cash and cash equivalent assets at the end of the period</b>	<b>1 787</b>	<b>1 234</b>

# Storebrand Livsforsikring AS

## Statement of Comprehensive income

(NOK million)	Q4		01.01 - 31.12	
	2016	2015	2016	2015
<b>Technical account:</b>				
Gross premiums written	3 528	3 280	16 589	16 235
Reinsurance premiums ceded	-1	-2	-30	-26
Premium reserves transferred from other companies	254	215	806	1 155
<b>Premiums for own account</b>	<b>3 781</b>	<b>3 493</b>	<b>17 365</b>	<b>17 364</b>
Income from investments in subsidiaries, associated companies and joint-controlled companies	373	628	1 948	2 157
of which from investment in real estate companies	364	620	1 965	2 105
Interest income and dividends etc. from financial assets	3 215	791	5 942	4 945
Changes in investment value	-3 304	658	-1 597	-1 201
Realised gains and losses on investments	547	574	2 209	1 768
<b>Total net income from investments in the collective portfolio</b>	<b>831</b>	<b>2 650</b>	<b>8 502</b>	<b>7 669</b>
Income from investments in subsidiaries, associated companies and joint-controlled companies	53	71	249	223
of which from investment in real estate companies	53	71	249	223
Interest income and dividends etc. from financial assets	610	287	615	203
Changes in investment value	1 439	1 146	1 999	-2 075
Realised gains and losses on investments	119	363	1 039	3 315
<b>Total net income from investments in the investment selection portfolio</b>	<b>2 221</b>	<b>1 868</b>	<b>3 902</b>	<b>1 666</b>
<b>Other insurance related income</b>	<b>120</b>	<b>107</b>	<b>454</b>	<b>388</b>
Gross claims paid	-2 479	-2 342	-9 962	-9 432
Claims paid - reinsurance	5	5	12	17
Gross change in claims reserve	29	-2	-389	-144
Premium reserves etc. transferred to other companies	-917	-328	-4 170	-4 776
<b>Claims for own account</b>	<b>-3 362</b>	<b>-2 667</b>	<b>-14 508</b>	<b>-14 335</b>
To (from) premium reserve, gross	-1 709	-3 153	-1 121	-24
To/from additional statutory reserves	-1 631	-609	-1 490	-358
Change in value adjustment fund	1 536	-168	1 836	1 295
Change in premium fund, deposit fund and the pension surplus fund	-7	-5	-11	-9
To/from technical reserves for non-life insurance business	26	27	-34	-40
Transfer of additional statutory reserves and value adjustment fund from other insurance companies/pension funds	-2	-1	2	-57
<b>Changes in insurance obligations recognised in the Profit and Loss Account - contractual obligations</b>	<b>-1 787</b>	<b>-3 909</b>	<b>-819</b>	<b>806</b>
Change in premium reserve	-3 815	-3 821	-11 256	-12 056
<b>Changes in insurance obligations recognised in the Profit and Loss Account - investment portfolio separately</b>	<b>-3 815</b>	<b>-3 821</b>	<b>-11 256</b>	<b>-12 056</b>
Profit on investment result	-501	-329	-501	-329
Risk result allocated to insurance contracts		-53		-53
Other allocation of profit	-259		-259	
Unallocated profit	3 546	1 949		
<b>Funds allocated to insurance contracts</b>	<b>2 785</b>	<b>1 567</b>	<b>-761</b>	<b>-382</b>
Management expenses	-39	-39	-171	-152
Selling expenses	-72	-123	-278	-361
Insurance-related administration expenses (incl. commissions for reinsurance received)	-266	-267	-918	-974

Continue next page

# Storebrand Livsforsikring AS

## Statement of Comprehensive income continue

(NOK million)	Q4		01.01 - 31.12	
	2016	2015	2016	2015
<b>Insurance-related operating expenses</b>	<b>-377</b>	<b>-429</b>	<b>-1 368</b>	<b>-1 488</b>
<b>Other insurance related expenses after reinsurance share</b>	<b>-28</b>	<b>-46</b>	<b>-412</b>	<b>-354</b>
<b>Technical insurance profit</b>	<b>371</b>	<b>-1 187</b>	<b>1 100</b>	<b>-723</b>
<b>Non-technical account</b>				
Income from investments in subsidiaries, associated companies and joint-controlled companies	99	511	-536	1 306
of which from investment in real estate companies		45		105
Interest income and dividends etc. from financial assets	81	537	319	522
Changes in investment value	3	-482	203	-116
Realised gains and losses on investments	-49	-330	736	-297
<b>Net income from investments in company portfolio</b>	<b>135</b>	<b>235</b>	<b>722</b>	<b>1 415</b>
<b>Other income</b>	<b>6</b>	<b>10</b>	<b>24</b>	<b>32</b>
Management expenses	-4	-3	-15	-13
Other costs	-127	-82	-373	-337
<b>Total management expenses and other costs linked to the company portfolio</b>	<b>-131</b>	<b>-85</b>	<b>-388</b>	<b>-350</b>
<b>Profit or loss on non-technical account</b>	<b>10</b>	<b>160</b>	<b>359</b>	<b>1 098</b>
<b>Profit before tax</b>	<b>381</b>	<b>-1 027</b>	<b>1 459</b>	<b>374</b>
<b>Tax costs</b>	<b>-117</b>	<b>2 052</b>	<b>-205</b>	<b>1 814</b>
<b>PROFIT BEFORE OTHER COMPREHENSIVE INCOME</b>	<b>264</b>	<b>1 025</b>	<b>1 254</b>	<b>2 189</b>
Change in actuarial assumptions	-18	-145	-18	-145
Profit/loss cash flow hedging	-10	4	-60	27
Tax on other profit elements not to be classified to profit/loss	19	38	19	34
<b>Total other profit elements not to be classified to profit/loss</b>	<b>-8</b>	<b>-103</b>	<b>-58</b>	<b>-84</b>
Translation differences		-1		-7
<b>Total other profit elements that may be classified to profit /loss</b>		<b>-1</b>		<b>-7</b>
<b>Total other profit elements</b>	<b>-8</b>	<b>-103</b>	<b>-58</b>	<b>-91</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>256</b>	<b>922</b>	<b>1 195</b>	<b>2 098</b>

# Storebrand Livsforsikring AS

## Statement of financial position

(NOK million)	31.12.2016	31.12.2015
<b>Assets</b>		
<b>Assets in company portfolio</b>		
Other intangible assets	133	201
<b>Total intangible assets</b>	<b>133</b>	<b>201</b>
Equities and units in subsidiaries, associated companies and joint-controlled companies	13 434	16 232
Lendings at amortised cost	1	2
Bonds at amortised cost	2 868	2 674
Deposits at amortised cost	143	246
Equities and other units at fair value	83	64
Bonds and other fixed-income securities at fair value	13 529	9 787
Derivatives at fair value	932	1 264
<b>Total investments</b>	<b>30 989</b>	<b>30 268</b>
Receivables in connection with direct business transactions	419	2 469
Receivables in connection with reinsurance transactions	9	11
Receivables with group company	66	66
Other receivables	410	129
<b>Total receivables</b>	<b>903</b>	<b>2 677</b>
Tangible fixed assets	11	14
Cash, bank	1 644	988
Tax assets	175	360
<b>Total other assets</b>	<b>1 830</b>	<b>1 363</b>
Other pre-paid costs and income earned and not received	14	12
<b>Total pre-paid costs and income earned and not received</b>	<b>14</b>	<b>12</b>
<b>Total assets in company portfolio</b>	<b>33 870</b>	<b>34 520</b>
<b>Assets in customer portfolios</b>		
Equities and units in subsidiaries, associated companies and joint-controlled companies	20 884	22 149
of which investment in real estate companies	20 104	21 352
Bonds at amortised cost	15 644	15 648
Lendings at amortised cost	79 378	73 434
Deposits at amortised cost	16 628	6 017
Equities and other units at fair value	2 133	2 002
Bonds and other fixed-income securities at fair value	10 501	12 226
Financial derivatives at fair value	38 444	48 114
Total investments in collective portfolio	128	225
<b>Total investment in collective portfolio</b>	<b>183 739</b>	<b>179 815</b>
<b>Reinsurance share of insurance obligations</b>	<b>106</b>	<b>112</b>
Equities and units in subsidiaries, associated companies and joint-controlled companies	2 974	2 424
of which investment in real estate companies	2 974	2 424
Lendings at amortised cost	100	
Deposits at amortised cost	183	179
Equities and other units at fair value	39 626	32 041
Bonds and other fixed-income securities at fair value	21 807	19 747
Financial derivatives at fair value	73	9
<b>Total investments in investment selection portfolio</b>	<b>64 763</b>	<b>54 400</b>
<b>Total assets in customer portfolios</b>	<b>248 609</b>	<b>234 326</b>
<b>TOTAL ASSETS</b>	<b>282 478</b>	<b>268 846</b>

# Storebrand Livsforsikring AS

## Statement of financial position continue

(NOK million)	31.12.2016	31.12.2015
<b>Equity and liabilities</b>		
Share capital	3 540	3 540
Share premium	9 711	9 711
<b>Total paid in equity</b>	<b>13 251</b>	<b>13 251</b>
Risk equalisation fund	140	142
Other earned equity	11 042	9 845
<b>Total earned equity</b>	<b>11 182</b>	<b>9 987</b>
Perpetual subordinated loan capital	2 098	2 096
Dated subordinated loan capital	3 742	3 158
Hybrid tier 1 capital	1 504	1 503
<b>Total subordinated loan capital and hybrid tier 1 capital</b>	<b>7 344</b>	<b>6 756</b>
Premium reserves	167 456	165 921
Additional statutory reserves	6 794	5 160
Market value adjustment reserve	2 684	4 520
Claims allocation	1 427	1 038
Premium fund, deposit fund and the pension surplus fund	2 671	2 713
Other technical reserve	684	655
<b>Total insurance obligations in life insurance - contractual obligations</b>	<b>181 716</b>	<b>180 006</b>
Premium reserves	65 144	53 894
Claims allocation	1	1
<b>Total insurance obligations in life insurance - investment portfolio separately</b>	<b>65 144</b>	<b>53 894</b>
Pension liabilities etc.	59	196
Other provisions for liabilities		1
<b>Total provisions for liabilities</b>	<b>59</b>	<b>196</b>
Liabilities in connection with direct insurance	898	935
Financial derivatives	1 047	1 797
Liabilities to group companies	199	50
Other liabilities	1 415	1 722
<b>Total liabilities</b>	<b>3 559</b>	<b>4 504</b>
Other accrued expenses and received, unearned income	224	251
<b>Total accrued expenses and received, unearned income</b>	<b>224</b>	<b>251</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>282 478</b>	<b>268 846</b>

# Storebrand Livsforsikring AS

## Statement of change in equity

(NOK million)	Share capital <sup>1)</sup>	Share premium reserve	Total paid in equity	Risk equalisation fund	Other equity	Total equity
<b>Equity at 31.12.2014</b>	<b>3 540</b>	<b>9 711</b>	<b>13 251</b>	<b>828</b>	<b>7 061</b>	<b>21 140</b>
Profit for the period				-686	2 875	2 189
Total other profit elements					-91	-91
<b>Total comprehensive income for the period</b>				<b>-686</b>	<b>2 785</b>	<b>2 098</b>
<b>Equity transactions with owner:</b>						
Other					-1	-1
<b>Equity at 31.12.2015</b>	<b>3 540</b>	<b>9 711</b>	<b>13 251</b>	<b>142</b>	<b>9 845</b>	<b>23 238</b>
Profit for the period				-2	1 255	1 254
Total other profit elements					-58	-58
<b>Total comprehensive income for the period</b>				<b>-2</b>	<b>1 197</b>	<b>1 195</b>
<b>Equity at 31.12.2016</b>	<b>3 540</b>	<b>9 711</b>	<b>13 251</b>	<b>140</b>	<b>11 042</b>	<b>24 433</b>

<sup>1)</sup> 35 404 200 shares of NOK 100 per value.



# Notes

## Storebrand Livsforsikring Group

### Note 01 | Accounting policies

The Group's interim financial statements include Storebrand Livsforsikring AS, subsidiaries and associated companies. The financial statements are prepared in accordance with the "Regulation on the annual accounts etc. of lifeinsurance companies" for the parent company and the consolidated financial statements in accordance with IAS 34 Interim Financial Reporting. The interim financial statements do not contain all the information that is required in a full annual financial statements.

A description of the accounting policies applied in the preparation of the financial statements is provided in the 2015 annual report, and the interim financial statements are prepared with respect to these accounting policies.

#### 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.

There is none new or amended accounting standards that entered into effect as at 1 January 2016 that have caused significant effects on Storebrand's interim financial statements.

#### Storebrand Livsforsikring AS - the company's financial statements

With the exception of the handling of security reserves, the financial statements have been prepared in accordance with the accounting principles that were used in the annual financial statements for 2015. The new Annual Financial Statement Regulations that entered into force on 1 January 2016 entail that provisions for security reserves shall no longer be made in the company's financial statements. The change is handled as a change in accounting principle and security reserves are now included as equity in the company. Provisions are made for related deferred tax. Comparable figures have been restated.

#### STATEMENT OF COMPREHENSIVE INCOME

##### Storebrand Livsforsikring AS

(NOK million)	Q4 2015			31.12.2015		
	Reported figures	Security reserves	Revised figures	Reported figures	Security reserves	Revised figures
To/from technical reserves for non-life insurance business	6	-6		-4	4	
<b>Profit before tax</b>	<b>-1 022</b>	<b>-6</b>	<b>-1 027</b>	<b>371</b>	<b>4</b>	<b>374</b>
Tax costs	2 051	1	2 052	1 815	-1	1 814
<b>Profit before other comprehensive income</b>	<b>1 029</b>	<b>-4</b>	<b>1 025</b>	<b>2 186</b>	<b>3</b>	<b>2 189</b>

## STATEMENT OF FINANCIAL POSITION

### Storebrand Livsforsikring AS

(NOK million)	1.1.2015			31.12.2015		
	Reported figures	Security reserves	Revised figures	Reported figures	Security reserves	Revised figures
<b>Assets</b>						
Tax assets				400	-39	360
Reinsurance share of insurance obligations	143	-19	124	129	-18	112
<b>Total assets</b>	<b>257 537</b>	<b>-19</b>	<b>257 518</b>	<b>268 903</b>	<b>-57</b>	<b>268 846</b>
<b>Equity and liabilities</b>						
Other earned equity	6 946	115	7 061	9 869	118	9 987
<b>Total earned equity</b>	<b>7 774</b>	<b>115</b>	<b>7 889</b>	<b>9 869</b>	<b>118</b>	<b>9 987</b>
Other technical reserve	799	-173	627	829	-175	655
<b>Total insurance obligations in life insurance - contractual obligations</b>	<b>181 048</b>	<b>-173</b>	<b>180 875</b>	<b>180 181</b>	<b>-175</b>	<b>180 006</b>
Deferred tax	1 449	38	1 488			
<b>Total provisions for liabilities</b>	<b>1 686</b>		<b>1 686</b>			
<b>Total equity and liabilities</b>	<b>257 537</b>	<b>-19</b>	<b>257 518</b>	<b>268 903</b>	<b>-57</b>	<b>268 846</b>

## Note 02 | Estimates

In preparing the Group's financial statements the management are required to make estimates, judgements 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.

Actual results may differ from these estimates

A description of the most critical estimates and judgements that can affect recognised amounts appears in the 2015 annual financial statements in note 2, strengthening longevity reserves for Storebrand Life Insurance, in note 3, insurance risk, in note 7 and valuation of financial instruments and real estate at fair value is described in note 13 and in the interim financial statements note 10 Solvency II.

## Note 03 | Segments – result by business area

Storebrand's operation include the business areas Savings, Insurance, Guaranteed Pension and Other.

### CHANGE TO PROFIT AND LOSS STATEMENT

A change has been made to the alternative profit and loss statement in the 3rd quarter of 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 profit", 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 profit and loss statement, "financial items and risk result life & pension" includes the following lines from the statement that was used up until 30 June 2016:

- Risk result life and pensions
- Financial result
- Net profit sharing

Comparable figures have been restated.

## SAVINGS

Consists of products that include long-term saving for retirement with no explicit long-term interest rate guarantees. The area includes fundbased insurance (Unit Linked and defined contribution pensions) to individuals and companies in Norway and Sweden. In addition also includes certain other subsidiaries.

## INSURANCE

Insurance is responsible for the group's insurance risk products. The unit provides personal risk products in the Norwegian and Swedish retail market and employee- and pension-related insurances in the Norwegian and Swedish corporate market

## GUARANTEED PENSION

Guaranteed pension consists of products that include long-term saving for retirement, where customers have a guaranteed return or performance of savings funds. The area includes defined contribution pensions in Norway and Sweden, paid-up policies and individual capital and pension insurances.

## OTHER

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

## RECONCILIATION WITH THE OFFICIAL PROFIT AND LOSS ACCOUNTING

Results in the segments are reconciled with the corporate results before amortization and write-downs of intangible assets. The corporate profit and loss account includes gross income and gross costs linked to both the insurance customers and owner. In addition are the savings element in premium income and in costs related to insurance. The various segments are to a large extent followed up in the follow-up of net profit margins, including follow-up of risk and administration results. The result lines that are used in segment reporting will therefore not be identical with the result lines in the corporate profit and loss account.

## SEGMENTS - RESULT BY BUSINESS AREA

(NOK million)	Q4		01.01 - 31.12	
	2016	2015	2016	2015
Savings	120	64	418	395
Insurance	121	-19	429	379
Guaranteed pension	492	-110	870	329
Other	-17	210	377	241
<b>Profit before amortisation and provision longevity</b>	<b>716</b>	<b>145</b>	<b>2 093</b>	<b>1 344</b>
Provision longevity		-1 362		-1 764
<b>Profit before amortisation</b>	<b>716</b>	<b>-1 217</b>	<b>2 093</b>	<b>-420</b>
Amortisation intangible assets	-93	-102	-396	-386
<b>Profit before tax</b>	<b>622</b>	<b>-1 318</b>	<b>1 697</b>	<b>-806</b>

## SEGMENT INFORMATION Q4

(NOK million)	Savings		Insurance		Guaranteed pension	
	2016	2015	2016	2015	2016	2015
Fee and administration income	353	333			376	460
Insurance result			192	77		
- Insurance premiums f.o.a.			689	687		
- Claims f.o.a.			-496	-610		
Operational cost	-232	-270	-114	-111	-260	-333
<b>Operating profit</b>	<b>121</b>	<b>63</b>	<b>78</b>	<b>-34</b>	<b>116</b>	<b>128</b>
Financial items and risk result life & pension	-1	1	43	15	376	-238
- Risk result life & pension	-1	1			-13	7
- Financial result			43	15		
- Net profit sharing					389	-244
<b>Profit before amortisation and provision longevity</b>	<b>120</b>	<b>64</b>	<b>121</b>	<b>-19</b>	<b>492</b>	<b>-110</b>
Provision longevity						-1 362
<b>Profit before amortisation</b>	<b>120</b>	<b>64</b>	<b>121</b>	<b>-19</b>	<b>492</b>	<b>-1 472</b>
Amortisation of intangible assets						
<b>Profit before tax</b>	<b>120</b>	<b>64</b>	<b>121</b>	<b>-19</b>	<b>492</b>	<b>-1 472</b>

(NOK million)	Other		Storebrand Livsforsikring Group	
	2016	2015	2016	2015
Fee and administration income	25	22	754	815
Insurance result			192	77
- Insurance premiums f.o.a.			689	687
- Claims f.o.a.			-496	-610
Operational cost	-12	-15	-618	-729
<b>Operating profit</b>	<b>13</b>	<b>7</b>	<b>328</b>	<b>163</b>
Financial items and risk result life & pension	-29	203	388	-18
- Risk result life & pension	-11	-31	-25	-23
- Financial result	-18	236	25	252
- Net profit sharing	-1	-2	388	-247
<b>Profit before amortisation and provision longevity</b>	<b>-17</b>	<b>210</b>	<b>716</b>	<b>145</b>
Provision longevity				-1 362
<b>Profit before amortisation</b>	<b>-17</b>	<b>210</b>	<b>716</b>	<b>-1 217</b>
Amortisation of intangible assets			-93	-102
<b>Profit before tax</b>	<b>-17</b>	<b>210</b>	<b>622</b>	<b>-1 318</b>

## SEGMENT INFORMATION AS AT 31.12

(NOK million)	Savings		Insurance		Guaranteed pension	
	2016	2015	2016	2015	2016	2015
Fee and administration income	1 378	1 393			1 566	1 777
Insurance result			689	604		
- Insurance premiums f.o.a.			2 759	2 680		
- Claims f.o.a.			-2 070	-2 076		
Operational cost	-966	-996	-418	-395	-981	-1 156
<b>Operating profit</b>	<b>412</b>	<b>398</b>	<b>271</b>	<b>208</b>	<b>585</b>	<b>621</b>
Financial items and risk result life & pension	6	-2	158	170	284	-292
- Risk result life & pension	6	-3			-37	89
- Financial result			158	170		
- Net profit sharing		1			322	-382
<b>Profit before amortisation and provision longevity</b>	<b>418</b>	<b>395</b>	<b>429</b>	<b>379</b>	<b>870</b>	<b>329</b>
Provision longevity						-1 764
<b>Profit before amortisation</b>	<b>418</b>	<b>395</b>	<b>429</b>	<b>379</b>	<b>870</b>	<b>-1 435</b>
Amortisation of intangible assets						
<b>Profit before tax</b>	<b>418</b>	<b>395</b>	<b>429</b>	<b>379</b>	<b>870</b>	<b>-1 435</b>

(NOK million)	Other		Storebrand Livsforsikring Group	
	2016	2015	2016	2015
Fee and administration income	94	113	3 038	3 283
Insurance result			689	604
- Insurance premiums f.o.a.			2 759	2 680
- Claims f.o.a.			-2 070	-2 076
Operational cost	-48	-66	-2 412	-2 613
<b>Operating profit</b>	<b>46</b>	<b>47</b>	<b>1 315</b>	<b>1 274</b>
Financial items and risk result life & pension	331	194	779	70
- Risk result life & pension	7	-6	-24	80
- Financial result	333	207	491	378
- Net profit sharing	-9	-7	312	-389
<b>Profit before amortisation and provision longevity</b>	<b>377</b>	<b>241</b>	<b>2 093</b>	<b>1 344</b>
Provision longevity				-1 764
<b>Profit before amortisation</b>	<b>377</b>	<b>241</b>	<b>2 093</b>	<b>-420</b>
Amortisation of intangible assets			-396	-386
<b>Profit before tax</b>	<b>377</b>	<b>241</b>	<b>1 697</b>	<b>-806</b>

## Financial market risk and insurance risk

Risks are described in the annual report for 2015 in note 7 (Insurance risk), note 8 (Financial market risk), note 9 (Liquidity risk), note 10 (Lending and counterparty risk), note 11 (Credit exposure) and note 12 (Concentration of 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 and customer portfolios with a guarantee.

The market risk in the company portfolios and the subsidiaries that are not life insurance companies or included in the customer portfolios has a direct impact on Storebrand's profit.

The market risk in customer portfolios without a guarantee 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 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 sufficiently high to meet the guaranteed interest rate, the shortfall will be met by using customer buffers in the form of risk capital built up from previous years' surpluses. Risk capital primarily consists of unrealised gains, additional statutory reserves and conditional bonuses. The owner is responsible for meeting any shortfall that cannot be covered. 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.

The stock market was turbulent during the first half year, with significant price falls both early in the year and in June. The stock market was positive during the second half of the year and fourth quarter. The global index increased 5 per cent during the fourth quarter, which gave an overall increase of 9 per cent for 2016. The Norwegian stock market was especially strong, with an increase of 11 per cent in the fourth quarter and 12 per cent for 2016. The oil price increased by 50 per cent in 2016. The credit market has experienced an almost identical trend to the stock market and the credit spreads have been slightly reduced in both the fourth quarter and during the year.

Interest rates rose in the fourth quarter due to expectations of increased inflation. The 10-year interest swap rate increased by 0.5 percentage points in both Norway and Sweden. At the end of 2016, the 10-year interest swap rate was 2.0 per cent in Norway, an increase of 0.2 percentage points since the start of the year. In Sweden, the level was 1.1 per cent at the end of 2016, which was a decrease of 0.5 percentage points since the start of the year. Due to the majority of the interest rate investments in the Norwegian customer portfolios being held at amortised cost, the change in interest rates has a limited effect on expected returns in the short term. However, with the present interest rates, new bond investments provide a lower return than the average interest rate guarantee.

The Norwegian krone weakened slightly in the fourth quarter, particularly against the dollar, but also against the Swedish krone. Overall, the Norwegian krone increased in value in 2016. It strengthened by 9 per cent against the Swedish krone, 6 per cent against the Euro and 3 per cent against the dollar. A high degree of currency hedging in the portfolio means that the exchange rate fluctuations have had a modest effect on results and risk.

The interest rate sensitivity (duration) of the investments has increased somewhat during the year in both Norway and Sweden. Other than this, there have been minor changes in investment allocations.

Guaranteed portfolios in Sweden gave a return of minus 2 per cent in the fourth quarter due to higher interest rates. Guaranteed portfolios in Norway provided a return of 0.3 per cent. Investments at amortised cost cushions the effect of interest rate increases in Norway. There was a good return in 2016 and this was driven by positive stock markets, good returns on property investments and reduced credit spreads. In Sweden, the fall in interest rates also contributed to the return. For guaranteed portfolios as a whole, the return was 4.7 per cent in Norway and 5.3 per cent in Sweden. Based on the current strategy, any returns that exceed the guarantee in Norway will be primarily used for strengthening reserves or for additional statutory reserves, and the return therefore has little impact on the result. The market value adjustment reserve was reduced during 2016, while additional statutory reserves have increased. Excess values in bonds at amortised cost have been reduced in the fourth quarter. In Sweden, the increase in value of the insurance liabilities has been somewhat lower than the increase in the value of assets and good returns have resulted in profit sharing. SPP had a good financial result in the fourth quarter of 2016. Buffers in the form of conditional bonuses increased slightly.

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. Most of the Group's insurance risk is related to life insurance. Longevity is the greatest risk, since longer life expectancy entails that guaranteed benefits must be paid for a longer period of time. There is also risk related to disability and death. Insurance risk remains largely unchanged throughout the year.

Note  
05

Liquidty risk

**SPECIFICATION OF SUBORDINATED LOAN CAPITAL**

(NOK million)	Nominal value	Currency	Interest rate	Call date	Book value
<b>Issuer</b>					
<b>Hybrid tier 1 capital</b>					
Storebrand Livsforsikring AS	1 500	NOK	Variable	2018	1 504
<b>Perpetual subordinated loan capital</b>					
Storebrand Livsforsikring AS	1 000	NOK	Variable	2020	999
Storebrand Livsforsikring AS	1 100	NOK	Variable	2024	1 099
<b>Dated subordinated loan capital</b>					
Storebrand Livsforsikring AS	300	EUR	Fixed	2023	3 027
Storebrand Livsforsikring AS	750	SEK	Variable	2021	715
<b>Total subordinated loan capital and hybrid tier 1 capital</b>					<b>7 344</b>
<b>31.12.2016</b>					
<b>Total subordinated loan capital and hybrid tier 1 capital</b>					<b>7 489</b>
<b>31.12.2015</b>					

Note  
06

## Valuation of financial instruments and real estate

The Group categorises financial instruments valued at fair value on three different levels. Criteria for the categorisation and processes associated with valuing are described in more detail in note 13 in the financial statements for 2015.

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.

### FINANCIAL ASSETS AND LIABILITIES AT AMORTISED COST

(NOK million)	Fair value 31.12.16	Fair value 31.12.15	Book value 31.12.16	Book value 31.12.15
<b>Financial assets</b>				
Lending to customers - corporate	6 997	6 015	7 004	6 017
Lending to customers - retail	9 724	2	9 724	2
Bonds held to maturity	17 537	17 578	15 644	15 648
Bonds classified as loans and receivables	89 144	84 758	82 246	76 107
<b>Financial liabilities</b>				
Subordinated loan capital	7 443	7 432	7 344	7 489



**VALUATION OF FINANCIAL INSTRUMENTS AND REAL ESTATE AT FAIR VALUE**  
**STOREBRAND LIVSFORSIKRING GROUP**

(NOK million)	Level 1	Level 2	Level 3	Total 31.12.2016	Total 31.12.2015
	Quoted prices	Observable assumptions	Non-observable assumptions		
<b>Assets</b>					
<b>Equities and units</b>					
- Equities	20 371	513	1 051	21 935	20 651
- Units	243	99 291	8 050	107 584	103 913
<b>Total equities and units</b>	<b>20 614</b>	<b>99 803</b>	<b>9 101</b>	<b>129 518</b>	
<b>Total equities and units 31.12.15</b>	<b>17 890</b>	<b>94 446</b>	<b>12 227</b>		<b>124 563</b>
<b>Total lending to customers <sup>1)</sup></b>			<b>2 346</b>	<b>2 346</b>	
<b>Bonds and other fixed income securities</b>					
- Government bonds	22 202	23 893		46 095	50 121
- Corporate bonds	44	31 340	249	31 632	28 925
- Structured notes		29		29	33 792
- Collateralised securities		29 145		29 145	12 981
- Bond funds	707	56 898		57 604	58 438
<b>Total bonds and other fixed income securities</b>	<b>22 952</b>	<b>141 305</b>	<b>249</b>	<b>164 506</b>	
<b>Total bonds and other fixed income securities 31.12.15</b>	<b>28 405</b>	<b>155 494</b>	<b>358</b>		<b>184 257</b>
<b>Derivatives:</b>					
- Interest derivatives		3 225		3 225	1 648
- Currency derivatives		-657		-657	-417
<b>Total derivatives</b>		<b>2 568</b>		<b>2 568</b>	
- derivatives with a positive market value		4 553		4 553	
- derivatives with a negative market value		-1 985		-1 985	
<b>Total derivatives 31.12.15</b>		<b>1 231</b>			<b>1 231</b>
<b>Real estate:</b>					
- investment properties			24 161	24 161	24 415
- Owner-occupied properties			2 863	2 863	2 887
<b>Total real estate</b>			<b>27 024</b>	<b>27 024</b>	
<b>Total real estate 31.12.15</b>			<b>27 302</b>		<b>27 302</b>

1) Includes lending to customers classified at fair value through profit and loss.

There are no significant movement between level 1 and level 2 in this quarter or year to date.

**MOVEMENT LEVEL 3**

(NOK million)	Equities	Units	Lending to customers	Corporate bonds	Investment properties	Owner-occupied properties
Book value 01.01	2 468	9 759		361	24 417	2 887
Net profit/loss	-125	-308	16	-12	111	50
Supply/disposal	15	863	2 326	14	1 708	20
Sales/overdue/settlement	-1 255	-2 013	4	-87	-2 863	
Translation differences	-53	-251		-27	-393	-131
Other					1 182	37
<b>Book value 31.12.16</b>	<b>1 051</b>	<b>8 050</b>	<b>2 346</b>	<b>249</b>	<b>24 161</b>	<b>2 863</b>

## SENSITIVITY ASSESSMENTS

Sensitivity assessments of investments on level 3 are described in note 13 in the 2015 annual financial statements. There are no significant change in sensitivity in this quarter or year to date.

## VALUATION OF FINANCIAL INSTRUMENTS AT FAIR VALUE STOREBRAND LIVSFORSIKRING AS

(NOK million)	Level 1	Level 2	Level 3	Total 31.12.2016	Total 31.12.2015
	Quoted prices	Observable assumptions	Non-observable assumptions		
<b>Assets</b>					
<b>Equities and units</b>					
- Equities	17 121	137	621	17 879	14 114
- Units		26 647	5 683	32 330	30 216
<b>Total equities and units</b>	<b>17 121</b>	<b>26 784</b>	<b>6 305</b>	<b>50 210</b>	
<b>Total equities and units 31.12.15</b>	<b>12 209</b>	<b>23 157</b>	<b>8 964</b>		<b>44 330</b>
<b>Bonds and other fixed income securities</b>					
- Government bonds	11 512			11 512	13 215
- Corporate bonds		10 406	51	10 457	11 839
- Collateralised securities		5 907		5 907	8 203
- Bond funds		45 905		45 905	44 390
<b>Total bonds and other fixed income securities</b>	<b>11 512</b>	<b>62 217</b>	<b>51</b>	<b>73 780</b>	
<b>Total bonds and other fixed income securities 31.12.15</b>	<b>13 215</b>	<b>64 356</b>	<b>77</b>		<b>77 647</b>
<b>Derivatives:</b>					
- Interest derivatives		803		803	178
- Currency derivatives		-716		-716	-476
<b>Total derivatives</b>		<b>86</b>		<b>86</b>	
- derivatives with a positive market value		1 133		1 133	
- derivatives with a negative market value		-1 047		-1 047	
<b>Total derivatives 31.12.15</b>		<b>-298</b>			<b>-298</b>

## MOVEMENT LEVEL 3

(NOK million)	Equities	Units	Corporate bonds
Book value 01.01	1 780	7 184	80
Net profit/loss	-62	-474	-11
Supply/disposal	24	712	
Sales/overdue/settlement	-1 122	-1 739	-18
<b>Book value 31.12.16</b>	<b>621</b>	<b>5 683</b>	<b>51</b>

## Note 07 Pension scheme for own employees

In 2014, the defined benefit pension scheme for employees at Storebrand in Norway was changed after the decision was made to transition to a defined contribution pension scheme. These pension liabilities were largely derecognised in 2014. Reference is made to the specific information regarding this in the notes to the financial statements for 2014 and 2015.

In connection with new rules for disability pensions in the Norwegian Occupational Pensions Act, Storebrand has altered the disability pension scheme for own employees in Norway in 2016. In 4th quarter 2016, NOK 19 million (NOK 121 million for the whole year) was recognised as income before tax relating to allocated liabilities for previous coverage, which is recognised in the income statement as reduced costs.

## Note 08 Tax

Completed property sales have resulted in taxable temporary differences associated with these properties being reversed, which reduces the income tax expense.

The tax rate for the Group will vary from quarter to quarter depending on the individual legal entities' contribution to earnings. The net income tax expense for the quarter and year also reflects effects that each give a higher or lower effective tax rate. 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 per cent).

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 that a financial tax would be introduced that shall 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 capitalizing deferred tax/deferred tax assets in the consolidated financial statements, the company tax rate that applies for the individual Group companies is used. Total effect for the Group is a reduced tax expense for 2016.

## Note 09 Contingent liabilities

(NOK million)	Storebrand Livsforsikring Group		Storebrand Livsforsikring AS	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Uncalled residual liabilities re limited partnership	2 971	4 264	2 249	3 487
<b>Total contingent liabilities</b>	<b>2 971</b>	<b>4 264</b>	<b>2 249</b>	<b>3 487</b>

Storebrand Group companies are engaged in extensive activities in Norway and abroad and may become a party in legal disputes.

## Note 10 | Solvency II

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

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.

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

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

The models used as a basis for the calculation of capital requirements and solvency capital are based on a number of requirements and assumptions that are partly specified in the regulations and partly interpreted by Storebrand based on the regulations. The most important assumptions and estimates in the calculation relate to the risk-reducing capacity of deferred tax, future margins and reserve developments, as well as the value of the customers guarantees and options. The assumptions and estimates are reviewed on an ongoing basis and are based on historical experience and expectations of future events and represent the management's best judgment at the time the financial statement were prepared. Changes to the regulations, methods and interpretations may be made that could affect the Solvency II margin in the future.

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

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

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

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

<sup>1)</sup>Profit earned that is included as equity in the financial statements must be replaced by the reconciliation reserve in the solvency balance. The reconciliation reserve also includes profit earned, but based on the valuation of assets and liabilities in the solvency balance. The reconciliation reserve will also include the present value of future profits. The value of future profits is implicitly included as a consequence of the valuation of the insurance liability.

## SOLVENCY CAPITAL

	31.12.2016				
(NOK million)	Total	Group 1 unlimited	Group 1 limited	Group 2	Group 3
Share capital	3 540	3 540			
Share premium	9 711	9 711			
Reconciliation reserve	18 373	18 373			
Including the effect of the transitional arrangement	3 073	3 073			
Subordinated loans	7 198		2 575	4 623	
Risk equalisation reserve	140			140	
<b>Total solvency capital</b>	<b>38 962</b>	<b>31 624</b>	<b>2 575</b>	<b>4 763</b>	
<b>Total solvency capital available to cover the minimum capital requirement</b>	<b>35 529</b>	<b>31 624</b>	<b>2 575</b>	<b>1 330</b>	

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)	31.12.2016
Market	21 791
Counterparty	423
Life	5 180
Health	524
Operational	953
Diversification	- 4 012
Loss-absorbing tax effect	- 5 401
<b>Total solvency requirement</b>	<b>19 457</b>
<b>Solvency margin</b>	<b>200 %</b>
<b>Minimum capital requirement</b>	<b>6 651</b>
<b>Minimum margin</b>	<b>534 %</b>

## Note 11 | Information about related parties

Storebrand conducts transactions with related parties as part of its normal business activities. These transactions take place on commercial terms. The terms for transactions with management and related parties are stipulated in notes 24 and 46 in the 2015 annual report.

Storebrand Livsforsikring has not carried out any material transactions other than normal business transactions with related parties at the close of the 4th quarter, other than Storebrand Livsforsikring AS having acquired mortgages from the sister company Storebrand Bank ASA. The mortgages were transferred on commercial terms. The portfolio of loans that have been transferred year to date totalled NOK 9.7 billion, of which NOK 2.9 billion in 4th quarter.

## Note 12 | Dividends from subsidiaries

During the 1st quarter, Storebrand Livsforsikring AS received dividends from Storebrand Holding AB of SEK 2,080 million. The equity value of Storebrand Holding is correspondingly written down in the financial statements of Storebrand Livsforsikring AS. These items are presented on a net basis on the line for income from investments in subsidiaries. As of 4th quarter Storebrand Livsforsikring received NOK 129 million in dividends that are substantially related to BenCo, no change in 4th quarter. In the third quarter, impairment losses in Storebrand Livsforsikring on the share in BenCo by NOK 46 million.

## Financial calendar 2017



<b>27 April</b>	Result Q1 2017
<b>13 July</b>	Result Q2 2017
<b>25 October</b>	Result Q3 2017
<b>February 2018</b>	Result Q4 2017

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