



# Interim report 2018

Storebrand Livsforsikring AS (unaudited)

# Contents

## FINANCIAL PERFORMANCE BUSINESS AREAS

Storebrand Livsforsikring Group . . . . .	3
Savings . . . . .	5
Insurance . . . . .	6
Guaranteed pension . . . . .	7
Other . . . . .	9
Balance sheet 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
Declaration by the Members of the Board and the CEO . . . . .	38

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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 1<sup>st</sup> half year result please refer to the Storebrand Group's interim report for the 1<sup>st</sup> half year of 2018. Storebrand Group's ambition is to be the best provider of pension savings. The Group offers an integrated product range spanning from life insurance, P&C insurance, asset management and banking to private individuals, companies and public sector entities. The Group is divided into the segments Savings, Insurance, Guaranteed Pension and Other.

## PROFIT STOREBRAND LIVSFORSIKRING GROUP

(NOK million)	2018		2017			1.1 - 30.06		Full year
	2Q	1Q	4Q	3Q	2Q	2018	2017	2017
Fee and administration income	802	786	803	780	776	1,588	1,518	3,101
Insurance result	274	234	172	250	224	509	415	837
Operational expenses	-610	-598	-651	-579	-590	-1,208	-1,194	-2,424
<b>Operating profit</b>	<b>466</b>	<b>423</b>	<b>323</b>	<b>451</b>	<b>411</b>	<b>889</b>	<b>740</b>	<b>1,514</b>
Financial items and risk result life & pension	151	302	-148	137	297	453	488	477
<b>Profit before amortisation</b>	<b>616</b>	<b>725</b>	<b>175</b>	<b>588</b>	<b>707</b>	<b>1,342</b>	<b>1,227</b>	<b>1,992</b>

The profit before amortisation was NOK 616m (NOK 707m) in the 2<sup>nd</sup> quarter. The figures in brackets are from the corresponding period last year. Total fee and administration income amounted to NOK 802m (NOK 776m) for the 2<sup>nd</sup> quarter representing an increase of 3.4% compared to the same period last year. Income within the segment Guaranteed Pension was stable, while the Savings segment increased revenues by 5.5% in the quarter compared to the same period last year. The Insurance result had a total combined ratio of 74 % (85%) in the quarter.

Overall, the operating costs in the 2<sup>nd</sup> quarter were NOK 610m (NOK 590m). The underlying cost control is strong. Volume growth within the Saving segment has resulted in a larger part of the Group's costs being allocated to this segment.

The operating profit for the 2<sup>nd</sup> quarter increased by 13.4% compared to the same period last year. The 'Financial items and risk result' were NOK 151m) in the 2<sup>nd</sup> quarter, arising from profit sharing and risk result in the Guaranteed Pension segment and company capital net returns in the Other segment.

## PROFIT STOREBRAND LIVSFORSIKRING GROUP - BY BUSINESS AREA

(NOK million)	2018		2017			1.1 - 30.06		Full year
	2Q	1Q	4Q	3Q	2Q	2018	2017	2017
Savings	136	112	134	135	152	248	267	536
Insurance	179	155		186	149	334	275	462
Guaranteed pensions	234	398	31	244	290	632	491	766
Other	67	60	10	24	117	127	194	228
<b>Profit before amortisation</b>	<b>616</b>	<b>725</b>	<b>175</b>	<b>588</b>	<b>707</b>	<b>1,342</b>	<b>1,227</b>	<b>1,992</b>

The Savings segment reported a profit of NOK 136m (NOK 152m) in the 2<sup>nd</sup> quarter 2018. Growth within Unit linked contribute positively to the result. Investments for growth in the retail savings market increase costs in the the Norwegian Unit linked business.

The Insurance segment reported a profit of NOK 179m (NOK 149m) in the 2<sup>nd</sup> quarter. The risk result gives a claims ratio of 60% (68%) in the quarter. The cost ratio is also reduced due to fewer FTEs allocated to the area.

The Guaranteed Pension segment achieved a profit before amortisation of NOK 234m (NOK 290m) for the 2<sup>nd</sup> quarter. Fee and administration income is stable compared with the same period last year. The products within Guaranteed Pension are in long-term runoff and reduced earnings from this segment are expected over time.

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. The Group's target solvency margin in accordance with the new regulations is a minimum of 150%, including use of the transitional rules. The solvency margin for the Storebrand Group was calculated at 167% at the end of the 1<sup>st</sup> half 2018, including transitional rules. Without transitional rules, the solvency margin was 163%. Storebrand uses the standard model for the calculation of Solvency II. The solvency margin without transitional rules strengthened due to good investment returns and increased buffer capital as well as a strong operating result. The increase in volatility adjustment largely compensated for a large part the negative effect on the solvency margin from decreased interest rates. The value of the transitional measures is almost unchanged in the quarter.

Storebrand Livsforsikring AS had a solvency margin after transitional rules of 211% as of 1<sup>st</sup> half year (without transitional rules, the solvency margin is calculated at 206%). The Storebrand Livsforsikring Group is no longer required to report the solvency margin, requirement at consolidated level applies for the Storebrand Group.

Income tax expense has been estimated based on an expected effective tax rate for 2018. The effective tax rate is influenced by the fact that the Group has, operations in countries with tax rates that are different from Norway, and it varies from quarter to quarter depending on each legal entity's contribution to the Group result. The tax rate is calculated to be in the range of 18-22% for the year.

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

The growth in Unit linked savings is driven by premium from existing contracts, investment returns, conversion from defined benefit schemes and increased savings rates. Assets under management in the Unit Linked business in Norway increased by NOK 22bn (31%) relative to the 1<sup>st</sup> half year 2017. In Norway, Storebrand is the market leader in Unit Linked occupational pension with 32% of the market share of gross premiums written (at the end of the 1<sup>st</sup> quarter 2018). SPP has a market share of 12% in the Swedish market for other occupational pensions ("Övrig Tjänstepension", at the end of 1<sup>st</sup> quarter).

Sales of savings products to private individuals are good. The introduction of Individual Pension Savings (IPS) opened in November with satisfactory sales, and Storebrand appears to be the market leader.

# Savings

- Increased income due to higher volumes
- Increased costs due to investments in growth

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

## PROFIT

(NOK million)	2018		2017			1.1 - 30.06		Full year
	2Q	1Q	4Q	3Q	2Q	2018	2017	2017
Fee and administration income	406	398	407	382	385	804	754	1,543
Operational expenses	-267	-280	-273	-244	-243	-547	-497	-1,013
<b>Operating profit</b>	<b>138</b>	<b>118</b>	<b>134</b>	<b>138</b>	<b>141</b>	<b>256</b>	<b>257</b>	<b>530</b>
Financial items and risk result life & pension	-2	-6	1	-3	10	-8	9	7
<b>Profit before amortisation</b>	<b>137</b>	<b>112</b>	<b>134</b>	<b>135</b>	<b>152</b>	<b>248</b>	<b>267</b>	<b>536</b>

The Savings segment reported a profit before amortisation and tax of NOK 137m (NOK 152m) for for the 2<sup>nd</sup> quarter. Fee- and administration income increased by 5.5% for the quarter. Income growth is driven by good returns, customer conversion from defined-benefit to defined-contribution pension schemes, 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.

Operating expenses increased compared to 2<sup>nd</sup> quarter previous year due to underlying growth in the business.

## BALANCE SHEET AND MARKET TRENDS

The premiums for non-guaranteed occupational pensions were NOK 3.9bn in the 2<sup>nd</sup> quarter, an increase of 7% compared to previous year.

Total reserves within the Unit Linked business have increased by 4% in the 2<sup>nd</sup> quarter and 18% over the last year, and amounted to NOK 178bn at the end of the quarter. Assets under management in the Unit Link business in Norway increased by NOK 4.3bn (5%) in the quarter and NOK 22.3bn (31%) over last year, including the acquisition of Silver AS with NOK 8.5bn. The underlying 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 32% of the market share of gross premiums written (at the end of the 1<sup>st</sup> quarter).

In the Swedish market, SPP is the fourth largest actor in the Other Occupational Pensions segment with a market share of 12% measured by premium income from Unit Linked. Customer assets increased by SEK 2.4bn (3%) in the 2<sup>nd</sup> quarter and SEK 5.4bn (7%) from the previous year.

## KEY FIGURES

(NOK million)	2018			2017	
	2Q	1Q	4Q	3Q	2Q
Unit Linked Reserves	178,498	171,749	167,849	157,984	151,425
Unit Linked Premiums	3,892	3,947	3,981	3,670	3,649

# Insurance

- Satisfactory underlying risk development
- Run-off gains Group Life improve result
- Lower disability claims improve result
- Fewer FTEs improves cost ratio

The Insurance segment provides personal risk products in the Norwegian and Swedish retail market and employee insurance and pensions-related insurance in the Norwegian and Swedish corporate market.

## PROFIT

(NOK million)	2018		2017			1.1 - 30.06		Full year
	2Q	1Q	4Q	3Q	2Q	2018	2017	2017
Insurance result	274	234	172	250	224	509	415	837
- Insurance premiums f.o.a.	680	742	699	720	705	1,422	1,378	2,797
- Claims f.o.a.	-406	-508	-528	-470	-480	-914	-963	-1,960
Operational expenses	-100	-99	-124	-113	-119	-200	-236	-472
<b>Operating profit</b>	<b>174</b>	<b>135</b>	<b>48</b>	<b>137</b>	<b>106</b>	<b>309</b>	<b>179</b>	<b>365</b>
Financial items and risk result life & pension	5	20	-48	49	43	25	96	97
<b>Profit before amortisation</b>	<b>179</b>	<b>155</b>	<b>0</b>	<b>186</b>	<b>149</b>	<b>334</b>	<b>275</b>	<b>462</b>

In the second quarter, Insurance delivered a result before amortization of NOK 179m (NOK 149m). Overall combined ratio for the quarter was 74% (85%).

The 2<sup>nd</sup> quarter claims ratio was 60% (68%) and the underlying risk development is satisfactory. Individual insurance coverage has a claims ratio lower than last year and continues to be profitable. Group Life delivers a good underlying risk result. The claims ratio decreased further due to run-off gains. The risk result for Group Disability Pension is significantly improved. During the period, there has been low disability, most likely due to recovery of economic conditions in Norway.

The cost ratio ended at 15% (17%) in the 2<sup>nd</sup> quarter. Fewer FTEs allocated to Insurance explain the decrease from last year.

Insurance's investment portfolio in Norway amounted to NOK 6.5bn <sup>1</sup> as of the 2<sup>nd</sup> quarter. It is primarily invested in fixed income securities with a short to medium duration.

## BALANCE SHEET AND MARKET TRENDS

Premium (annual) amounts to NOK 2.685m (NOK 2.694m) in the 1<sup>st</sup> half year.

For risk cover in connection with defined-contribution pensions in Norway, future growth is expected to be driven by GDP and salary growth. 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)	2018			2017	
	2Q	1Q	4Q	3Q	2Q
Individual life *	641	641	642	640	637
Group life **	898	898	899	894	880
Pension related disability insurance ***	1,155	1,163	1,164	1,183	1,176
<b>Portfolio premium</b>	<b>2,685</b>	<b>2,701</b>	<b>2,704</b>	<b>2,717</b>	<b>2,694</b>

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

## KEY FIGURES

(NOK million)	2018			2017	
	2Q	1Q	4Q	3Q	2Q
Claims ratio	60 %	68 %	75 %	65 %	68 %
Cost ratio	15 %	13 %	18 %	16 %	17 %
<b>Combined ratio</b>	<b>74 %</b>	<b>82 %</b>	<b>93 %</b>	<b>81 %</b>	<b>85 %</b>

<sup>1)</sup> NOK 2.8bn of the investment portfolio is linked to disability coverages where the investment result goes to the customer reserves and not as a result element in the P&L.

# Guaranteed pension

- Stable margins
- Special items in risk and financial result due to changed estimates

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

## PROFIT

(NOK million)	2018		2017			1.1 - 30.06		Full year
	2Q	1Q	4Q	3Q	2Q	2018	2017	2017
Fee and administration income	370	368	376	380	369	738	727	1,483
Operational expenses	-218	-203	-240	-212	-216	-420	-437	-889
<b>Operating profit</b>	<b>153</b>	<b>165</b>	<b>136</b>	<b>169</b>	<b>153</b>	<b>318</b>	<b>290</b>	<b>595</b>
Financial items and risk result life & pension	81	233	-105	75	137	314	201	171
<b>Profit before amortisation</b>	<b>234</b>	<b>398</b>	<b>31</b>	<b>244</b>	<b>290</b>	<b>632</b>	<b>491</b>	<b>766</b>

Guaranteed Pension achieved a profit before amortisation of NOK 234m (NOK 290m) for the 2<sup>nd</sup> quarter and NOK 632m year to date (NOK 491m).

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 370m (NOK 369m) for the 2<sup>nd</sup> quarter and NOK 738m year to date (NOK 727m).

The operating costs were stable due to the area being in long-term decline and amounted to NOK 218m (NOK 216m) for the 2<sup>nd</sup> quarter and NOK 420m year to date (NOK 437m).

The risk result was minus NOK 140m (NOK 6m) for the 2<sup>nd</sup> quarter and NOK 42m year to date (NOK 40m). For the 2<sup>nd</sup> quarter the risk result in the Norwegian business was satisfactory at NOK 64m while the risk result in the Swedish business was minus NOK 204m.

A revaluation of run off assumptions related to a closed risk product in SPP results in a NOK 216m reserve strengthening. The underlying risk result in SPP is stable.

The result from profit sharing and loan losses consists of profit sharing and financial effects. The result was NOK 221m (NOK 131m) for the 2<sup>nd</sup> quarter and NOK 272m for the year to date (NOK 161m). The result was generated in the Swedish business. For the 2<sup>nd</sup> quarter positive development in the property and credit portfolios had a positive effect. However, the main effect in the quarter was a reserve release of NOK 200m for deferred capital contributions in SPP, enabled by improved risk management driven by the conversion to a new core IT system.

The Norwegian business is prioritising the build-up of buffers and reserves instead of profit sharing between customers and owners.

## BALANCE SHEET AND MARKET TRENDS

The majority of products are closed for new business, and the customers' choice about transferring from guaranteed to non-guaranteed products is in line with the Group's strategy. As of the 2<sup>nd</sup> quarter, customer reserves for guaranteed pensions amounted to NOK 258bn, which is a decrease of approximately NOK 6.5bn year to date. The total premium income for guaranteed pensions (excluding transfers) was NOK 1.2bn (NOK 1.3bn) for the 2<sup>nd</sup> quarter and NOK 3.2bn year to date (NOK 3.2bn).

In the Norwegian business, paid-up policies were the only guaranteed pension portfolios experiencing growth which amounted to NOK 133bn as of the 2<sup>nd</sup> quarter. This is an increase of NOK 4.5bn year to date and equivalent to a 3.5% increase.

Since 2014, customers have been given the choice to convert from traditional paid-up policies to paid-up policies with investment choice. Paid-up policies with investment options choice are included in the Savings segment. Reserves for defined-benefit pensions in Norway amounted to NOK 34bn at the end of the 2<sup>nd</sup> quarter, a decline of NOK 2bn year to date.

Guaranteed portfolios in the Swedish business totalled NOK 77bn as of the 2<sup>nd</sup> quarter, a reduction of NOK 8.4bn year to date. However, the main reason for the reduction is attributed to changes in the SEK/NOK exchange rate. The underlying reduction is NOK 1bn when adjusted for currency effects.

## KEY FIGURES

(NOK million)	2018			2017	
	2Q	1Q	4Q	3Q	2Q
Guaranteed reserves	257,783	259,426	264,320	261,652	260,459
Guaranteed reserves in % of total reserves	59.1 %	60.2 %	61.2 %	62.4 %	63.2 %
Transfer out of guaranteed reserves	13	118	117	103	199
Buffer capital in % of customer reserves Storebrand	6.5 %	6.2 %	7.2 %	5.2 %	5.3 %
Buffer capital in % of customer reserves SPP	8.8 %	9.0 %	9.0 %	9.3 %	8.9 %



# 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)	2018		2017			1.1 - 30.06		Full year
	2Q	1Q	4Q	3Q	2Q	2018	2017	2017
Fee and administration income	26	20	20	17	22	46	37	75
Operational expenses	-25	-16	-15	-10	-12	-41	-25	-50
<b>Operating profit</b>	<b>1</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>10</b>	<b>5</b>	<b>13</b>	<b>25</b>
Financial items and risk result life & pension	66	56	4	17	106	122	181	203
<b>Profit before amortisation</b>	<b>67</b>	<b>60</b>	<b>10</b>	<b>24</b>	<b>117</b>	<b>127</b>	<b>194</b>	<b>228</b>

The Other segment reported a profit of NOK 67m (NOK 117m) for the 2<sup>nd</sup> quarter. Fee and administration income is associated to BenCo's business being wound down over a long-term.

The financial result for the Other segment includes the company portfolios of SPP and Storebrand Life Insurance as well as the net result for subsidiaries.

The Storebrand Life Insurance Group is funded by a combination of equity and subordinated loans.

Given the interest rate level at the end of the 2<sup>nd</sup> quarter, interest expenses of approximately NOK 95m per quarter are expected. The company portfolios in the Norwegian and Swedish life insurance companies amounted to NOK 21bn at end of the quarter.

The investments are primarily in interest-bearing securities, with short maturities, in Norway and Sweden. The Norwegian company portfolio reported a return of 0.51% for the quarter. The Swedish company portfolio provided a return of minus 0.06% in the quarter.

# Balance sheet 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.

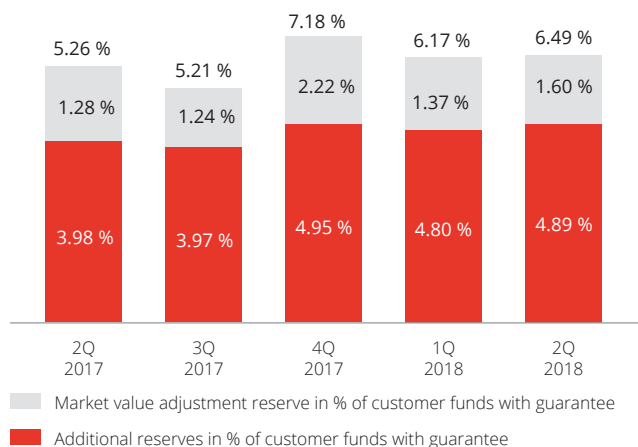
## STOREBRAND LIVSFORSIKRING GROUP

The solidity capital<sup>1</sup> amounted to NOK 57.9bn at the end of 2<sup>nd</sup> quarter 2018, an decrease of NOK 1.0bn in 2<sup>nd</sup> quarter and NOK 6.1bn year to date. The change in the quarter is due to decreased customer buffers in the Swedish business, increased in the Norwegian business and dividend paid to Storebrand ASA. There are also called a subordinated loan of NOK 1.5bn in 2<sup>nd</sup> quarter.

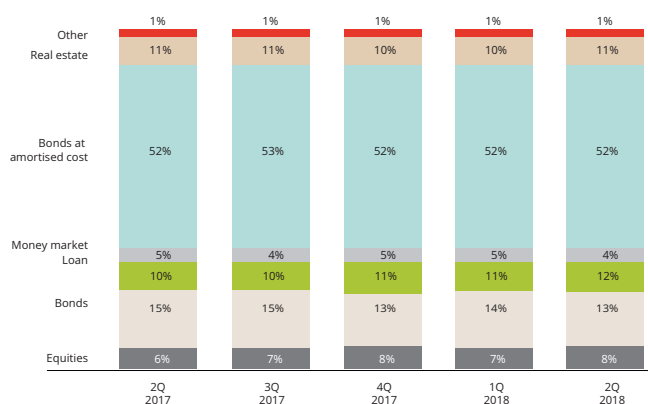
## STORBRAND LIVSFORSIKRING AS

The market value adjustment reserve increased during the 2<sup>nd</sup> quarter by NOK 0.4bn and decreased with NOK 1.0bn year to date and amounted to NOK 2.3bn at the end of the 1<sup>st</sup> half year of 2018. The additional statutory reserves is almost unchanged in the 2<sup>nd</sup> quarter and year to date and amounted to NOK 8.3bn at the end of the 1<sup>st</sup> half year of 2018. The excess value of bonds and loans valued at amortised cost is almost unchanged in 2<sup>nd</sup> quarter and has been reduced by NOK 2.2bn year to date and amounted to NOK 6.3bn at the end of 1<sup>st</sup> half year 2018. The excess value of bonds and loans at amortised cost is not included in the financial statements.

## CUSTOMER BUFFERS



## ALLOCATION OF GUARANTEED CUSTOMER ASSETS

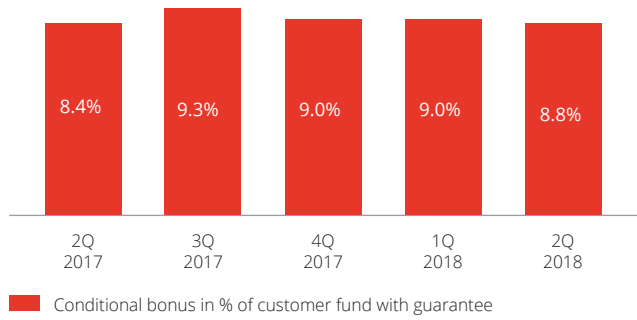


Customer assets increased by NOK 5.5bn in the 2<sup>nd</sup> quarter and NOK 15.1bn year to date due to positive returns and acquisition of Storebrand Silver's pension portfolio in 1<sup>st</sup> quarter. Customer assets totalled NOK 274bn at the end of the 1<sup>st</sup> half year of 2018. Customer assets within non-guaranteed savings increased NOK 4.3bn during the 2<sup>nd</sup> quarter and NOK 13.3bn year to date. Guaranteed customer assets increased NOK 1.2bn during the 2<sup>nd</sup> quarter and NOK 1.9 year to date.

<sup>1)</sup> Consists of equity, subordinated loan capital, market value adjustment reserve, risk equalisation reserve, unrealised gains/losses on bonds and loans at amortised cost, additional statutory reserves, conditional bonuses.

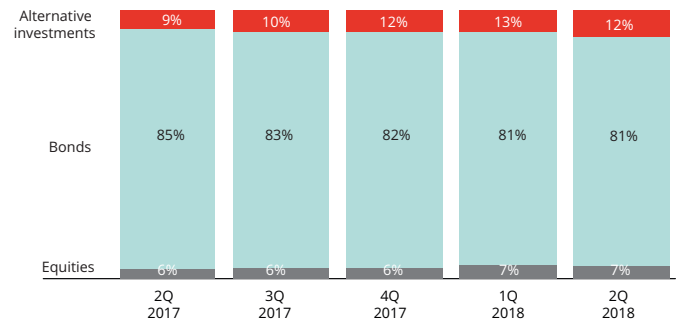
**SPP**

**CUSTOMER BUFFERS**



The buffer capital amounted to SEK 6.8bn (SEK 7bn) at the close of the 1<sup>st</sup> half year.

**ALLOCATION OF GUARANTEED CUSTOMER ASSETS**



Total assets under management in SPP were SEK 165.9bn at the end of 1<sup>st</sup> half year. This corresponds to an increase of 5.5% compared with the 2<sup>nd</sup> quarter of 2017. For customer assets in non-guaranteed savings, assets under management totalled SEK 93.2bn (SEK 83.3bn) at the end of 1<sup>st</sup> half year, which corresponds to an increase of 11.9%, compared with the same period last year.

# Outlook

## STRATEGY

Storebrand follows a twofold strategy. First, Storebrand aims to build a world class Savings Group supported by Insurance. Storebrand is the market leader in pension solutions to Norwegian businesses and a challenger in the Swedish market, and uniquely positioned in the growing retail savings market. Second, through cost control and disciplined use balance sheet capital Storebrand aims to increase return to shareholders. The guaranteed business in long term run off is projected to release NOK 10bn in the next ten years until 2027.

## FINANCIAL PERFORMANCE

The market for defined-contribution pensions is growing, and Storebrand's total reserves within Unit Linked increased by 18% in the last 12 months. Continued good growth for defined-contribution pensions is expected in the future. The loyalty program for employees with companies that have a pension scheme at Storebrand remains an important area of focus.

The Guaranteed Pension segment is in long term runoff and the reserves for the Guaranteed Defined Benefit solutions 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 the next few years and that there will be flat growth in reserves over several years before the reserves start to fall. The portfolio of paid-up policies makes a limited contribution towards the Group results with the present interest rates. Guaranteed reserves represent an increasingly smaller share of the Group's total pension reserves and were 59.1% at the end of the quarter, a 4.1%-point reduction from the previous year.

## RISK

Market risk is the Group's biggest risk. In the Board's self-assessment of risk and solvency (ORSA) process, developments in interest rates, credit spreads, and equity and property values are considered to be the biggest risks that influence the solvency of the Group. Storebrand has adapted to the low interest rates by increasing duration in portfolios and building up buffer capital. The level of the average annual interest rate guarantee is gradually reduced as older policies with higher guarantees are phased out. In the long term, continued low interest rates will represent a risk for products with guaranteed

high interest rates. Storebrand has adjusted its asset allocation by building a robust portfolio with bonds at amortised cost to achieve the guaranteed interest rate. For insurance risk, increased longevity and the development in disability are the factors that have greatest influence on solvency. Operational risk may have an effect on solvency. The risk is closely monitored.

## INDIVIDUAL PENSION ACCOUNT

The Norwegian Ministry of Finance is proposing a scheme for separate pension accounts based on existing pension accounts in active defined contribution schemes. Defined contribution capital certificates issued by previous employers ("pensjonskapitalbevis") will be transferred into the active scheme based on a principle of "negative acceptance". This means the holder of a certificate actively has to make a choice to stay with its current provider. Storebrand currently has a higher market share for active defined contribution schemes than for certificates from such schemes. We would therefore expect some new net inflows of certificates as a result of the proposed changes. There is broad support for the main principles of the Ministry's proposals in the consultation round. The Ministry has announced that a bill will probably be presented to Parliament in the autumn of 2018.

## NEW PUBLIC SERVICE PENSION

The Ministry of Labour and Social Affairs has reached an agreement with the labour market parties on a new occupational pension schemes for the public sector. The existing defined benefit scheme will be closed, so that only employees born in 1962 and earlier will continue in the old scheme. Employees born in 1963 and later will earn new pension rights in a hybrid-based scheme from 2020. Storebrand has begun work to assess business opportunities related to the new product.

## REPORT ON PAID-UP POLICIES

The Ministry of Finance has established an interdepartmental working group with participants from the Ministry of Finance, the Ministry of Labour and Social Affairs and the Financial Supervisory Authority of Norway, with the task of examining possible regulatory changes for guaranteed paid-up policies.

The Working Group will be assessing the regulations for profit sharing, market value adjustment reserve and additional statutory reserves, as well as rules regulating the transfer of pension assets between provi-

ders. Changes in these parameters leading to more long term investment strategies are expected to have positive effects for customers and shareholders. The Working Group's report is expected autumn 2018. Next step in a potential legislative process would be a proposal from the Ministry of Finance with a consultation period preceding a bill to Parliament.

#### **SOLVENCY II**

The standard model used for calculating capital requirements under Solvency II is under review. The European Supervisory Authority, EIOPA, has consulted and delivered advice to the Commission. Among the most important questions for Storebrand are the treatment of the risk module for interest rate risk, loss-absorbing ability for deferred tax and risk margin. The Commission has signalled that it will not pursue EIOPA's proposal to change the interest rate module at this stage, but that this will be considered in the planned 2020 revision.

#### **POTENTIAL CHANGE IN TAX RULES FOR INSURANCE COMPANIES IN NORWAY**

A proposal from the Ministry of Finance for changes in tax rules for insurance companies was under consultation in 1H. The aim of the proposals is to establish a distinction between customer and corporate funds in terms of taxation. It is proposed that the changes will apply with effect from the tax year 2018. If implemented as proposed, the preliminary analysis is that this will have limited impact for the Storebrand Group.

Lysaker, 12 July 2018  
Board of directors Storebrand Livsforsikring AS

# Storebrand Livsforsikring group

## Statement of comprehensive income

(NOK million)	2Q		01.01 - 30.06		Year 2017
	2018	2017	2018	2017	
<b>TECHNICAL ACCOUNT:</b>					
Gross premiums written	5,671	5,491	12,657	12,224	23,173
Reinsurance premiums ceded	-10	-36	-20	-58	-54
Premium reserves transferred from other companies	1,251	769	2,232	1,350	2,457
<b>Premiums for own account</b>	<b>6,912</b>	<b>6,224</b>	<b>14,869</b>	<b>13,517</b>	<b>25,577</b>
Income from investments in subsidiaries, associated companies and joint ventures companies	66	38	186	98	210
Interest income and dividends etc. from financial assets	1,859	1,476	3,793	2,682	7,164
Net operating income from properties	220	251	436	473	976
Changes in investment value	462	330	-942	1,608	1,775
Realised gains and losses on investments	236	346	434	1,400	3,076
<b>Total net income from investments in the collective portfolio</b>	<b>2,843</b>	<b>2,441</b>	<b>3,907</b>	<b>6,261</b>	<b>13,200</b>
Income from investments in subsidiaries, associated companies and joint ventures companies	-4	5	36	12	22
Interest income and dividends etc. from financial assets	15	11	14	5	1,598
Net operating income from properties	34	25	62	50	106
Changes in investment value	6,314	440	4,334	5,299	10,698
Realised gains and losses on investments	-37	933	432	1,439	2,525
<b>Total net income from investments in the investment selection portfolio</b>	<b>6,321</b>	<b>1,415</b>	<b>4,879</b>	<b>6,805</b>	<b>14,950</b>
<b>Other insurance related income</b>	<b>595</b>	<b>505</b>	<b>1,146</b>	<b>968</b>	<b>1,963</b>
Gross claims paid	-4,596	-4,612	-9,773	-9,157	-18,802
Claims paid - reinsurance		3	7	6	35
Gross change in claims reserve					
Premium reserves etc. transferred to other companies	-1,510	-922	-3,091	-3,818	-5,452
<b>Claims for own account</b>	<b>-6,105</b>	<b>-5,531</b>	<b>-12,858</b>	<b>-12,969</b>	<b>-24,219</b>
To (from) premium reserve, gross	622	1,800	218	1,542	1,205
To/from additional statutory reserves	28	27	48	61	-1,376
Change in value adjustment fund	-407	163	987	525	-1,024
Change in premium fund, deposit fund and the pension surplus fund		3		-15	-23
To/from technical reserves for non-life insurance business	13	25	22	1	9
Change in conditional bonus	-115	-808	-75	-1,323	-1,527
Transfer of additional statutory reserves and value adjustment fund from other insurance companies/pension funds	-4	-6	-8	-8	-16
<b>Changes in insurance obligations recognised in the Profit and Loss Account - contractual obligations</b>	<b>138</b>	<b>1,203</b>	<b>1,192</b>	<b>784</b>	<b>-2,752</b>
Change in pension capital	-9,256	-3,991	-10,043	-10,340	-23,673
<b>Changes in insurance obligations recognised in the Profit and Loss Account - investment portfolio separately</b>	<b>-9,256</b>	<b>-3,991</b>	<b>-10,043</b>	<b>-10,340</b>	<b>-23,673</b>
Profit on investment result					-441
Risk result allocated to insurance contracts					4
Other allocation of profit	-1	-1	-2	-1	-129
Unallocated profit	-276	-1,056	-678	-2,642	
<b>Funds allocated to insurance contracts</b>	<b>-277</b>	<b>-1,057</b>	<b>-680</b>	<b>-2,643</b>	<b>-566</b>
Management expenses	-53	-56	-103	-112	-221
Selling expenses	-171	-188	-347	-355	-727

# Storebrand Livsforsikring group

## Statement of comprehensive income continue

(NOK million)	2Q		01.01 - 30.06		Year 2017
	2018	2017	2018	2017	
Change in pre-paid direct selling expenses	6	29	9	5	8
Insurance-related administration expenses (incl. commissions for reinsurance received)	-381	-367	-752	-728	-1,507
<b>Insurance-related operating expenses</b>	<b>-599</b>	<b>-583</b>	<b>-1,193</b>	<b>-1,190</b>	<b>-2,447</b>
<b>Other insurance related expenses</b>	<b>-18</b>	<b>-40</b>	<b>-86</b>	<b>-157</b>	<b>-254</b>
<b>Technical insurance profit</b>	<b>554</b>	<b>587</b>	<b>1,131</b>	<b>1,037</b>	<b>1,778</b>
<b>Non-technical account</b>					
Income from investments in subsidiaries, associated companies and joint ventures companies	-1	79	10	76	75
Interest income and dividends etc. from financial assets	89	86	172	171	329
Changes in investment value	-20	21	-1	78	37
Realised gains and losses on investments	42	60	73	127	249
<b>Net income from investments in company portfolio</b>	<b>110</b>	<b>246</b>	<b>253</b>	<b>453</b>	<b>690</b>
<b>Other income</b>	<b>85</b>	<b>61</b>	<b>284</b>	<b>112</b>	<b>179</b>
Management expenses	-5	-9	-10	-17	-19
Other expenses	-214	-276	-452	-550	-1,027
<b>Management expenses and other costs linked to the company portfolio</b>	<b>-219</b>	<b>-284</b>	<b>-462</b>	<b>-567</b>	<b>-1,046</b>
<b>Profit or loss on non-technical account</b>	<b>-23</b>	<b>22</b>	<b>75</b>	<b>-2</b>	<b>-177</b>
<b>Profit before tax</b>	<b>531</b>	<b>609</b>	<b>1,207</b>	<b>1,034</b>	<b>1,601</b>
Tax expenses	-86	8	-182	-67	204
<b>Profit before other comprehensive income</b>	<b>446</b>	<b>617</b>	<b>1,024</b>	<b>967</b>	<b>1,805</b>
Change in actuarial assumptions	-2	-2	-5	-6	-91
Change in value adjustment reserve own properties	19	254	42	347	130
Adjustment of insurance liabilities	-19	-254	-42	-347	-130
Tax on other profit elements not to be classified to profit/loss					-4
<b>Other comprehensive income not to be classified to profit/loss</b>	<b>-2</b>	<b>2</b>	<b>-5</b>	<b>-6</b>	<b>-95</b>
Profit/loss cash flow hedging	-16	24	-37	18	23
Currency translation differences	-119	229	-567	338	379
<b>Other profit comprehensive income that may be classified to profit /loss</b>	<b>-135</b>	<b>253</b>	<b>-604</b>	<b>356</b>	<b>402</b>
<b>Other comprehensive income</b>	<b>-138</b>	<b>251</b>	<b>-609</b>	<b>350</b>	<b>307</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>308</b>	<b>868</b>	<b>416</b>	<b>1,318</b>	<b>2,112</b>
<b>PROFIT IS ATTRIBUTABLE TO:</b>					
Majority share of profit	445	618	1,021	965	1,800
Minority share of profit		-1	3	3	5
<b>COMPREHENSIVE INCOME IS ATTRIBUTABLE TO:</b>					
Majority share of profit	309	867	417	1,312	2,105
Minority share of profit	-1		-1	5	7

# Storebrand Livsforsikring group

## Statement of financial position

(NOK million)	30.06.2018	30.06.2017	31.12.2017
<b>Assets</b>			
<b>Assets in company portfolio</b>			
Goodwill	729	793	797
Other intangible assets	3,400	3,747	3,573
<b>Total intangible assets</b>	<b>4,129</b>	<b>4,540</b>	<b>4,370</b>
Properties at fair value	50	51	50
Equities and units in subsidiaries, associated companies and joint ventures companies	97	81	88
Loans at amortised cost	2	1	2
Bonds at amortised cost	3,381	3,147	3,023
Deposits at amortised cost	289	478	400
Equities and fund units at fair value	24	76	26
Bonds and other fixed-income securities at fair value	20,945	23,837	24,977
Derivatives at fair value	961	959	1,145
<b>Total investments</b>	<b>25,749</b>	<b>28,629</b>	<b>29,711</b>
Receivables in connection with direct business transactions	874	857	581
Receivables in connection with reinsurance transactions	14	10	40
Receivables with group company	69	52	81
Other receivables	4,798	2,417	3,270
<b>Total receivables</b>	<b>5,755</b>	<b>3,337</b>	<b>3,973</b>
Tangible fixed assets	337	480	504
Cash, bank	2,386	1,966	2,139
Tax assets	669	244	487
Other assets designated according to type	835	807	858
<b>Total other assets</b>	<b>4,228</b>	<b>3,497</b>	<b>3,988</b>
Pre-paid direct selling expenses	498	531	537
Other pre-paid costs and income earned and not received	145	141	124
<b>Total pre-paid costs and income earned and not received</b>	<b>644</b>	<b>672</b>	<b>662</b>
<b>Total assets in company portfolio</b>	<b>40,504</b>	<b>40,676</b>	<b>42,704</b>
<b>Assets in customer portfolios</b>			
Properties at fair value	23,114	22,877	24,450
Properties for own use	1,325	3,106	1,408
Equities and units in subsidiaries, associated companies and joint ventures companies	4,391	1,690	2,513
Loans to and securities issued by subsidiaries, associated companies	36	39	39
Bonds held to maturity	14,378	15,615	15,128
Bonds at amortised cost	85,250	83,643	84,071
Loans at amortised cost	23,546	19,191	21,425
Deposits at amortised cost	4,446	4,517	4,603
Equities and fund units at fair value	24,148	20,859	24,556
Bonds and other fixed-income securities at fair value	90,980	108,740	101,623
Financial derivatives at fair value	4,681	4,126	4,940
Loans at fair value	2,688	3,205	2,690
<b>Total investments in collective portfolio</b>	<b>278,982</b>	<b>287,608</b>	<b>287,446</b>
<b>Reinsurance share of insurance obligations</b>	<b>26</b>	<b>68</b>	<b>63</b>



# Storebrand Livsforsikring group

## Statement of financial position continue

(NOK million)	30.06.2018	30.06.2017	31.12.2017
Properties at fair value	3,146	2,680	2,954
Properties for own use		254	
Equities and units in subsidiaries, associated companies and joint ventures companies	869	213	600
Loans		890	
Deposits at amortised cost	371	318	355
Equities and fund units at fair value	136,067	121,311	131,514
Bonds and other fixed-income securities at fair value	38,970	29,077	33,419
Loans at fair value	164		165
Financial derivatives at fair value	115	253	33
<b>Total investments in investment selection portfolio</b>	<b>179,701</b>	<b>154,995</b>	<b>169,040</b>
<b>Total assets in customer portfolio</b>	<b>458,709</b>	<b>442,671</b>	<b>456,548</b>
<b>TOTAL ASSETS</b>	<b>499,212</b>	<b>483,346</b>	<b>499,253</b>
<b>Equity and liabilities</b>			
Share capital	3,540	3,540	3,540
Share premium	9,711	9,711	9,711
<b>Total paid in equity</b>	<b>13,251</b>	<b>13,251</b>	<b>13,251</b>
Risk equalisation fund	98	144	143
Other earned equity	11,531	11,603	12,370
Minority's share of equity	116	120	114
<b>Total earned equity</b>	<b>11,745</b>	<b>11,867</b>	<b>12,627</b>
Perpetual subordinated loan capital	2,101	2,099	2,103
Dated subordinated loan capital	5,446	3,803	4,982
Hybrid tier 1 capital		1,504	1,506
<b>Total subordinated loan capital and hybrid tier 1 capital</b>	<b>7,546</b>	<b>7,405</b>	<b>8,591</b>
Premium reserves	256,224	262,252	262,513
Additional statutory reserves	8,286	6,736	8,254
Market value adjustment reserve	2,720	2,158	3,707
Premium fund, deposit fund and the pension surplus fund	2,231	2,424	2,564
Conditional bonus	8,165	8,809	9,176
Unallocated profit to insurance contracts	687	2,642	
Other technical reserve	572	644	631
<b>Total insurance obligations in life insurance - contractual obligations</b>	<b>278,884</b>	<b>285,666</b>	<b>286,845</b>
Pension capital	179,564	155,123	168,949
<b>Total insurance obligations in life insurance - investment portfolio separately</b>	<b>179,564</b>	<b>155,123</b>	<b>168,949</b>
Pension liabilities etc.	129	93	143
Deferred tax	84	179	96
Other provisions for liabilities		1	
<b>Total provisions for liabilities</b>	<b>213</b>	<b>272</b>	<b>239</b>
Liabilities in connection with direct insurance	1,499	1,462	1,448
Liabilities in connection with reinsurance	50	40	30
Financial derivatives	1,865	1,518	1,876
Liabilities to group companies	29	15	24
Other liabilities	4,225	6,313	4,908
<b>Total liabilities</b>	<b>7,668</b>	<b>9,348</b>	<b>8,286</b>
Other accrued expenses and received, unearned income	341	414	464
<b>Total accrued expenses and received, unearned income</b>	<b>341</b>	<b>414</b>	<b>464</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>499,212</b>	<b>483,346</b>	<b>499,253</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 31.12.2016</b>	<b>3,540</b>	<b>9,711</b>	<b>13,251</b>	<b>140</b>	<b>10,290</b>	<b>114</b>	<b>23,796</b>	
Profit for the period				3	961	3	967	
Other comprehensive income					348	3	350	
<b>Total comprehensive income for the period</b>				<b>3</b>	<b>1,309</b>	<b>5</b>	<b>1,318</b>	
<b>Equity transactions with owner:</b>								
Other					4		4	
<b>Equity at 30.06.2017</b>	<b>3,540</b>	<b>9,711</b>	<b>13,251</b>	<b>144</b>	<b>11,603</b>	<b>120</b>	<b>25,118</b>	
Profit for the period				2	1,798	5	1,805	
Other comprehensive income					305	2	307	
<b>Total comprehensive income for the period</b>				<b>2</b>	<b>2,102</b>	<b>7</b>	<b>2,112</b>	
<b>Equity transactions with owner:</b>								
Share issue					-102	3	-99	
Group contributions					-12	-12	-23	
Other						1	1	
<b>Equity at 31.12.2017</b>	<b>3,540</b>	<b>9,711</b>	<b>13,251</b>	<b>143</b>	<b>12,370</b>	<b>114</b>	<b>25,878</b>	
Profit for the period				-44	1,065	3	1,024	
Other comprehensive income					-604	-5	-609	
<b>Total comprehensive income for the period</b>				<b>-44</b>	<b>461</b>	<b>-1</b>	<b>416</b>	
<b>Equity transactions with owner:</b>								
Share issue						4	4	
Group contributions					-1,300		-1,300	
Other						-1	-1	
<b>Equity at 30.06.2018</b>	<b>3,540</b>	<b>9,711</b>	<b>13,251</b>	<b>98</b>	<b>11,531</b>	<b>115</b>	<b>24,996</b>	

# Storebrand Livsforsikring

## Statement of cash flow 1. January - 30. June

Storebrand Livsforsikring group			Storebrand Livsforsikring AS	
2017	2018	(NOK million)	2018	2017
<b>Cash flow from operational activities</b>				
11,793	12,370	Net received - direct insurance	8,654	8,531
-8,844	-9,658	Net claims/benefits paid - direct insurance	-5,320	-4,821
-2,468	-860	Net receipts/payments - policy transfers	-402	-2,245
163	-10,565	Net change insurance liabilities	823	-244
968	1,146	Receipts - interest, commission and fees from customers	308	259
-216	-86	Payments - interest, commission and fees to customers	-32	-206
-1,172	-1,193	Net receipts/payments operations	-701	-696
-1,601	-2,236	Net receipts/payments - other operational activities	-1,425	-158
<b>-1,378</b>	<b>-11,082</b>	<b>Net cash flow from operational activities before financial assets</b>	<b>1,904</b>	<b>421</b>
-4,230	-2,037	Net receipts/payments - loans to customers	-2,121	-3,354
6,295	14,245	Net receipts/payments - financial assets	2,395	3,060
-1,127	1,407	Net receipts/payments - property activities		
88	142	Net change bank deposits insurance customers	580	-381
<b>1,025</b>	<b>13,758</b>	<b>Net cash flow from operational activities from financial assets</b>	<b>854</b>	<b>-675</b>
<b>-353</b>	<b>2,676</b>	<b>Net cash flow from operational activities</b>	<b>2,758</b>	<b>-254</b>
<b>Cash flow from investment activities</b>				
	-520	Net payments - sale/purchase of subsidiaries	-520	
245		Net payments - purchase/capitalisation associated companies		245
-39	163	Net receipts/payments - sale/purchase of fixed assets		-4
<b>205</b>	<b>-357</b>	<b>Net cash flow from investment activities</b>	<b>-520</b>	<b>241</b>
<b>Cash flow from financing activities</b>				
	845	Payment of subordinated loan capital	845	
	-1,501	Repayment of subordinated loan capital	-1,501	
-278	-297	Payments - interest on subordinated loan capital	-297	-278
	-1,300	Payment of dividend	-1,300	
<b>-278</b>	<b>-2,253</b>	<b>Net cash flow from financing activities</b>	<b>-2,253</b>	<b>-278</b>
<b>-426</b>	<b>66</b>	<b>Net cash flow for the period</b>	<b>-15</b>	<b>-291</b>
-1,451	-13,692	of which net cash flow for the period before financial assets	-869	384
-426	66	Net movement in cash and cash equivalent assets	-15	-291
	35	Cash at start of the period purchased/sold companies	35	
2,915	2,540	Cash and cash equivalents at start of the period	1,265	1,787
-45	35	Currency translation differences		
<b>2,444</b>	<b>2,675</b>	<b>Cash and cash equivalent assets at the end of the period</b>	<b>1,285</b>	<b>1,496</b>

# Storebrand Livsforsikring AS

## Statement of comprehensive income

(NOK million)	2Q		01.01 - 30.06		Year 2017
	2018	2017	2018	2017	
<b>Technical account</b>					
Gross premiums written	3,913	3,862	8,991	8,921	16,357
Reinsurance premiums ceded	-9	-22	-14	-28	-31
Premium reserves transferred from other companies	731	407	1,214	733	1,203
<b>Premiums for own account</b>	<b>4,635</b>	<b>4,247</b>	<b>10,191</b>	<b>9,626</b>	<b>17,529</b>
Income from investments in subsidiaries, associated companies and joint ventures companies	276	770	626	1,262	1,819
of which from investment in property companies	283	737	665	1,216	1,750
Interest income and dividends etc. from financial assets	1,427	993	2,813	1,487	5,035
Changes in investment value	404	371	-1,009	1,407	637
Realised gains and losses on investments	-100	257	15	1,001	2,073
<b>Total net income from investments in the collective portfolio</b>	<b>2,007</b>	<b>2,391</b>	<b>2,445</b>	<b>5,157</b>	<b>9,565</b>
Income from investments in subsidiaries, associated companies and joint ventures companies	59	112	134	189	271
of which from investment in property companies	58	112	134	188	271
Interest income and dividends etc. from financial assets	10	9	6	3	1,581
Changes in investment value	1,959	249	92	1,902	3,827
Realised gains and losses on investments	-36	930	400	1,435	2,520
<b>Total net income from investments in the investment selection portfolio</b>	<b>1,992</b>	<b>1,300</b>	<b>633</b>	<b>3,528</b>	<b>8,199</b>
<b>Other insurance related income</b>	<b>163</b>	<b>132</b>	<b>308</b>	<b>259</b>	<b>551</b>
Gross claims paid	-2,716	-2,604	-5,521	-5,169	-10,268
Claims paid - reinsurance	2	2	10	5	13
Premium reserves etc. transferred to other companies	-617	-434	-1,616	-2,978	-3,829
<b>Claims for own account</b>	<b>-3,331</b>	<b>-3,035</b>	<b>-7,127</b>	<b>-8,143</b>	<b>-14,084</b>
To (from) premium reserve, gross	271	-105	-540	-722	-832
To/from additional statutory reserves	19	28	40	61	-1,371
Change in value adjustment fund	-407	163	987	525	-1,024
Change in premium fund, deposit fund and the pension surplus fund		3		-15	-23
To/from technical reserves for non-life insurance business	13	25	22	1	9
Transfer of additional statutory reserves and value adjustment fund from other insurance companies/pension funds	-4	-6	-8	-8	-16
<b>Changes in insurance obligations recognised in the Profit and Loss Account - contractual obligations</b>	<b>-108</b>	<b>108</b>	<b>500</b>	<b>-157</b>	<b>-3,257</b>
Change in pension capital	-4,316	-3,458	-4,723	-6,166	-15,232
<b>Changes in insurance obligations recognised in the Profit and Loss Account - investment portfolio separately</b>	<b>-4,316</b>	<b>-3,458</b>	<b>-4,723</b>	<b>-6,166</b>	<b>-15,232</b>
Profit on investment result					-441
Risk result allocated to insurance contracts					4
Other allocation of profit					-131
Unallocated profit	-276	-1,056	-678	-2,642	
<b>Funds allocated to insurance contracts</b>	<b>-276</b>	<b>-1,056</b>	<b>-678</b>	<b>-2,642</b>	<b>-568</b>

# Storebrand Livsforsikring AS

## Statement of comprehensive income continue

(NOK million)	2Q		01.01 - 30.06		Year 2017
	2018	2017	2018	2017	
Management expenses	-53	-47	-103	-93	-189
Selling expenses	-58	-79	-121	-142	-283
Insurance-related administration expenses (incl. commissions for reinsurance received)	-242	-228	-477	-465	-937
<b>Insurance-related operating expenses</b>	<b>-352</b>	<b>-354</b>	<b>-701</b>	<b>-700</b>	<b>-1,409</b>
Other insurance related expenses after reinsurance share	15	24	-32	-190	-138
<b>Technical insurance profit</b>	<b>429</b>	<b>300</b>	<b>813</b>	<b>572</b>	<b>1,156</b>
<b>Non-technical account</b>					
Income from investments in subsidiaries, associated companies and joint ventures companies	760	295	540	385	464
Interest income and dividends etc. from financial assets	90	89	177	178	345
Changes in investment value	-8	6	10	57	17
Realised gains and losses on investments	168	-119	423	-139	-55
<b>Net income from investments in company portfolio</b>	<b>1,011</b>	<b>272</b>	<b>1,150</b>	<b>480</b>	<b>771</b>
<b>Other income</b>	<b>41</b>	<b>6</b>	<b>186</b>	<b>12</b>	<b>16</b>
Management expenses	-4	-4	-9	-9	-17
Other expenses	-92	-127	-211	-243	-466
<b>Total management expenses and other costs linked to the company portfolio</b>	<b>-97</b>	<b>-131</b>	<b>-219</b>	<b>-252</b>	<b>-483</b>
<b>Profit or loss on non-technical account</b>	<b>956</b>	<b>146</b>	<b>1,117</b>	<b>240</b>	<b>304</b>
<b>Profit before tax</b>	<b>1,385</b>	<b>446</b>	<b>1,930</b>	<b>812</b>	<b>1,460</b>
Tax expenses	-90	19	-184	-56	210
<b>Profit before other comprehensive income</b>	<b>1,295</b>	<b>465</b>	<b>1,747</b>	<b>756</b>	<b>1,670</b>
Change in actuarial assumptions					-7
Tax on other profit elements not to be classified to profit/loss					-4
<b>Other comprehensive income not to be classified to profit/loss</b>					<b>-11</b>
Profit/loss cash flow hedging	-16	24	-37	18	23
<b>Other comprehensive income that may be classified to profit /loss</b>	<b>-16</b>	<b>24</b>	<b>-37</b>	<b>18</b>	<b>23</b>
<b>Other comprehensive income</b>	<b>-16</b>	<b>24</b>	<b>-37</b>	<b>18</b>	<b>12</b>
<b>Total comprehensive income</b>	<b>1,279</b>	<b>489</b>	<b>1,710</b>	<b>774</b>	<b>1,682</b>

# Storebrand Livsforsikring AS

## Statement of financial position

(NOK million)	30.06.2018	30.06.2017	31.12.2017
<b>Assets</b>			
<b>Assets in company portfolio</b>			
Other intangible assets	356	114	94
<b>Total intangible assets</b>	<b>356</b>	<b>114</b>	<b>94</b>
Equities and units in subsidiaries, associated companies and joint ventures companies	12,637	13,138	13,168
Loans at amortised cost	1	1	1
Bonds at amortised cost	3,381	3,147	3,023
Deposits at amoritsed cost	286	474	400
Equities and fund units at fair value	17	75	17
Bonds and other fixed-income securities at fair value	15,332	14,588	15,801
Derivatives at fair value	961	959	1,145
<b>Total investments</b>	<b>32,614</b>	<b>32,382</b>	<b>33,555</b>
Receivables in connection with direct business transactions	819	779	503
Receivables in connection with reinsurance transactions	10	10	4
Receivables with group company	52	51	59
Other receivables	420	78	782
<b>Total receivables</b>	<b>1,300</b>	<b>918</b>	<b>1,347</b>
Tangible fixed assets	5	10	7
Cash, bank	999	1,022	865
Tax assets	571	119	381
<b>Total other assets</b>	<b>1,576</b>	<b>1,151</b>	<b>1,253</b>
Other pre-paid costs and income earned and not received	25	39	18
<b>Total pre-paid costs and income earned and not received</b>	<b>25</b>	<b>39</b>	<b>18</b>
<b>Total assets in company portfolio</b>	<b>35,871</b>	<b>34,605</b>	<b>36,267</b>
<b>Assets in customer portfolios</b>			
Equities and units in subsidiaries, associated companies and joint ventures companies	20,421	21,849	19,532
of which investment in property companies	19,611	21,022	18,683
Bonds held to maturity	14,378	15,615	15,128
Bonds at amortised cost	85,250	83,643	84,071
Loans at amoritsed cost	23,546	19,191	21,425
Deposits at amoritsed cost	2,002	2,462	2,530
Equities and fund units at fair value	14,545	11,317	14,455
Bonds and other fixed-income securities at fair value	27,461	32,384	30,050
Financial derivatives at fair value	268	369	221
<b>Total investments in collective portfolio</b>	<b>187,870</b>	<b>186,830</b>	<b>187,412</b>
<b>Reinsurance share of insurance obligations</b>	<b>25</b>	<b>68</b>	<b>63</b>
Equities and units in subsidiaries, associated companies and joint ventures companies	4,041	3,278	3,885
of which investment in property companies	4,041	3,278	3,885
Lendings at amoritsed cost		890	
Deposits at amoritsed cost	307	235	300
Equities and fund units at fair value	55,832	43,117	48,963
Bonds and other fixed-income securities at fair value	33,453	23,458	27,550
Financial derivatives at fair value	115	253	33

# Storebrand Livsforsikring AS

## Statement of financial position continue

(NOK million)	30.06.2018	30.06.2017	31.12.2017
<b>Total investments in investment selection portfolio</b>	<b>93,748</b>	<b>71,231</b>	<b>80,731</b>
<b>Total assets in customer portfolios</b>	<b>281,643</b>	<b>258,129</b>	<b>268,206</b>
<b>Total assets</b>	<b>317,514</b>	<b>292,733</b>	<b>304,473</b>
<b>Equity and liabilities</b>			
Share capital	3,540	3,540	3,540
Share premium	9,711	9,711	9,711
<b>Total paid in equity</b>	<b>13,251</b>	<b>13,251</b>	<b>13,251</b>
Risk equalisation fund	98	144	143
Other earned equity	13,176	11,816	11,422
<b>Total earned equity</b>	<b>13,274</b>	<b>11,960</b>	<b>11,564</b>
Perpetual subordinated loan capital	2,101	2,099	2,103
Dated subordinated loan capital	5,446	3,803	4,982
Hybrid tier 1 capital		1,504	1,506
<b>Total subordinated loan capital and hybrid tier 1 capital</b>	<b>7,546</b>	<b>7,405</b>	<b>8,591</b>
Premium reserves	172,460	169,649	169,843
Additional statutory reserves	8,286	6,736	8,254
Market value adjustment reserve	2,720	2,158	3,707
Premium fund, deposit fund and the pension surplus fund	2,231	2,424	2,564
Unallocated profit to insurance contracts	687	2,642	
Other technical reserve	572	644	631
<b>Total insurance obligations in life insurance - contractual obligations</b>	<b>186,955</b>	<b>184,253</b>	<b>184,999</b>
Pension capital	93,649	71,312	80,372
<b>Total insurance obligations in life insurance - investment portfolio separately</b>	<b>93,649</b>	<b>71,312</b>	<b>80,372</b>
Pension liabilities etc.	42	59	42
<b>Total provisions for liabilities</b>	<b>42</b>	<b>59</b>	<b>42</b>
Liabilities in connection with direct insurance	1,224	1,184	1,079
Liabilities in connection with reinsurance	12	18	4
Financial derivatives	937	581	1,007
Liabilities to group companies	23	23	1,323
Other liabilities	473	2,504	2,108
<b>Total liabilities</b>	<b>2,669</b>	<b>4,312</b>	<b>5,521</b>
Other accrued expenses and received, unearned income	128	183	133
<b>Total accrued expenses and received, unearned income</b>	<b>128</b>	<b>183</b>	<b>133</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>317,514</b>	<b>292,733</b>	<b>304,473</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 31.12.2016</b>	<b>3,540</b>	<b>9,711</b>	<b>13,251</b>	<b>140</b>	<b>11,042</b>	<b>24,433</b>
Profit for the period				3	752	756
Other comprehensive income					18	18
<b>Total comprehensive income for the period</b>				<b>3</b>	<b>771</b>	<b>774</b>
Equity transactions with owner:						
Other				3		3
<b>Equity at 30.06.2017</b>	<b>3,540</b>	<b>9,711</b>	<b>13,251</b>	<b>147</b>	<b>11,813</b>	<b>25,210</b>
Profit for the period				2	1,668	1,670
Other comprehensive income					12	12
<b>Total comprehensive income for the period</b>				<b>2</b>	<b>1,680</b>	<b>1,682</b>
Equity transactions with owner:						
Dividend					-1,300	-1,300
<b>Equity at 31.12.2017</b>	<b>3,540</b>	<b>9,711</b>	<b>13,251</b>	<b>143</b>	<b>11,422</b>	<b>24,815</b>
Profit for the period				-44	1,791	1,747
Other comprehensive income					-37	-37
<b>Total comprehensive income for the period</b>				<b>-44</b>	<b>1,755</b>	<b>1,710</b>
Equity transactions with owner:						
Other						
<b>Equity at 30.06.2018</b>	<b>3,540</b>	<b>9,711</b>	<b>13,251</b>	<b>98</b>	<b>13,176</b>	<b>26,525</b>

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



# Notes

## Storebrand Livsforsikring group

### Note 01 | Accounting policies

The Group's interim financial statements include Storebrand Livsforsikring AS, subsidiaries, associated and joint-ventures 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 full annual financial statements.

A description of the accounting policies applied in the preparation of the financial statements is provided in the 2017 annual report, and the interim financial statements are prepared in accordance with these accounting policies.

There is none new or amended accounting standards that entered into effect as at 1 January 2018 that have caused significant effects on Storebrand's interim financial statements.

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

The new standard IFRS 15 for recognising revenue from contracts with customers entered into force from 1 January 2018, and replaced IAS18. Revenue recognition in the Storebrand Group is primarily regulated by IAS39/IFRS9 and IFRS4. Revenue that will be recognised under Other Income is assessed in relation to IFRS 15. The implementation of IFRS15 have no impact on the Group result in Storebrand's consolidation financial statements.

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

The financial statements have been prepared in accordance with the accounting principles that were used in the annual report for 2017.

Storebrand Livsforsikring AS has completed a merger with the fully owned subsidiary Storebrand Silver Pensjonsforsikring AS. See note 4 for further information.

### 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 is included in the 2017 annual report in note 2, insurance risk, in note 7 and valuation of financial instruments and real estate at fair value is described in note 12 and in the interim financial statements note 11 Solvency II.

## Acquisition

On 24 October 2017 Storebrand Livsforsikring AS entered into an agreement to acquire Silver Pensjonsforsikring (Silver). The transaction was completed in January 2018 after Silver is released from administration. The transaction was completed in two parts, with one part as an acquisition of part of insurance portfolio, and the other part as an acquisition of Storebrand Silver Pensjonsforsikring AS with its remaining insurance portfolio (amounted NOK 0.3 billion) and operations. The remaining insurance portfolio for Storebrand Silver Pensjonsforsikring consisting of pension capital certificates and individual pension contracts with no guarantee. Before acquisition as a part of the administration solution, Silver's portfolio of paid-up policies has been converted to paid-up policies with investment options (FMI) for retirement pension coverage, amounted NOK 8.3 billion. Risk cover (paid-up policies) is continued based on a reduced base rate of 2.75%, amounted NOK 1.4 billion.

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

The amount of NOK 520 million has been transferred to Silver's customers, and in the acquisition analysis the excess value of the acquisition will be allocated to the insurance contracts (VIF –value of business in force) amounted NOK 280 million, which are amortised over 10 years, reserve strength due to transition to Storebrand's tariffs amounted NOK 97 million, deferred tax asset amounted NOK 374 million and negative goodwill amounted NOK 37 million.

### Acquisition analysis Silver

(NOK million)	Book values in the company	Payment for financing insurance liabilities	Excess value upon acquisition	Book values
<b>Assets</b>				
- VIF			280	280
- Deffered tax assets			374	374
Intangible assets			654	654
Financial assets	9,525			9,525
Other assets		520		520
Bank deposits	35			35
<b>Total assets</b>	<b>9,560</b>	<b>520</b>	<b>654</b>	<b>10,734</b>
<b>Liabilities</b>				
Insurance liabilities	10,026			10,026
Current liabilities	34	20		54
Deferred tax				
<b>Net identifiable assets and liabilities</b>	<b>-500</b>	<b>500</b>	<b>654</b>	<b>654</b>
Reserve strengthening				-97
Goodwill				-37
<b>Fair value at acquisition date</b>				<b>520</b>

## Note 04 | Merger

As a part of simplifying the corporate structure, Storebrand Livsforsikring AS has completed a merger with the fully owned subsidiary Storebrand Silver Pensjonsforsikring AS. The merger has been carried out without consideration pursuant to the Norwegian Limited Liability Companies Act §13-23 and §13-1 with accounting effect from 1 January 2018, and assuming tax continuity.

(NOK million)	Storebrand Livsforsikring	Purchase of insurance portfolio	Purchase price*	Storebrand Silver Pensjonsforsikring	Total
<b>ASSETS</b>					
<b>ASSETS IN COMPANY PORTFOLIO</b>					
Intangible assets	94				94
Investments	33,555			49	33,604
Fordringer	1,347				1,347
Other assets	1,271		-520	3	754
<b>Total assets in company portfolio</b>	<b>36,267</b>		<b>-520</b>	<b>52</b>	<b>35,799</b>
<b>ASSETS IN CUSTOMER PORTFOLIOS</b>					
Investments in collective portfolio	187,412	9,190	520		197,122
Reinsurance share of insurance obligations	63			8	71
Investments in investment selection portfolio	80,731			309	81,040
<b>Total assets in customer portfolios</b>	<b>268,206</b>	<b>9,190</b>	<b>520</b>	<b>318</b>	<b>278,233</b>
<b>TOTALT ASSETS</b>	<b>304,473</b>	<b>9,190</b>		<b>370</b>	<b>314,033</b>
<b>EQUITY AND LIABILITIES</b>					
Paid in equity	13,251				13,251
Earned equity	11,564				11,564
<b>Total equity</b>	<b>24,815</b>				<b>24,815</b>
Subordinated loan capital and hybrid tier 1 capital	8,591				8,591
Insurance obligations in life insurance - contractual obligations	184,999	9,710			194,709
Insurance obligations in life insurance - investment portfolio separately	80,372			307	80,679
Provisions for liabilities	42				42
Accrued expenses and received, unearned income	5,654	-520		63	5,197
<b>Total liabilities</b>	<b>279,657</b>	<b>9,190</b>		<b>370</b>	<b>289,217</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>304,473</b>	<b>9,190</b>		<b>370</b>	<b>314,033</b>

\*The purchase price has been transferred to Silver's customers, see note 3 for further information

## Note 05 | Profit by segments

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

### SAVINGS

Savings segment 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 it also includes certain other subsidiaries.

### INSURANCE

Insurance segment consists of products that include 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 segment 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 benefit 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

Profit in the segments are reconciled with the corporate profit and loss account before amortisation 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 owners. 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 on net profit margins, including 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. See note 4 in 2017 Annual report for more information.

### PROFIT BY SEGMENTS

(NOK million)	2Q		1.1 - 30.06		Year 2017
	2018	2017	2018	2017	
Savings	136	152	248	267	536
Insurance	179	149	334	275	462
Guaranteed pension	234	290	632	491	766
Other	67	117	127	194	228
<b>Profit before amortisation</b>	<b>616</b>	<b>707</b>	<b>1,342</b>	<b>1,227</b>	<b>1,992</b>
Amortisation intangible assets	-85	-98	-135	-193	-391
<b>Profit before tax</b>	<b>532</b>	<b>610</b>	<b>1,207</b>	<b>1,034</b>	<b>1,601</b>

## SEGMENT INFORMATION Q2

(NOK million)	Savings		Insurance		Guaranteed pension	
	2018	2017	2018	2017	2018	2017
Fee and administration income	406	385			370	369
Insurance result			274	224		
- Insurance premiums for own account			680	705		
- Claims for own account			-406	-480		
Operational cost	-267	-243	-100	-119	-218	-216
<b>Operating profit</b>	<b>138</b>	<b>141</b>	<b>174</b>	<b>106</b>	<b>153</b>	<b>153</b>
Financial items and risk result life & pension	-2	10	5	43	81	137
<b>Profit before amortisation</b>	<b>137</b>	<b>152</b>	<b>179</b>	<b>149</b>	<b>234</b>	<b>290</b>
Amortisation of intangible assets						
<b>Profit before tax</b>	<b>137</b>	<b>152</b>	<b>179</b>	<b>149</b>	<b>234</b>	<b>290</b>

(NOK million)	Other		Storebrand Livsforsikring group	
	2018	2017	2018	2017
Fee and administration income	26	22	802	776
Insurance result			274	224
- Insurance premiums for own account			680	705
- Claims for own account			-406	-480
Operational cost	-25	-12	-610	-590
<b>Operating profit</b>	<b>1</b>	<b>10</b>	<b>466</b>	<b>411</b>
Financial items and risk result life & pension	66	106	151	297
<b>Profit before amortisation</b>	<b>67</b>	<b>117</b>	<b>616</b>	<b>707</b>
Amortisation of intangible assets			-85	-98
<b>Profit before tax</b>	<b>67</b>	<b>117</b>	<b>532</b>	<b>610</b>

## SEGMENT INFORMATION AS AT 30.06

(NOK million)	Savings		Insurance		Guaranteed pension	
	2018	2017	2018	2017	2018	2017
Fee and administration income	804	754			738	727
Insurance result			509	415		
- Insurance premiums for own account			1,422	1,378		
- Claims for own account			-914	-963		
Operational cost	-547	-497	-200	-236	-420	-437
<b>Operating profit</b>	<b>256</b>	<b>257</b>	<b>309</b>	<b>179</b>	<b>318</b>	<b>290</b>
Financial items and risk result life & pension	-8	9	25	96	314	201
<b>Profit before amortisation</b>	<b>248</b>	<b>267</b>	<b>334</b>	<b>275</b>	<b>632</b>	<b>491</b>
Amortisation of intangible assets						
<b>Profit before tax</b>	<b>248</b>	<b>267</b>	<b>334</b>	<b>275</b>	<b>632</b>	<b>491</b>

(NOK million)	Other		Storebrand Livsforsikring group	
	2018	2017	2018	2017
Fee and administration income	46	37	1,588	1,518
Insurance result			509	415
- Insurance premiums for own account			1,422	1,378
- Claims for own account			-914	-963
Operational cost	-41	-25	-1,208	-1,194
<b>Operating profit</b>	<b>5</b>	<b>13</b>	<b>889</b>	<b>740</b>
Financial items and risk result life & pension	122	181	453	488
<b>Profit before amortisation</b>	<b>127</b>	<b>194</b>	<b>1,342</b>	<b>1,227</b>
Amortisation of intangible assets			-135	-193
<b>Profit before tax</b>	<b>127</b>	<b>194</b>	<b>1,207</b>	<b>1,034</b>

## Note 06 | Financial market risk and insurance risk

Risks are described in note 7 (Insurance risk), note 8 (Financial market risk), note 9 (Liquidity risk), note 10 (Credit exposure), note 11 (Concentration of risk) in the annual report for 2017.

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

The most significant market risks for Storebrand are share market risk, credit risk, property price risk, interest rate risk and exchange rate risk. For the life insurance companies, the financial assets are invested in a variety of sub-portfolios. Market risk affects Storebrand's income and profit differently in the different portfolios. There are three main types of sub-portfolio: company portfolios, customer portfolios without a guarantee (unit linked) 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 global equity market increased by 1 % during the first half of the year. The Norwegian equity market rose 8 % on the back of rising oil-price. The market for corporate bonds has also been affected by the increased uncertainty, and there has been an increase in credit spreads.

Interest rates rose at the start of the year across all markets, but then fell back in many markets as the concern for increased inflation receded. For the first half of the year the Norwegian 10-year interest rate swap increased by 0.2 pp. The Swedish 10-year interest swap rate fell by 0.1 pp. Due to the majority of the interest rate investments in the Norwegian customer portfolios being held at amortized cost, changes in interest rates have 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. Higher interest rates are a positive factor for the solvency position.

The Norwegian krone has strengthened during the first half of the year against most currencies. The increase is 4 % against the Euro and 9 % against the Swedish krona. A high degree of currency hedging in the portfolio means that the exchange rate fluctuations have a modest effect on results and risk.

There are minor changes in investment allocations during the first half year.

Guaranteed portfolios in Norway provided returns that were lower than the interest rate guarantee in the first half of the year due to higher interest rates and credit spreads, but the effect mainly affected the market adjustment reserve. The return therefore has little impact on the results. Excess values of portfolios at amortised cost also fell in the first half due to the same reason. Guaranteed portfolios in Sweden gave returns that were slightly better than the change in value of insurance liabilities, which created a positive result.

On average, unit linked insurance customers in Norway had slightly positive returns during the first half of the year. In Sweden, the return was better, helped by a positive currency effect on international equity funds from the weak Swedish krona.

Insurance risk is the risk of higher than expected payments and/or an unfavorable change in the value of an insurance liability due to actual developments deviating from what was expected when premiums or provisions were calculated. Most of the insurance risk for the group is related to life insurance. Changes in longevity is the greatest risk because higher longevity means that the guaranteed benefits must be paid over a longer period. There are also risks related to disability and early death.

The insurance risk has only had minor changes during the first half year.

Note 07 | Liquidity risk

**SPECIFICATION OF SUBORDINATED LOAN CAPITAL**

(NOK million)	Nominal value	Currency	Interest rate	Call date	Book value
<b>Issuer</b>					
<b>Perpetual subordinated loan capital</b>					
Storebrand Livsforsikring AS	1,000	NOK	Variable	2020	1,000
Storebrand Livsforsikring AS	1,100	NOK	Variable	2024	1,100
<b>Dated subordinated loan capital</b>					
Storebrand Livsforsikring AS	1,000	SEK	Fixed	2022	911
Storebrand Livsforsikring AS	300	EUR	Variable	2023	3,029
Storebrand Livsforsikring AS	750	SEK	Variable	2021	687
Storebrand Livsforsikring AS	900	SEK	Variable	2025	819
<b>Total subordinated loan capital and hybrid tier 1 capital</b>					
<b>30.06.2018</b>					<b>7,546</b>
<b>Total subordinated loan capital and hybrid tier 1 capital</b>					
<b>31.12.2017</b>					<b>8,591</b>

Note 08 | 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 12 in the annual report for 2017.

The company has established valuation models and gathers information from a wide range of well-informed sources with a view to minimising the uncertainty of valuations.

**FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES AT AMORTISED COST**

(NOK million)	Fair value 30.06.2018	Fair value 31.12.17	Book value 30.06.2018	Book value 31.12.17
<b>Financial assets</b>				
Loans to customers - corporate	6,139	6,202	6,161	6,210
Loans to customers - retail	17,387	15,217	17,387	15,217
Bonds held to maturity	15,889	16,933	14,378	15,128
Bonds classified as loans and receivables	93,473	93,837	88,632	87,094
<b>Financial liabilities</b>				
Subordinated loan capital	7,625	8,711	7,546	8,591



## VALUATION OF FINANCIAL INSTRUMENTS AND PROPERTIES AT FAIR VALUE

### STOREBRAND LIVSFORSIKRING GROUP

(NOK million)	Level 1 Quoted prices	Level 2 Observable assumptions	Level 3 Non-observable assumptions	Total 30.06.2018	Total 31.12.2017
<b>Assets</b>					
<b>Equities and fund units</b>					
- Equities	23,975	311	623	24,908	23,316
- Fund units	84	127,664	7,582	135,330	132,780
<b>Total equities and fund units</b>	<b>24,059</b>	<b>127,975</b>	<b>8,205</b>	<b>160,238</b>	
<b>Total equities and fund units 31.12.17</b>	<b>22,271</b>	<b>125,396</b>	<b>8,429</b>		<b>156,096</b>
<b>Total loans to customers</b>					
- Loans to customers - corporate			4,845	4,845	5,104
<b>Bonds and other fixed income securities</b>					
- Government bonds	18,412	18,351		36,762	47,460
- Corporate bonds	5	48,453	70	48,528	47,823
- Structured notes		74		74	81
- Collateralised securities		21,843		21,843	25,632
- Bond funds		42,732	956	43,688	39,023
<b>Total bonds and other fixed income securities</b>	<b>18,417</b>	<b>131,452</b>	<b>1,026</b>	<b>150,895</b>	
<b>Total bonds and other fixed income securities 31.12.17</b>	<b>23,792</b>	<b>136,119</b>	<b>108</b>		<b>160,019</b>
<b>Derivatives:</b>					
- Equity derivatives					
- Interest derivatives		2,461		2,461	2,742
- Currency derivatives		-563		-563	-751
- Credit derivatives					
<b>Total derivatives</b>		<b>1,899</b>		<b>1,899</b>	
- derivatives with a positive market value		3,764		3,764	3,868
- derivatives with a negative market value		-1,865		-1,865	-1,876
<b>Total derivatives 31.12.17</b>		<b>1,991</b>			<b>1,991</b>
<b>Properties:</b>					
- investment properties			26,310	26,310	27,453
- Owner-occupied properties			1,325	1,325	1,408
<b>Total properties</b>			<b>27,635</b>	<b>27,635</b>	
<b>Total properties 31.12.17</b>			<b>28,861</b>		<b>28,861</b>

There are no significant movement between level 1 and level 2 in the second quarter and year to date 2018.

### MOVEMENT LEVEL 3

(NOK million)	Equities	Fund units	Loans to customers	Corporate bonds	Bond fund	Investment properties	Owner-occupied properties
Book value 01.01	750	7,679	5,104	108		27,453	1,408
Net profit/loss	-2	-686	146	6	-4	-487	35
Supply/disposal	11	1,373	299		960	678	44
Sales/overdue/settlement	-114	-574	-255	-38		-611	-1
Currency translation differences	-23	-209	-449	-6		-928	-161
<b>Other</b>						205	
<b>Book value 30.06.18</b>	<b>623</b>	<b>7,582</b>	<b>4,844</b>	<b>70</b>	<b>956</b>	<b>26,310</b>	<b>1,325</b>

As of 30.06.18, Storebrand Livsforsikring had NOK 5,225 million invested in Storebrand Økern AS, Storebrand Eiendomsfond Norge KS and Ruseløkkveien 26, Oslo. The investments are classified as "Investment in associated companies and joint ventures companies" in the Consolidated Financial Statements.

### SENSITIVITY ASSESSMENTS

Sensitivity assessments of investments on level 3 are described in note 12 in the 2017 annual report. There are no significant change in sensitivity in this quarter or year to date.

### STOREBRAND LIVSFORSIKRING AS

(NOK million)	Level 1	Level 2	Level 3	Total 30.06.2018	Total 31.12.2017
	Quoted prices	Observable assumptions	Non-observable assumptions		
<b>Assets</b>					
<b>Equities and fund units</b>					
- Equities	20,709	130	482	21,321	19,179
- Fund units		43,864	5,209	49,073	44,256
<b>Total equities and fund units</b>	<b>20,709</b>	<b>43,994</b>	<b>5,691</b>	<b>70,393</b>	
<b>Total equities and fund units 31.12.17</b>	<b>18,512</b>	<b>39,135</b>	<b>5,788</b>		<b>63,436</b>
<b>Bonds and other fixed income securities</b>					
- Government bonds	9,538	9		9,547	12,578
- Corporate bonds		26,619	30	26,648	25,138
- Structured notes					
- Collateralised securities		6,765		6,765	7,792
- Bond funds		33,286		33,286	27,893
<b>Total bonds and other fixed income securities</b>	<b>9,538</b>	<b>66,678</b>	<b>30</b>	<b>76,246</b>	
<b>Total bonds and other fixed income securities 31.12.17</b>	<b>12,569</b>	<b>60,790</b>	<b>42</b>		<b>73,401</b>
<b>Derivatives:</b>					
- Equity derivatives					
- Interest derivatives		635		635	1,122
- Currency derivatives		-229		-229	-730
<b>Total derivatives</b>		<b>407</b>		<b>407</b>	
- derivatives with a positive market value		1,344		1,344	
- derivatives with a negative market value		-937		-937	
<b>Total derivatives 31.12.17</b>		<b>392</b>			<b>392</b>

### MOVEMENT LEVEL 3

(NOK million)	Equities	Fund units	Corporate bonds
Book value 01.01	488	5,300	42
Net profit/loss	-2	8	3
Supply/disposal	11	354	
Sales/overdue/settlement	-16	-453	-14
<b>Book value 30.06.18</b>	<b>482</b>	<b>5,209</b>	<b>30</b>

Note  
09

### Tax

The tax rate for the Storebrand Livsforsikring 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 Storebrand Livsforsikring Group has operations in countries with tax rates that are different from Norway.

In addition, the Storebrand Livsforsikring Group includes Norwegian entities that are both subject to and not subject to the financial tax. Therefore, the company tax rate that applies for the individual Norwegian Group companies, i.e. 23% or 25%, is used in the consolidated financial statements.

Note  
10

### Contingent liabilities

(NOK million)	Storebrand Livsforsikring group		Storebrand Livsforsikring AS	
	30.06.18	31.12.17	30.06.18	31.12.17
Uncalled residual liabilities re limited partnership	6,373	5,451	5,461	4,647
Debt note to Silver Pensjonsforsikring in conjunction with acquisitions		520		520
<b>Total contingent liabilities</b>	<b>6,373</b>	<b>5,971</b>	<b>5,461</b>	<b>5,167</b>

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

The Storebrand Group companies are engaged in extensive activities in Norway and abroad, and are subject for client complaints and may become part in legal disputes. This is described further in note 2 and note 43 in the annual report for 2017.

Note  
11

### Solvency II

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

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

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

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

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

The solvency capital is divided into three capital groups in accordance with Section 6 of the Solvency II Regulations. Group 1 capital consists of paid-in capital and reconciliation reserve<sup>2</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.

## SOLVENCY CAPITAL

(NOK million)	30.06.18					31.12.17
	Total	Group 1 unlimited	Group 1 limited	Group 2	Group 3	Total
Share capital	3,540	3,540				3,540
Share premium	9,711	9,711				9,711
Reconciliation reserve	19,786	19,786				22,088
Including the effect of the transitional arrangement	754	754				4,513
Subordinated loans	7,570		1,121	6,448		8,547
Deferred tax asset						
Risk equalisation reserve	98			98		143
Expected dividend	-1,448	-1,448				
<b>Total solvency capital</b>	<b>39,257</b>	<b>31,589</b>	<b>1,121</b>	<b>6,547</b>		<b>42,728</b>
<b>Total solvency capital available to cover the minimum capital requirement</b>	<b>33,973</b>	<b>31,589</b>	<b>1,121</b>	<b>1,262</b>		<b>37,928</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.

<sup>2)</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 REQUIREMENT AND - MARGIN

(NOK million)	30.06.18	31.12.17
Market	19,587	20,336
Counterparty	424	449
Life	6,754	6,434
Health	517	540
P&C		
Operational	996	990
Diversification	-4,735	-4,646
Loss-absorbing tax effect	-4,982	-5,015
<b>Total solvency requirement</b>	<b>18,562</b>	<b>19,088</b>
<b>Solvency margin</b>	<b>211.5 %</b>	<b>223.8 %</b>
<b>Minimum capital requirement</b>	<b>6 312</b>	<b>6 240</b>
<b>Minimum margin</b>	<b>538.2 %</b>	<b>607.8 %</b>

### Note 12 | 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 23 and 44 in the 2017 annual report.

Storebrand Livsforsikring has not carried out any material transactions other than normal business transactions with related parties during the first half of 2018, 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 in 2018 totaled NOK 4.6 billion. The total portfolio of loans bought as of 30 June 2018 is NOK 25.2 billion. Storebrand Livsforsikring AS pays management fees to Storebrand Bank ASA for management of the portfolios, the expense for 2018 is NOK 30.6million.

### Note 13 | Dividends from subsidiaries

During the 2<sup>nd</sup> quarter Storebrand Livsforsikring AS received dividends from Storebrand Holding AB of SEK 965 million.

# Storebrand Livsforsikring AS and Storebrand Livsforsikring Group

## - Declaration by the Members of the Board and the CEO

On this date, the Board and CEO have discussed and approved the annual report and annual financial statements for Storebrand Livsforsikring AS and Storebrand Livsforsikring Group for the first six months of 2019 (Report for the first six months, 2018).

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

In the best judgment of the Board and CEO the financial statements and consolidated financial statements for the first six months of 2018 have been prepared in accordance with applicable accounting standards, and the information in the financial statements provides a fair and true picture of the assets, liabilities, financial standing and results as a whole of the parent company and the group as at 30 June 2018. In the best judgment of the Board and CEO the annual report provides a fair and true overview of important events during the accounting period and their effects on the financial statements and consolidated financial statements for the first six months. In the best judgment of the Board and CEO the descriptions of the most important risk and uncertainty factors the group faces in the next accounting period, as well as the descriptions of related parties' significant transactions, also provide a fair and true view.

Lysaker, 12 July 2018

The Board of Directors of Storebrand Livsforsikring AS

Odd Arild Grefstad  
Chairman of the Board

Martin Skancke

Vibeke Hammer Madsen

Hans Henrik Klouman

Sigurd Nilsen Ribu

Kari Birkeland

Jan Otto Risebrobakken

Geir Holmgren  
Chief Executive Officer



# Financial calendar 2018



**25 October**      Result Q3 2018  
**February 2019**      Result Q4 2018

## Investor Relations contacts



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