storebrand

Green is good

"20% of the world's population use 80% of the world's resources. Companies that are well prepared to meet global challenges are better positioned to create profitable growth than their competitors"

Jan Erik Saugestad,
EVP Asset Management

Annual Report 2017

Content

About Storebrand

Storebrand's history can be traced back to 1767. The company has supplied occupational pensions to Norwegian employees since 1917, the same year that Storebrand's subsidiary SPP was established in Sweden. The Group offers products within saving, insurance, and banking to companies, public sector entities and private individuals. The Group is divided into the segments Savings, Insurance, Guaranteed Pension and Other.

VISION

Recommended by our customers

STRATEGY

Storebrand shall provide better pensions – simple and sustainable. Our most important customers are corporates, employees and former employees of companies with pensions from Storebrand. We provide sustainable solutions adapted to our customers' circumstances through our market and customer concepts. Our strategy and principal objective for long-term value creation are described and illustrated in the chapter entitled "a sustainable strategy".

STOREBRAND'S DRIVING FORCE

- Our Purpose: A future to look forward to
- Our "How": Brave pioneer
- Our "What": Better pension – simple and sustainable

KEY FIGURES

(NOK mill.)	**2017**	**2016**	2015	2014	2013
Group result	2,940	2,913	1,722	3,423	2,938
Return on equity[1]	11 %	10 %	7 %	11 %	12 %
Solvency margin	172 %	157 %	168 %		
Balance sheet total	568,943	519,684	521,329	492,287	463,367
Equity	30,832	27,638	26,946	24,741	22,755
Earnings per ordinary share	5.28	4.73	2.63	4.61	4.41
Dividend per share	2.10	1.55	0	0	0
Extraordinary dividend per share	0.4				

1) After tax, adjusted for write downs and amortisation of intangible assets

Letter from the CEO

Odd Arild Grefstad
CEO

Letter from the CEO

Storebrand celebrated its 250 year anniversary in 2017 by increasing its share of the Norwegian savings market, paying dividends for the first time in five years and being named the world's most sustainable finance company.

It has by no means been a boring anniversary year. In addition to major acquisitions, we have been involved in launching two important new products into the Norwegian savings market: Equity savings account and individual pension savings (IPS). Storebrand has delivered a strong annual profit that, together with a solvency margin of 172%, provides scope for proposing increased dividends to shareholders.

In 2017 we experienced a doubling in digital sales at storebrand.no, while we had growth of close to 40 per cent in digitally established bank accounts. We also see that customer satisfaction among those who trade on the internet has increased strongly during the year. This shows that we have succeeded with our work in strengthening our digital position.

SKAGEN AND SILVER

It was announced in autumn 2017 that Storebrand was both acquiring Skagen and taking over Silver's paid-up policy customers.

We have high expectations for the acquisition of Skagen. We see that the Norwegian savings and pension markets are growing together. The pension reform has also given us greater responsibility for saving for our own pensions. In this situation, Storebrand and Skagen are a good match. Storebrand has a solid foothold in the market for corporate and institutional customers. Skagen is a unique success story in the retail savings market – a pioneering enterprise that has increased its assets under management from NOK 20 million to NOK 80 billion since it was established in 1993.

The acquisition of Skagen makes Storebrand the second largest player in the market for transferable savings in Norway, with a market share of 23 per cent.

The paid-up policy customers at Silver have been through a period of major uncertainty since the company was placed under public administration in February 2017. It became clear in October 2017 that Storebrand would be taking over Silver's insurance portfolios, which would also be converted to paid-up policies with investment options. We are pleased to have been able to have used our experience and expertise to contribute to a good solution for Silver's 17,000 customers, while the agreement also strengthens Storebrand's position within pension savings.

MAJOR NEW PRODUCTS IN THE SAVINGS MARKET

The autumn has otherwise been characterised by the launch of two major new products in the private savings market. The new rules for saving in equity savings accounts entered into force from 1 September. Equity savings account is a scheme whereby private individuals can combine investments in shares and equity funds and switch between different equity funds and shares without being liable for tax. It is not until an amount exceeding the initial investment is withdrawn that tax must be paid. This is an excellent scheme for private individuals who have long-term savings in shares and equity funds and who wish to purchase and sell shares during this process.

1 November marked the start of the new tax-favoured individual pension savings (IPS) scheme. The new scheme is a significant improvement on the previous IPS scheme. The savings threshold for a tax deduction has been increased to NOK 40,000, while the tax rules for payment of IPS have been changed from being fully taxed as pension income to being taxed as general income (23 per cent in 2018). We have had a strong presence in the media and other channels since the launch and at the end of 2017, 13,000 retail customers had established IPS agreements at Storebrand.

DIGITAL FOCUS

There are also exciting things happening in the Group's other business areas:

Storebrand Bank has launched a new mobile bank that has been well received by customers. We had continued strong lending growth during the year. At the same time, we have high expectations for the collaboration with the Swedish savings app Dreams, which was launched in the Norwegian market at the end of 2017.

Storebrand Forsikring developed a new digital sales solution in 2017 which Bearing Point's international benchmark customer survey named the best in the industry. We have also established a chatbot solution on our websites. This is a step towards better self-service solutions and the development of our web platforms, which enable all "simple" inquiries to be managed digitally. More complex inquiries are in the safe hands of our expert advisors.

250 YEARS

With roots dating back to 1767, Storebrand is one of the country's oldest companies and in 2017 we celebrated our 250 year anniversary. These celebrations have been in the form of several internal and external arrangements. The official ceremony was held on 31 May and was celebrated together with the Crown Prince and Princess and 350 other guests at our head office in Lysaker. At the anniversary ceremony we launched our collection of books about the history of Storebrand which were written by business historians Sverre August Christensen, Espen Ekberg, Christine Myrvang and Trond Bergh from BI Norwegian Business School.

WORLD LEADER IN SUSTAINABILITY

Sustainability is an integral part of Storebrand's business activities and it is pleasing to receive international recognition for our work. During the World Economic Forum in Davos in February 2017, Storebrand was named the world's most sustainable finance company in Corporate Knights "Global 100". This is an award that we are incredibly proud of. We shall continue to work hard to create good pensions and a better world to retire in. The sustainability perspective is integrated into everything we do. This is supported by a sustainable business model that creates value for owners, customers and society as a whole.

In 2017, we focussed on ensuring that we have a sustainable strategy, not just a sustainability strategy. We have therefore carried out work to understand what is important for ensuring long-term value creation and have selected three principal areas that provide us with an overall picture in our approach to value creation:

- Financial capital and the investment ecosystem: Competitive and sustainable returns.
- Customer and society: Recommended by our customers.
- People and systems: People first, digital always.

In this way, we focus on managing all of our most important input factors in an effective manner that prepares us for the future.

2018

In the year to come we are going to fortify our position as a leading player in the Norwegian savings market. Our social mission is to help our customers to save. We will continue to develop our digital solutions, while also working hard to deliver even better customer experiences. We will maintain our position as a market leader in occupational pensions and further develop our position as the second largest player in the market for transferrable savings.

We look forward to an exciting year.

Organisation

LEGAL STRUCTURE (SIMPLIFIED)

- Storebrand ASA
  - Storebrand Livsforsikring AS
    - Storebrand Holding AB
      - SPP Pension & Försäkring AB
  - Storebrand Forsikring AS
  - Storebrand Asset Management AS
    - Skagen AS
  - Storebrand Bank ASA

REPORTING STRUCTURE

- Storebrand ASA
  - Savings (non-guaranteed)
  - Insurance
  - Guaranteed pension
  - Other

The Group is divided into the segments Savings, Insurance, Guaranteed Pension and Other.

SAVINGS
Savings consists of products that include savings for pensions without guaranteed interest rates. The business area consists of defined contribution pensions in Norway and Sweden, asset management and retail banking products.

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

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

OTHER
The result for Storebrand ASA is reported under Other, as well as the result for the company portfolios and small subsidiaries of Storebrand Life Insurance and SPP. In addition, the results associated with lending to commercial enterprises by Storebrand Bank and the activities at BenCo are reported in this segment.

Life and pensions

40k corporate customers

1.9m individual customers

NOK 432bn of reserves of which approx. 40% Unite Linked

Asset management

NOK 721bn in AuM of which 34% external assets

100% of investments assessed by sustainability criteria

Insurance

Health, P&C and group life insurance

NOK 4.5bn in portfolio premiums

Retail bank

Direct retail bank

NOK 42bn of net lending

Storebrand ASA
Professor Kohtsvei 9
Postboks, 1327 Lysaker
Norway

Executive Management

ODD ARILD GREFSTAD (1965)

CEO, STOREBRAND GROUP

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

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

Ownership Storebrand
Number of shares as of 31.12.2017: 114,486

LARS AA. LØDDESØL (1964)

GROUP CFO, STOREBRAND ASA

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

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

Ownership in Storebrand
Number of shares as of 31.12.2017: 70,144

HEIDI SKAARET (1961)

MANAGING DIRECTOR, PEOPLE & TECHNOLOGY

Education
MBA, University of Washington, Seattle, US

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

Ownership in Storebrand
Number of shares as of 31.12.2017: 38,014

GEIR HOLMGREN (1972)

MANAGING DIRECTOR, CUSTOMER SERVICE AND PRODUCT

Education
Cand. Scient m/aktuarkompetanse (UiO)
MBA Griffith University Brisbane, Australia

Career
2011–2012: Head of Product, Claims and Service, Storebrand Life Insurance
2003–2011: Head of Product, Storebrand Life Insurance
2002–2003: Head of UL and DC business, Storebrand Life Insurance
2000–2002: Head of DC business, Storebrand Life Insurance
1998–2000: International Sales, Storebrand Life Insurance
1997–1998: Actuary trainee, Storebrand Life Insurance
1995–1997: Teacher, Oslo University

Ownership in Storebrand
Number of shares as of 31.12.2017: 39,283

STAFFAN HANSÉN (1965)

MANAGING DIRECTOR, CUSTOMER AREA SWEDEN

Education
Licentiate of Science (Economics), Åbo Akademi University, Finland
Post graduate studies at the Finnish Doctoral Program in Economics (FDPE) and Stockholm School of Economics

Career
2013–: CEO, SPP Life Insurance AB
2011–: CIO, Storebrand Life Group
2008–2011: Investment Director, SPP Life Insurance AB
2006–2008: Head of Strategic Allocation, SPP Life Insurance AB
2003–2006: Head of Government and Covered Bond Trading, Svenska Handelsbanken
1996–2003: Head of Fixed Income, Alfred Berg Finland
1994–1996: Trainee, Pohjola Bank (OKOBANK)

Ownership in Storebrand
Number of shares as of 31.12.2017: 37,788

JAN ERIK SAUGESTAD (1965)

EXECUTIVE VICE PRESIDENT ASSET MANAGEMENT

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

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

Ownership in Storebrand
Number of shares as of 31.12.2017: 32,882

JOSTEIN DALLAND (1969)

MANAGING DIRECTOR,
DIGITAL BUSINESS DEVELOPMENT

Education
Siviløkonom/MBA og Master of Technology Management

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

Ownership in Storebrand
Number of shares as of 31.12.2017: 9,959

KARIN GREVE-ISDAHL (1979)

EXECUTIVE VICE PRESIDENT
COMMUNICATIONS AND INVESTOR RELATIONS, STOREBRAND

Education
Master in International Relations, Bond University
Bachelor in Communications, Bond University

Career
2014-2017 Vice President Communications, Opera Softaware
2009-2014 Communicator Director, SN Power
2008-2009 Economics Reporter, TV 2
2005-2008 TV Reporter, CNBC/FBC Media
2004-2005 Researcher, CNBC Europe

Ownership in Storebrand
Number of shares as of 31.12.2017: 2,267

WENCHE ANNIE MARTINUSSEN (1968)

EXECUTIVE VICE PRESIDENT,
CUSTOMER RETAIL NORWAY

Education
2009-2010 Norwegian Business School – Master of Management in scenarios, foresight and strategy
2000-2001 Norwegian Business School — Master of Management in e-commerce
1989-1993 Norwegian Business School — Master in Business and Marketing
Specialisation areas within Communication and Marketing

Career
Storebrand:
2015-2017: Senior Vice President Retail
2013-2015: Director Storebrand Direct
2011-2013: Director of Business Development and Digitalisation (incl. Lean)
2007-2011: Director of Online Sales and Development (Storebrand and SPP)

Nordea Bank AB:
2002-2007: Nordic Head of Internet, Group Identity and Communications
2001-2002: Manager Web Content Management, Electronic Banking

Norwegian Trade Council, INDEX Publishing AS:
1996-2001: Sales- Product- and Marketing Manager

Olaf Norlis Bokhandel AS:
1993-1996: Marketing Consultant

Ownership in Storebrand
Number of shares as of 31.12.2017: 7 227

A sustainable strategy

Storebrand's purpose is to help create a future to look forward to. This obligates us to create good solutions for our customers that will enable them both now and in the future to be in a financial situation that provides opportunities.

At the same time, the world is facing serious challenges. In order for our customers to have a future to look forward to, we have a responsibility for the world's scarce resources to be used in the most sustainable manner possible. A sustainable business model means that we shall deliver returns to our owners, while also creating positive ripple effects for society. It also means that we do this in a way that does not deny future generations of the ability to meet their own needs. There is no contradiction between acting in a sustainable manner and delivering returns to customers and owners. Sustainability is integrated into everything we do and our strategy is to establish a sustainable business model that provides long-term value creation for shareholders, customers and society.

THE ANNUAL REPORT PROVIDES AN INSIGHT INTO HOW STOREBRAND CREATES VALUE FOR THE FUTURE

Storebrand has worked with sustainability for more than twenty years. This sustainability work started with our investments and is now a fundamental part of the entire investment process and our operations. The Group has published environmental reports since 1995, and sustainability reports since 1999. Sustainability reporting has been an integrated part of the annual report and certified by an independent third party since 2008. The objective of the reporting is to provide an overall picture of Storebrand's value creation.

The annual report has been prepared based on the principles of the International Integrated Reporting Council (IIRC), with the goal of not only providing a financial report and sustainability report, but a report that provides an overall picture of how Storebrand shall create value for the future. The content of this year's report therefore provides more insight into our strategy and focus areas as a whole, and places financial results and sustainability into this context. Sustainability in this report therefore refers to both financial and social factors, including human rights and workers' rights and environmental conditions.

FOCUS ON COMPREHENSIVE AND LONG-TERM VALUE CREATION

In order to ensure that we have a comprehensive and long-term strategy for how we will create value for shareholders, customers, employees and society in general, a materiality analysis has been conducted to prioritise our most important input factors and most important drivers for creating value from these input factors. The guidelines for International Integrated Reporting Council (IIRC) are used as a starting point for the materiality analysis for long-term value creation. This model is based on identifying input factors for ensuring an overall picture of the value creation. To highlight how we create value, we have identified value drivers linked to each of the input factors. The materiality analysis also follows the principles in the Global Reporting Initiative (GRI) to ensure that the environmental and social impact, as well as stakeholder expectations, are a part of the analysis **[1]**. The materiality analysis and Storebrand's most important challenges are managed and decided by executive management and the board and provide the basis for the reporting of Storebrand's sustainable model for long-term value creation. The target figures and key performance indicators that are reported after each input factor in the following are part of the company's ongoing follow-up and are reported to both executive management and the board.

LONG-TERM VALUE CREATION IS DEPENDENT ON GOOD MANAGEMENT OF THE INPUT FACTORS.

Based on the analysis, three input factors have been identified that are the most important for Storebrand's business activities. These "input factors" are the resources, or the capital, we use for value creation, and we have to manage them effectively to ensure financial, environmental and social sustainability.

Input factors	Principal goals	Explanation
Financial capital and our investment universe	"Competitive and sustainable return"	Financing capital Storebrand manages for owners and customers and the financial universe in which this capital is invested. The state of the investment universe, the companies and markets in which Storebrand invests will affect Storebrand's results. Storebrand's goal is to create competitive and sustainable returns.
Customers and community relations	"Our customers recommend us"	Storebrand's customers, and potential customers' perception of Storebrand and the service offer in relation to the vision: Our customers recommend us.
Our people and systems	"People first, digital always"	Storebrand's employees, their knowledge and expertise in interaction with the systems and structures. Storebrand's digital strategy differs from others by focusing primarily on people and their ability to use digital tools. Thus, people and systems are proposed as a combined input factor in line with Storebrand's approach.

WHAT IS IMPORTANT FOR CONVERTING INPUT FACTORS INTO VALUE

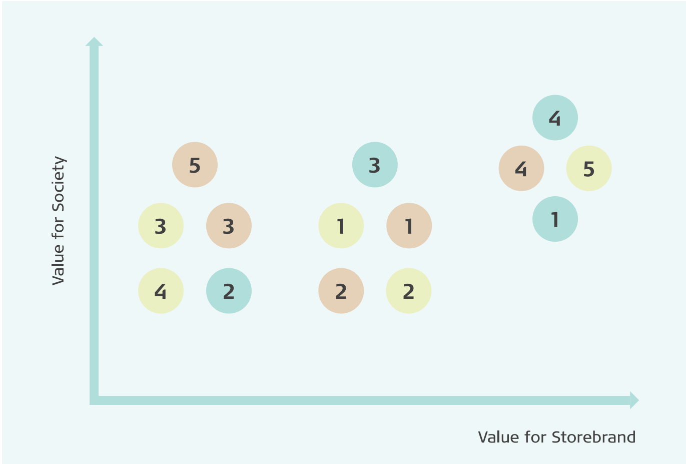
In a complex and rapidly changing world, there must be well-considered priorities for managing the input factors in a manner that ensures long-term value creation. Therefore, value drivers have been identified for each input factor that are evaluated and closely followed-up going forward. This is also placed in the context of the value this has for society, based on the belief of reciprocity when influencing society and own profitability and viability.

Input factors	Principal goals	Driver's for long-term value creation	Value for society	Link to UN Global Sustainability goals
Financial capital and our investment universe	"Competitive and sustainable return"	Deliver returns to owners Driving force for sustainability and restructuring Active ownership Investing in the winners of tomorrow	Support to the solutions of tomorrow Focus on common sustainability goals and issues Employment and economic contributions	3 GOOD HEALTH AND WELL-BEING 6 CLEAN WATER AND SANITATION 7 AFFORDABLE AND CLEAN ENERGY 8 DECENT WORK AND ECONOMIC GROWTH 11 SUSTAINABLE CITIES AND COMMUNITIES 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION
Customers and community relations	"Our customers recommend us"	Good money in a sustainable manner Information security and digital trust from the customer Appealing and simple customer experiences Involvment in own pension and savings Relevant and responsible customer advice	Long-term saving and economic stability for society and individuals Better retirement for people Increased economic safety for people	8 DECENT WORK AND ECONOMIC GROWTH Promote lasting, inclusive and sustainable economic growth, full employment and decent work for all
Our people and systems	"People first, digital always"	Good environmental standards and working conditions throughout the entire value chain Exploit the opportunities presented by the digital transition Diversity and equal opportunities Purpose-driven culture and committed employees Organisation with the ability to learn and adapt	Healthier and happier employees and family's Employment, competency development and innovation Increased possibilities for people	5 GENDER EQUALITY Achieve full equality be-tween the sexes and strengthen the position of girls and women

A future to look forward to

THE EXPECTATIONS OF OUR STAKEHOLDERS ARE OF DECISIVE IMPORTANCE TO US.

The most important issues and activities within each input factor are those that our stakeholders and Storebrand consider to be the most important for Storebrand to be able to succeed with a sustainable business model. Dialogue has been conducted with the most important stakeholders to identify important issues and activities. We have dialogue with stakeholders through a number of forums such as one-on-one interviews, conferences, roadshows, opinion polls and feedback from customers.



Financial capital and our investment universe

1. Deliver returns to owners
2. Driving force for sustainability and restructuring
3. Active ownership
4. Investing in the winners of tomorrow

Customers and community relations

1. Good money in a sustainable manner
2. Information security and digital trust from the customer
3. Appealing and simple customer experiences
4. Involvment in own pension and savings
5. Relevant and responsible customer advice

Our people and systems

1. Good environmental standards and working conditions throughout the entire value chain
2. Exploit the opportunities presented by the digital transition
3. Diversity and equal opportunities
4. Purpose-driven culture and committed employees
5. Organisation with the ability to learn and adapt

THE SUSTAINABLE DEVELOPMENT GOALS CLARIFY OPPORTUNITIES AND CHALLENGES

THE STOREBRAND GROUP SUPPORTS THE UNITED NATION'S SUSTAINABLE DEVELOPMENT GOALS

Sustainable development is about looking after the needs of people who are alive today without destroying the ability of future generations to look after their needs. September 2015 was a milestone. This was when all of the UN member states met and agreed to a joint work plan for eradicating poverty, combating inequality and stopping climate change by 2030. The plan is called The 2030 Agenda for Sustainable Development, and consists of 17 Sustainable Development Goals (SDGs). More information about the UN sustainable development goals can be found at: http://www.un.org/sustainabledevelopment/sustainable-development-goals/

As an investor, Storebrand first and foremost, can contribute to achieving the sustainable development goals through conscious investments of capital and through active ownership. In this way, investors can influence private business and industry that play an important role in financial and social development. Companies are dependent on well-functioning societies and markets to succeed. Supporting the sustainable development goals is a means for companies to contribute to stable, transparent and non-corrupt markets that have good and well-functioning management systems. Companies should familiarise themselves with the goals to see what business opportunities they provide and to understand the risk associated with the world's sustainability challenges. Storebrand has identified the sustainable development goals that are most heavily influenced by how we invest the more than NOK 700 billion the company has under management. Storebrand has identified seven SDGs that are most financially relevant to the companies we invest in, measured in terms of materiality and potential impact.

In addition, two sustainable development goals have been identified where Storebrand can make a difference through the business model and community involvement. Sustainable development goal 8, decent work and economic growth, sets the focus on ensuring access to and an understanding of financial services. Storebrand wishes to contribute to this goal in the countries where Storebrand operates and will develop several methods of measuring the ability to include vulnerable groups and also to ensure that more people save for pensions and secure their own personal finances. Storebrand shall also contribute to achieving goal 5, gender equality because this is a success factor for the future, as well as in the society around us. Some of the indicators we use to measure our efforts in relation to the sustainable development goals are listed in the table with input factors below. During 2018, Storebrand will work to further establish the company's influence on achieving the UN sustainable development goals.

[1] There are direct references to GRI standards in the sections under each input factor.

Rating

We support and have signed

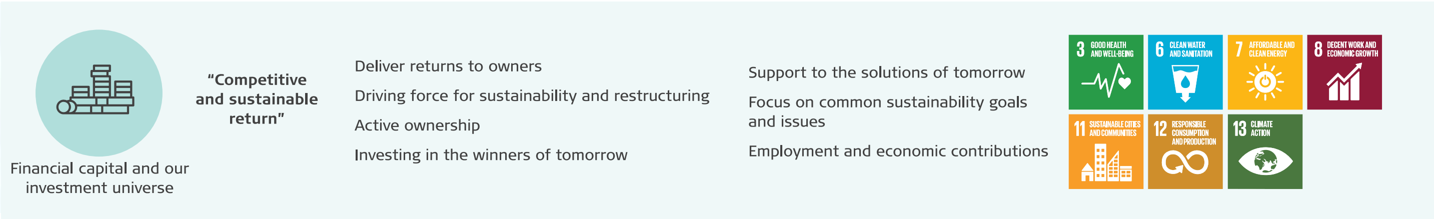
Certified

Financial capital and our investment universe

Principal goal - Competitive and sustainable returns to shareholders and customers

Financial capital is that which Storebrand manages for owners and for customers, and the Investment universe that this capital is invested in. The state of the investment universe, i.e. the companies and markets Storebrand invests in, will influence Storebrand's results. Storebrand's goal is to create competitive and sustainable returns.

Long-term value creation in the big picture



DELIVER RETURNS TO SHAREHOLDERS

WHY IS THIS IMPORTANT?

As a listed company, the most important objective of the Storebrand Group is to create returns for its shareholders. Returns shall be created in a sustainable manner and contribute to positive ripple effects for society.

Our approach

Storebrand's strategy is to deliver profitable growth within the focus areas Savings and Insurance through simple and sustainable solutions, while we also manage our guaranteed portfolios in a capital-efficient manner. Occupational pension is a core product in both Norway and Sweden. In Norway, employees and former employees in companies with pension agreements at Storebrand are also offered attractive solutions within the retail market. Our vision is simple: We are successful when recommended by our customers.

Our results

The results are discussed in more detail in the Directors' Report. Storebrand achieved a return on equity of 11 per cent and the Board has proposed an ordinary dividend to the General Meeting of NOK 1,168 million, equivalent to an ordinary dividend of NOK 2.1 per share, and an extraordinary dividend of NOK 0.4 per share for 2017. The extraordinary dividend is linked to the strong financial result and strong after tax profit. The dividend, together with a 46% increase in the share price, gave shareholders a very competitive return in 2017.

GRI 201-1 Direct economic value generated and distributed.

Ambitions

Storebrand's ambition is to create attractive and competitive returns through dividends and value creation in the business activities. Storebrand has the goal of paying a dividend in 2018 of more than 50% of the Group profit after tax. The Board has the ambition of the ordinary dividend per share being at least at the same nominal level as the previous year. The ordinary dividend is paid out at a sustainable solvency margin of over 150%. At a solvency margin over 180%, the Board's intention is to propose extraordinary dividends or the buy-back of shares. Furthermore, Storebrand has the ambition of achieving continued profitable growth within prioritised areas of growth.

DRIVING FORCE FOR SUSTAINABILITY AND RESTRUCTURING.

WHY IS THIS IMPORTANT?

Storebrand has the goal of creating a future that our customers can look forward to. Sustainability is therefore integrated into our investment decisions. In this way we move money from activities with a major negative impact on the climate to companies that are part of the transition to a greener economy. Adaptable companies can, for example, contribute to improved energy efficiency, circular economy, emission-free transport, renewable energy production and smart infrastructure.

When we know that half of the money on the world's stock exchanges is pension capital, this demonstrates the possibilities of pension management being a very effective means of contributing to more sustainable investments. Companies that are frugal with their own resources and those of the rest of the world can contribute to the transition by, for example, emitting less CO2 and reducing water consumption. These types of future-oriented companies are better positioned to meet global challenges. By investing in these, we achieve good financial returns while also contributing to a sustainable transition.

Our approach

Storebrand supports and participates in a number of global sustainable energy initiatives. Among other things, we have signed the "Montreal Pledge" which concerns the reporting of our Group carbon footprint. In addition, we have joined "The Portfolio Decarbonisation Coalition" which pledges to set targets for managing climate risk and reducing the carbon footprint from our investments. We are also actively working on adapting our investment to meet future challenges and by exercising active ownership in the companies in which we invest. This work is described in more detail below.

Storebrand, Paris Agreement and Task Force on Climate-related Financial disclosures (TCFD)

FACTS: TFCD

- Working group established by the G20 Financial Stability Board in 2015.
- Chaired by Michael Bloomberg.
- The final report was presented in June 2017.
- It is expected that the framework will be used extensively.
- This is an important step in harmonising and standardising climate-related reporting.

The final report from the Task Force on Climate-related Financial Disclosures (TCFD) was presented in June 2017. TCFD is important for Storebrand because we want to invest in a manner that supports the goals in the Paris Agreement. The recommendations from TCFD enable the standardisation of important information that tells us how well-positioned the companies are in terms of managing climate risk. We as investors can thereby obtain access to better information, thus improving the prerequisites for making well-informed decisions. We are working for a future where both countries and companies make investment decisions in line with the Paris Agreement. For financial reasons, it is therefore important to have quantifiable data that can be used in financial analyses and risk assessments of the companies that we invest in.

In autumn 2017, Storebrand commenced work on assessing the adjustments that have to be made in our reporting in order to comply with TCFD's recommendations. In the long-term, the main lines will be integrated into the annual report through the four recommended categories: Governance, strategy, risk management and performance indicators. During 2018 we will also produce new material that is suitable for the more specialised recommendations, particularly in connection with scenario analyses and sensitivity analyses.

Through the UN affiliated investor initiative, Principles of Responsible Investment (PRI), we are involved in a pilot project with the goal of assessing the benefit of the TCFD information the companies report to us as investors. In addition, Storebrand is involved in a joint venture with Finance Norway through NORSIF's ownership group. The purpose of this project is to determine the type of data that is relevant for investors to enable us to avoid setting unnecessary reporting requirements for companies. The project's planning phase is now over and the work will commence at the end of February 2018. The common feature of the projects with UN PRI and UNEP FI is that Storebrand works together with both the companies we invest in and other investors. By doing so we can set joint requirements from the investor side that give clear signals about what constitutes meaningful reporting that creates added value.

In 2018, we will work purposefully with TCFD by participating in UNEP FI's investor group for TCFD reporting. Together with a number of other investors, we will reach an agreement about a joint reporting method for investors. The goal is to contribute to standardising practices, developing scenario analyses and ensuring constructive sharing of information relating to climate risk in our investments.

Our results

In 2017, we started work on reporting in accordance with the so-called Task Force on Climate-related Financial Disclosures (TCFD), cf. the description above. Storebrand also promotes sustainable investments by being a leader for the Norwegian Forum for Responsible and Sustainable Investment's (Norsif) corporate governance and by discussing responsible investments with the authorities and various organisations. For example, in 2017 we sent a letter to the governments in the G7 and G20 concerning climate change and the Paris Agreement. We had talks with Japanese and American authorities about climate change and fossil fuel-free investments. In Norway, Storebrand participates in the Norway 203040 project, which is a business-led climate initiative. The objective is to identify new business opportunities on the path towards a low-emission society and to be a driving force behind Norway's climate goals.

GRI FS11 Percentage of assets subject to positive and negative environmental or social screening

GRI-412-3 Total number of investment and contracts that include human rights clauses or screening

Storebrand indicator: Compliance with TCFD

Ambitions

Storebrand's goal is to contribute to standardization, greater transparency and better data flow in order to more clearly highlight the company's management of climate risk. The manner in which companies manage the need for restructuring through their strategies and management systems will largely dictate how adaptable business and industry are at developing.

ACTIVE OWNERSHIP

WHY IS THIS IMPORTANT?

Active ownership is an important part of Storebrand's approach to sustainable investments. Through dialogue with the companies in which we invest, it is our goal to retain and create value for the shareholders. This includes awareness about environmental and social issues and questions relating to Environmental, Social and Governance (ESG) criteria. As a long-term owner, we have a particular interest in raising questions relating to the adaptability and sustainability of the companies' business models. In this way, active ownership is also a means of reducing risk and creating opportunities.

Our approach

Dialogue with companies is prioritised with regard to ownership, risk and/or relevance to value creation, including positive ESG effect. We prioritise forward-looking dialogue in which we raise ESG issues with companies/industries that should be focussed on more and devote fewer resources to talking to companies about controversial incidents such that they simply correct errors. We also prioritise dialogue in which we can join together with other investors in order to have greater influence.

Our results

In 2017, Storebrand was in contact with more than one hundred companies, both alone and in cooperation with other investors through PRI. The focus in 2017 was the climate and Storebrand has therefore joined several new PRI climate initiatives. These include: (1) for methane, whereby 42 companies in the oil and gas industry were contacted and asked to measure, manage and reduce methane emissions and to improve the reporting of this, (2) letters to 24 banks asking them to report the extent to which they are following up the TCFD report on climate reporting, and (3) Climate Action 100+ in which the companies with the highest emissions of greenhouse gases within different sectors were contacted with requests to reduce emissions, and to improve the management of climate risk and reporting. See our website for more information about this and other dialogue.

GRI FS10 Percentage and number of companies held in the institutions portfolio with which the reporting organization has interacted on environmental or social issues

Our ambition

Storebrand's goal is to have a positive influence on companies. Therefore, in 2017 Storebrand prioritised dialogue with companies/industries that are particularly exposed to climate risk. This is something we do together with other investors in order to have the greatest possible impact. The focus on corporate governance linked to climate will continue.

Our ambition is to influence companies that have methane leaks in order so that they measure, manage and reduce such emissions. We will be a driving force for reporting in accordance with TCFD's guidelines. Therefore, Storebrand itself plans to report in accordance with TCFD's guidelines in the near future. Storebrand will follow up Climate Action 100+ to influence the companies and refer to specific plans for reducing GHG emissions if they do not currently have results they can refer to.

INVESTING IN THE WINNERS OF TOMORROW

WHY IS THIS IMPORTANT?

The Storebrand Group invests more than NOK 720 billion on behalf of our customers. We are responsible for creating the best possible return in a sustainable manner. Part of what drives Storebrand is the desire to be a "brave pioneer" that dares to test out new solutions. This is one of the reasons that we actively work towards investing more in the winners of tomorrow. By winners of tomorrow, we mean companies that contribute to solving major societal challenges while also making good money in the process.

Our approach

We exclude the worst

"The Storebrand Standard" describes the companies that we do not want to invest in. The requirements apply to all of Storebrand's own investments, and include both shares and bonds. "The Storebrand Standard" includes the criteria of international law and human rights, corruption and economic crime, serious environmental damage, controversial weapons, tobacco and low sustainability rating. More information about the "Storebrand Standard" here.

The process of exclusion includes both internal and external data and assessments which are carried out by experts in these fields. Storebrand's Investment universe consists of more than 3,000 companies. A company can be excluded in three ways, and the following are our methods for exclusion:

1. Production-based exclusions: We exclude companies that produce tobacco or controversial weapons.
2. Performance-based exclusions: Our sustainability analyses identify high-risk industries. The 10% with the lowest sustainability rating are excluded.

3. Event-based exclusions: We assess companies on the basis of different events associated with the violation of international laws and conventions. The companies in our investment ecosystem are continuously monitored. If we observe any events that indicate that a company is in violation of the "Storebrand Standard", the company may be excluded. Exclusions are effectuated after a process of anonymized assessment of the issue by Storebrand's Investment Committee. The committee is comprised of several representatives of executive management and other managers, who meet on a quarterly basis and process the cases anonymously.

If the excluded companies demonstrate changes to or improvements in their policies or business operations, they may potentially be re-included in Storebrand's investment ecosystem.

We select the best

By conducting analyses we find the companies that are best equipped for the future. Future-oriented companies are better positioned for global challenges, which is reflected by lower risk and higher expected returns. Storebrand considers companies to be sustainable when:

1. Company position on global trends. The world is changing and we believe those companies that manage to adapt their business models to increase production for more people, using fewer resources, will be the winners of tomorrow.
2. Sustainable business practices. Companies that proactively manage environmental challenges, human rights issues and corruption, will be better prepared to meet future demands from consumers and authorities in a changing world.
3. Financially robust companies. We invest in companies that can demonstrate solid financial results. Since we have commitments to our customers for many decades to come, we need to think long term.

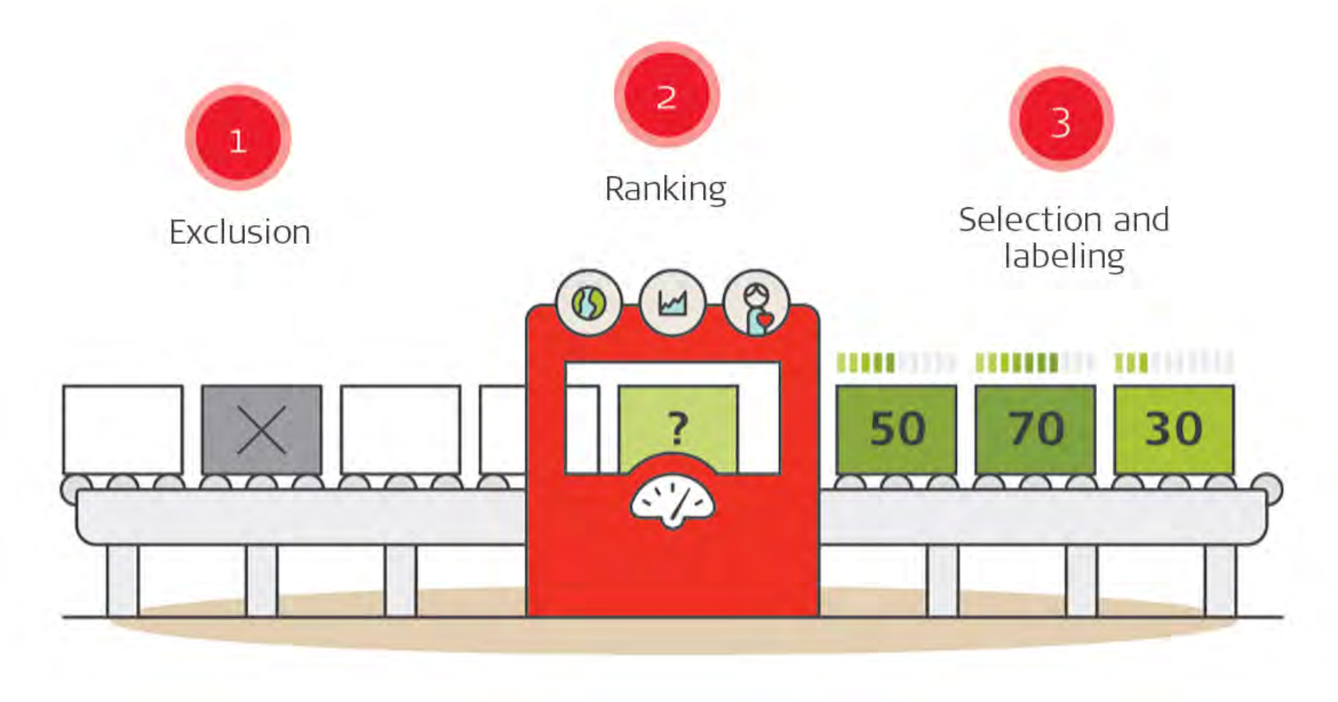
More information on this can be found here.

Increased focus on companies that address the challenges of the future

One of the measures used for finding such investments is to identify solution-oriented companies with a business model that promotes sustainable development. We refer to these companies as "solution companies" because they develop good solutions to important societal challenges. The total sum of good solutions in key sectors and the interaction between different technologies will pave the way for sustainable development in society. By systematically investing in solution-oriented companies, the capital flows can reduce capital expenditure for the companies that have the greatest ability to adapt. For example, solution companies can contribute by producing new technology within renewable energy, energy efficiency improvements, recycling and green transport. The winners of tomorrow will adapt current business models or adopt new business models that use resources more efficiently. Optimising the use of resources and applied technology are both financially profitable, but also a long-term investment for value creation to continue over time.

HOW WE CHOOSE THE MOST SUSTAINABLE COMPANIES

Storebrand works every day for our customers' funds to be placed in future financial winners. We have the Nordic region's largest competence environment for sustainable investments. Our analysts are specialists in everything from resource economics and consumption, to innovation and political regulation.



Three sustainable steps

In Storebrand, sustainability analysis is a key part of how we find companies for our funds.

1. We exclude around 180 companies and have higher minimum requirements than anyone else in the industry. In this way we reduce risk. But we will not stop there
2. We analyze companies' ability to see opportunities and adapt to three sustainability trends. Based on this analysis, companies get a score from 0-100, which tells us how sustainable companies appear.
3. We invest more in the future-oriented and sustainable companies, and less in those less sustainable. In this way we put together funds and portfolios and label them according to their sustainability

Our results

100% of Storebrand's assets under management are screened for financial and social factors, including human rights and social rights and environmental criteria that together constitute Storebrand's sustainability standard. We established two new funds in 2017: The Storebrand Pluss standard, which is a fossil fuel free fund, and a new ESG fund that replaces companies with a poor environmental record with more sustainable companies. During 2017, Storebrand published reports for reporting to Portfolio Decarbonisation Coalition. These reports can be found at: https://www.storebrand.no/en/sustainability/reports/. In 2017, 1.8% (NOK 13 billion) of assets under management were invested in solution companies and green bonds.

305-4 GHG emissions intensity in the portfolio

GRI FS11 Percentage of assets subject to positive and negative environmental or social screening

Storebrand indicator: Percentage of investments in sustainable solutions or green bonds

Ambition

When many of the world's countries and companies work towards the realisation of the Paris Agreement and UN sustainable development goals, new market opportunities will arise until 2030. Therefore, investments in companies that follow these trends can both contribute to a positive change through sustainable value creation while also giving major financial gains. By investing in different solution companies from different sectors, small amounts can thereby be invested in a long line of companies that work with different methods of achieving a low emission society. Collectively, capital can then be invested in work for financing solutions that are beneficial to society. Our ambition is that 2% of assets under management shall be invested in solution companies in 2018, 3% in 2020 and 4% in 2025. Storebrand reported indirect carbon emissions in the portfolio for the first time in 2017 as part of the reporting for the Portfolio Decarbonisation Coalition. We will work towards further developing our reporting and ambitions in 2018.

GOALS AND RESULTS – FINANCIAL CAPITAL AND OUR INVESTMENT UNIVERSE

The table presents short and long-term goals and results for the input factor "Financial capital and our investment universe" that Storebrand uses in its internal follow-up.

Key Performance Indicator	Goal 2017	Baseline 2016	Result 2017	Goal 2018	Goal 2020	Goal 2025
ROE	>10%	9,5 %	11,30%	>10%	>10%	>10%
Solvency	>150%	157%	172%	>150%	>150%	>150%
Dividend	>35%	27%	40%	>50%	>50%	>50%
AUM invested in solutions companies, cleantech and renewable energy	1%	n/a	1,80%	2%	3%	4%
New sustainability products -> NOK invested in sustainability funds annually			6,4bn	6bn	TBA	TBA
Percentage of assets screened for sustainability criteria	100 %		100 %	100 %	100 %	100 %
Indirect cliamte emission -> carbon intensity in: Tonn CO2e per 1 MNOK sales income						
– Equity Investments in mutual funds NO/SE			*28/18,3*			
– Guaranteed portfolio NO/SE			*18,8/12,5*			
– Fixed income	*Start testing*		*Testing started*			
Compliance to the TCFD principles **[1]**	Partly compliant	Partly compliant	Partly compliant	Partly compliant	Compliant	Compliant
Publish new policy for sustainable investments				Implementert		
Energy consumption real estate **[2]**	194	197	191	191	185	174
Water consumption real estate **[3]**	0,34	0,35	0,35	0,34	0,33	0,32
Certified green real estate **[4]**	29%	23%	26%	35%	48%	74%
Co2-emissions real estate	6,59	6,93	5,23	6,24	5,55	4,44
Waste recycling real estate (N)	62%	61%	65%	63%	65%	69%

All input factors relate to The Storebrand Group including subsidiaries unless otherwise spesified in the definition. Definitions can be found on www.storebrand.no/en/sustainability/reports

[1] TCFD: Task Force on Climate Related Financial Disclosures

[2] New definition. Indicator also includes Sweden

[3] New definition. Indicator also include Sweden

[4] New definition. Number for 2016 is updated in accordance with new definition

Customers and community relations

Principal goal - Recommended by our customers

The opinions of customers and potential customers about Storebrand and the services offered in relation to the vision: Recommended by our customers.

Long-term value creation in the big picture

Customers and community relations

"Our customers recommend us"

- Good money in a sustainable manner
- Information security and digital trust from the customer
- Appealing and simple customer experiences
- Involvment in own pension and savings
- Relevant and responsible customer advice

- Long-term saving and economic stability for society and individuals
- Better retirement for people
- Increased economic safety for people

8 DECENT WORK AND ECONOMIC GROWTH

Promote lasting, inclusive and sustainable economic growth, full employment and decent work for all

GOOD MONEY IN A SUSTAINABLE MANNER

WHY IS THIS IMPORTANT?

Storebrand manages the pensions of 1.2 million Norwegians. A large portion of their funds will be managed for 30, 40 perhaps even 50 years into the future. Our job is to ensure the best possible return on these funds. We believe that we do this by integrating sustainability into all of our asset management activities. We believe that our responsibility also extends beyond this: Our customers shall have a good world to retire in and the manner in which we manage these funds will have an impact on that. We shall create good pensions and a good world in which to retire.

Our approach

We see that interest in sustainability is increasing among our customers. More customers are concerned about what their money is *not* being invested in. At Storebrand we have the industry's strictest exclusion list which evaluates human rights, employee rights, HSE, external environment and climate, ethics and anti-corruption, weapons and tobacco. We focus on companies that are capable of producing more, for more people, while using fewer resources. We exclude companies that violate international norms and conventions, or that are involved in other unacceptable activities. By conducting analyses we find the companies that are best equipped for the future. Future-oriented companies are better positioned for global challenges, which is reflected by lower risk and higher expected returns. We analyse all the companies we can invest in and invest more in those that are good at sustainability. This is also something our customers are concerned about. They can see that their savings can actually contribute to something positive in the world. Storebrand makes limited charitable contributions, but supports sustainable initiatives that contribute to the UN sustainable development goals through, for example, the "Handshake of the year" prize.

In addition, Storebrand lobbies government authorities and other societal stakeholders to influence the regulatory framework for long-term savings.

USEFUL FACTS

HANDSHAKE OF THE YEAR

In the beginning of November, for the first time the "Handshake of the Year" was awarded. The price is NOK 500,000 and is Storebrand's Sustainability Prize, and was awarded at Aftenposten's climate conference 'Our World'.

The purpose of the award is to honor individuals, companies or organizations that contribute to positive progress towards the UN's sustainability goals. The winner of "Handshake of the Year" should make a difference.

The solar power company Otovo won the sustainability award, which was awarded by climate minister Vidar Helgesen. The jury justify's the award to Otovo for its efforts to remove barriers to small-scale solar energy in the Norwegian and Scandinavian markets. The company represents a new way of thinking within its field, and through an innovative mindset, built on existing solutions. The solution is aimed at the general population, has already begun well and has a great potential beyond Norway's borders.

Our results

Over 90 per cent of our defined contribution pension customers are part of the pension solution known as Recommended Pension (Anbefalt Pensjon). This solution is made up of different funds. Our exclusion list applies of course to all of these funds, but over half of the funds included also have a clear sustainability strategy in addition to this. In 2017 we included some of our fossil fuel free funds in the solution to be able to effectively manage climate risk for customers. In addition to investing money in sustainable companies, we also measure the degree to which our customers consider us to be a sustainable company through customer surveys conducted by a third party.

Storebrand does not make contributions to political organisations and the work involved in influencing the regulatory framework principally takes place through national and international industry organisations.

GRI 415-1 Political contributions and socioeconomic compliance

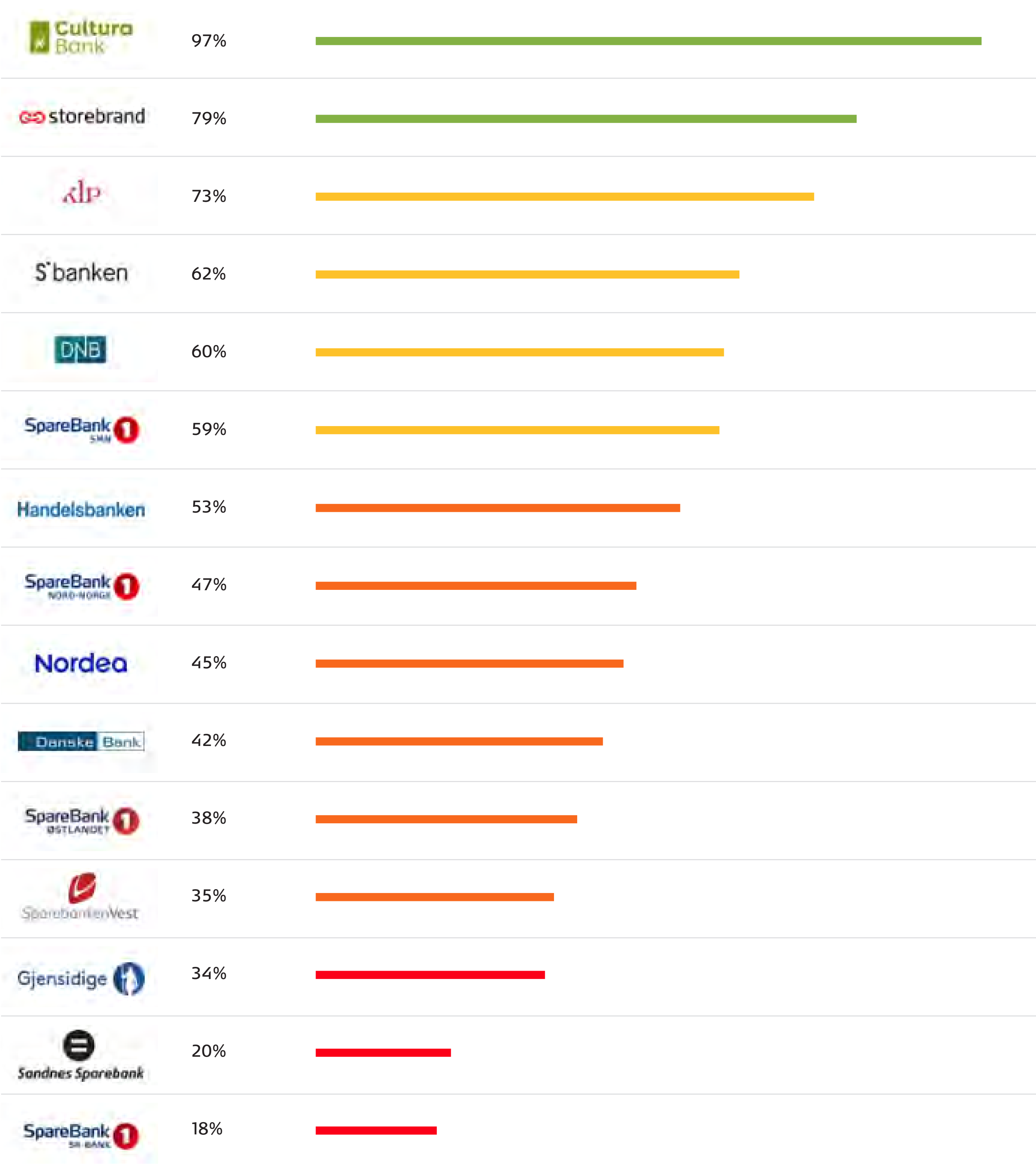
Storebrand indicator: Customer association with sustainability

ETHICAL BANKGUIDE: STOREBRAND BEST AMONG THE LARGEST

Once again, Storebrand is ranked as the country's second most sustainable bank and is the best of the five largest banks. The future in our Hands and Consumer Council is behind the analysis "Fair Finance Guide" which analyzes the ethical guidelines of 13 Norwegian banks.

Fair Finance Guide looks at how sustainable the guidelines for the Norwegian banks are. The analysis covers both own business, investments and lending in the corporate and private market.

Storebrand is by far the best player in the survey. It is only the challenger Cultura who gets a higher score than Storebrand. A bank specializing in ethical banking.



Ambitions

We are known as a leader in the specialist field of sustainable investments. However, we shall now go a few steps further. When our customers think about a sustainable savings and pensions provider, they shall think about Storebrand first. So simple and yet so difficult. To achieve this goal, we must both educate the regular saver about what sustainable saving is and we must clearly communicate that Storebrand is a world leader in this field (Corporate Knight 2017). We have therefore introduced a new performance indicator in the table at the end of the chapter that measures the degree to which customers associate Storebrand with sustainability in comparison with other companies in the industry.

INFORMATION SECURITY AND DIGITAL TRUST FROM THE CUSTOMER

WHY IS THIS IMPORTANT?

Being aware of our customers' needs and providing each customer with individualised services are key to us achieving our vision of our customers recommending us. We shall be a reliable partner when our customers make financial choices that will impact their future. As part of this, we process large amounts of personal data about our customers. The right to a private life is a fundamental human right, which we must do our utmost to protect. Our customers can legitimately expect that their personal data is being processed with the greatest of care and in accordance with their instructions. Storebrand takes this responsibility very seriously.

Our approach

Storebrand's processing of personal data shall take place in accordance with applicable laws and international regulations. Among other things, Storebrand's guidelines for processing personal data include Storebrand's principles for digital trust, fundamental privacy principles such as legal and transparent processing, purpose limitation, the rights of the registered person and requirements for built-in privacy protections. All of our employees receive training in these principles, regardless of where they work in the organisation.

When Storebrand enters into agreements for products and services, we always inform our customers about what personal data is necessary to process and the purpose of this. In addition, our privacy statement is always available at storebrand.no.

Our results

As part of Storebrand's assessment of operational risk, risks associated with the processing of personal data are identified and assessed. Storebrand has initiated a process for assessing the consequences for privacy when processing personal data that represents a high privacy risk. In 2017, we reported 10 privacy enquiries to the Norwegian Data Protection Authority in accordance with the requirements in Section 2-6 of the Personal Data Regulations. In all of these instances, the customers were informed about the incident that had occurred. In one of the instances we received a serious complaint from the customer as a result of the incident.

In order to document and verify the effectiveness of our security work, we have implemented an internal control system for information security throughout the entire value chain. Through this framework we set requirements for, verify and continually improve the security in the entire Group: The manner in which we ourselves work and what we expect from our partners and in the solutions we offer to our customers.

GRI 418-1 Substansiated complaints concering breaches of customer privacy and losses of customer data

Ambitions

Intelligent use of information, and especially personal data, is vital in a digital world where the branches and traditional physical customer meetings are disappearing. This increases the need to invest in digital trust such that Storebrand's customers experience that sharing information with us creates value for each individual, while at the same time we respect their privacy. Intelligent and reliable use of customer data will create significant opportunities for customers and Storebrand in the future. Creating digital trust with our customers will be what guides Storebrand's continued customer development work.

APPEALING AND SIMPLE CUSTOMER EXPERIENCES.

WHY IS THIS IMPORTANT?

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

Storebrand focusses on providing appealing and simple customer experiences – both to attract new customers and to ensure that our existing customers are as satisfied and loyal as possible.

Our approach

In 2017, several measures and improvements were implemented in our serviced channels such as "Customer first" (Kunden først), "Right first time", and "Sustainable settlement" (Bærekraftig oppgjør). At the same time, Storebrand has developed new and improved digital services. Storebrand uses Net Promoter Score (NPS) to measure whether our customers will recommend us to others. NPS is a standard method that shows the proportion of customers who answer 9 or 10 minus the proportion of customers who answer from 0 to 6 to the question: "On a scale from 0-10, to what extent would you recommend Storebrand to a family member, friend or colleague?" The result is based on a 6 month continuous weighted average at year-end, ranked in comparison with specific competitors.

Our results

Customer First is a programme and tool we have launched to improve customer orientation and to build an even stronger customer-oriented culture. It is a basic tool that is a means of doing the correct things in such a way that nothing is left to chance when we create good customer experiences. This is about the culture we strengthen internally and in contact with customers. A focus on simplifying processes and an increased focus on "right first time" has given us shorter processing times and allows us to provide better advice. Sustainable settlement (bærekraftige oppgjør) assists Storebrand customers in making the correct choice through discounts on sustainable materials and solutions upon settlement, electric car insurance, and pilot programme for damage prevention dialogue. In combination with transparent processes, this provides good customer experiences. The effect of this work is measured in a number of different ways, including through NPS. The purpose of NPS is to obtain feedback about whether Storebrand is providing its products and services in such a positive manner that our customers recommend us to others. NPS is measured at two levels. The first is at an operative, transaction-based level and the second is at a more overarching relationship level. Both areas showed positive developments in 2017. Our NPS score increased by more than 3 per cent compared with the previous year for the transaction-based measurement. The increase was especially strong within our digital services. The NLS score for the relationship-based measurement had an even stronger increase in 2017 and ended at almost 9 per cent higher than the 2016 level.

Storebrand indicator: Results of surveys measuring customer satisfaction NPS Norway and Sweden

Storebrand indicator: Ranking in terms of customer satisfaction in Norway and Sweden

Ambitions

The Group's ambitions are measured in relation to the Norwegian retail market and Swedish corporate market, something that reflects the most important strategic focus areas in the time ahead. Storebrand shall be among the top 3 in NPS (Net Promoter Score) for both rankings. We are currently number 4 in the Norwegian retail market and number 8 in the Swedish corporate market.

INVOLVEMENT IN OWN PENSION AND SAVINGS

WHY IS THIS IMPORTANT?

Assisting customers in making the correct financial choices is important for them being able to have a secure pension and to maintain their lifestyle and purchasing power when retirement commences.

The Pension Reform from 2011 has made pensions an individual responsibility. The interest in pensions and savings has increased in line with the population having begun to understand the importance of pension saving. In 2017 we saw several examples of major interest being shown by our customers in their own pensions and savings. Pensions are at the heart of Storebrand's work.

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

Our approach

Storebrand works with digital tools and the improvement of our digital communications channels in order to increase our customers' understanding of and interest in pension saving. The relationship between employer and employee is a joint platform for understanding the importance of pension saving as an important employee benefit to build upon.

Our results

My Pension Figure (Mitt pensjonstall) is a tool that assists customers in calculating their total expected pension, with figures obtained from the National Insurance Scheme, private savings and employer. During 2017, almost 70,000 people accessed storebrand.no and found their pension figure. A total of 335,000 pension figures have been established since the launch in 2013. Our customer service centre received over 90,000 inquiries about pensions and savings in 2017. My pension figure has increased from 55% in 2016 to 58% in 2017. The figure shows how much of your future income you will receive when you retire.

At the end of the year, we had two major new products in the Norwegian savings market: Equity savings account and individual pension savings (IPS). More than 7,000 of our customers have opened an equity savings account at Storebrand, while 13,000 have started IPS.

We have noted major interest in our fund savings products, not least Storebrand Global Multifactor, which, according to Morningstar, is the global equity fund managed by a Norwegian asset management company that has given the best returns in the past three, five and seven years.

Storebrand indicator: Change in "my pension figure" as a percentage.

Ambitions

My pension figure is the most important gateway we have for encouraging our customers to take responsibility for their own pensions. It will continue to serve this purpose into the future. We have the goal of 100,000 customers making a pension-related transaction after having checked the pension figure. My pension figure will be vital to this work, and a great deal will be invested in getting our customers to set up the pension figure, improving the customer experience and following up our customers. In 2018, the work will be expanded by increasing interest in finances among young people by participating in "Young Entrepreneurship"(ungt entreprenørskap).

RELEVANT AND RESPONSIBLE CUSTOMER ADVICE.

WHY IS THIS IMPORTANT?

Relevant and responsible customer advice is the cornerstone of customer satisfaction. The customer shall end up with products and services that are relevant and correct for them in the circumstances in which they are in. If we succeed with this, we are well on the way to achieving our vision of "our customers recommending us".

Our approach

Products and services linked to pensions and insurance are considered complicated. We take this seriously and work with making them easier to understand. Finance Norway has the project "Out of the language fog" (Ut av språktåka). We are actively involved with this and the goal is to establish language that is good and understandable.

Our advisors undergo an authorisation process and meet different quality requirements each year. This shall also be reflected in the digital platforms on which customers meet with us. We therefore support the Finance Industry Authorisation Schemes in their work on developing a quality standard for digital advice and look forward to being able to declare a robot as being "AFR" in the same way as an Authorised Financial Advisor (Autorisert Finansiell Rådgiver).

Our results

In 2017 we continued the project of updating letters that are sent out using language that is clearer and more understandable. According to the Norwegian Customer Satisfaction Barometer (Norsk Kundebarometer), we are at the top when concerning customer satisfaction in the corporate market. One of the most important areas that contributes to us being ranked number 1 is that we are considered to be the best at communicating information to the employees. This is at the very heart of the question concerning customer advice.

417-2: Incidents of non-compliance concerning product and service information and labeling

417-3: Incidents of non-compliance concerning marketing communications

Ambitions

Providing relevant customer advice is vital to our business activities. We have a strong focus on digital channels and the interaction between digital and physical operations will be extremely important. Success with this is reflected in both customer satisfaction (NPS score) and that we achieve our sales ambitions.

GOALS AND RESULTS – CUSTOMER AND COMMUNITY RELATIONS

The table presents short-term and long-term goals and results for the input factor "Customer and community relations" which Storebrand uses in its internal follow-up.

Key Performance Indicator	Goal 2017	Baseline 2016	Result 2017	Goal 2018	Goal 2020	Goal 2025
Dow Jones	Included	Included	Not included	Included	Included	Included
NPS Norwegian pension marked	Top 3	#4	#4	Top 3	Top 3	Top 3
NPS Swedish corporate marked	Top 3		#8	Top 3	Top 3	Top 3
Market share savings Norway	25%					
Marked posision corporate marked occupational pension	1			1	1	1
Financial litteracy -> Young entrepreneurship	N/A	N/A	N/A	N/A	N/A	N/A
Financial litteracy -> My pension figure		55%	58%			
Charity – > Handshake of the year	N/A	N/A	N/A	N/A	N/A	N/A
Retail market Norway (association to sustainability)				#1	#1	#1
Corporate market Norway (association to sustainability)				#1	#1	#1
SPP (association to sustainability)				#1	#1	#1
SAM (Institutional end-customer and suppliers, Prospera)				#1	#1	#1

All input factors relate to The Storebrand Group including subsidiaries unless otherwise spesified in the definition. Definitions can be found on www.storebrand.no/en/sustainability/reports

ORDER IN ONE'S OWN HOUSE

Storebrand shall be a "brave pioneer" within sustainability. This entails that we wish to show our environmental impact in our own operations

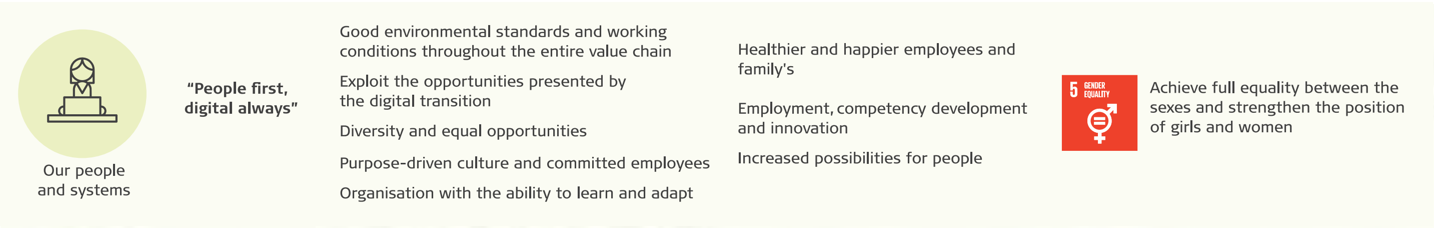
Key Performance Indicator	Goal 2017	Baseline 2016	Result 2017	Goal 2018	Goal 2020	Goal 2025
Flight pr FTE	4,0	4,1	3,9	3,9	3,7	3,4
Co2 emissions pr. FTE	0,69	0,7	0,71	0,68	0,66	0,61
Energy consumption main office	164	165	151	162	159	152
Water consumption main office	0,31	0,32	0,3	0,31	0,31	0,30
Waste recycling main office	77%	76%	82%	78%	79%	82%
Paper consumption main office	55	58	50	52	47	35

All input factors relate to The Storebrand Group including subsidiaries unless otherwise spesified in the definition. Definitions can be found on www.storebrand.no/en/sustainability/reports

Our people and systems

Principal goal - People first, digital always

Storebrand's employees, their knowledge and expertise in the interaction with the systems and structures. Storebrand's digital strategy differs from others in that it, first and foremost, places a focus on people and their ability to use digital tools. People and systems and therefore proposed as being a combined input factor in line with Storebrand's approach.



GOOD ENVIRONMENTAL STANDARDS AND WORKING CONDITIONS THROUGHOUT THE ENTIRE VALUE CHAIN

WHY IS THIS IMPORTANT?

An increase in the outsourcing of work tasks sets stricter requirements for following up suppliers. The focus on working conditions, particularly in the supplier chain, is important for ensuring good working conditions and protecting human rights.

Our approach

In addition to following the internal procurement policies, all purchases shall be carried out in such a way that they contribute to reducing the environmental and climatic impact from goods and services that are purchased and support Storebrand's commitment to the environment and corporate social responsibility. This is done by establishing environmental requirements through Storebrand's own guidelines for suppliers of goods and services that have an impact on the environment aspects of the business activities, for example, waste, packaging, energy, emissions and transport. In addition, Storebrand's position as a role model to the rest of the world must always be considered. This specifically entails that the supplier should have systems and guidelines for safeguarding environmental aspects in its business activities, including a corporate social responsibility profile in its products and services. Using the same criteria, Storebrand prioritises suppliers that are certified in accordance with one or more of the following standards: ISO14001, EMAS, Eco-Lighthouse, the Swan ecolabel and Green Dot. Storebrand ASA is a member of the UN Global Compact. All suppliers and sub-contractors of goods and services to companies in the Storebrand Group shall comply with the same minimum standards when concerning human rights, personnel and anti-corruption work. The supplier pledges to follow the principles in the UN Global Compact.

Insofar as this is possible, the supplier must still be able to document the products' lifecycle costs and environmental characteristics. The supplier shall generally have good internal guidelines for ethics and should, for example, follow the Initiative for Ethical Trade's guidelines or the standard for social accountability/corporate social responsibility (SA 8000). There must be no purchases from companies that have been excluded under Storebrand's minimum standards for sustainable investments. The analysis is conducted by the department for sustainable investments and Sourcing is responsible for compliance.

Our results

In 2017, purchase contracts with suppliers of more than NOK 1 million amounted to NOK 2 billion in purchase volume, of which NOK 760 million was certified. This means that 38% of the purchase volume over NOK 1 million was environmentally certified in accordance with the purchasing policy. There are a total of 285 suppliers, 66 of whom are certified, which is 23% of the suppliers. All suppliers pledges to follow the Principles of The UN Global Compact.

GRI 412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening

Storebrand indicator: number and percentage of suppliers that have a certified environmental management system.

Ambitions

Storebrand has the objective of ensuring optimal purchases in terms of costs, quality and user experience, and that this takes place in accordance with laws, regulations and internal rules. Purchases shall take place in accordance with Storebrand's core values and comply with the requirements and expectations that are set for our business activities by our customers, suppliers, government authorities, employees and partners. The Group shall not select suppliers or products that violate international agreements, national laws or internal guidelines. Furthermore, Storebrand shall contribute to sustainable development and that human rights and labour laws are not violated. Our ambition is to increase the proportion of certified purchases to 40% in 2018 and up to 50% in 2025.

EXPLOIT THE OPPORTUNITIES PRESENTED BY THE DIGITAL TRANSITION

WHY IS THIS IMPORTANT?

The digital transition has enabled the development of products and services at a pace that the finance sector has never seen before. This requires an organisation that has to both represent the long-term commitments Storebrand has to our customers and that must be in the driving seat for digital improvements and innovation.

The digital transition has also meant major changes in how Storebrand meets customers and places an increased focus on digital customers. This also requires a high level of digital expertise internally, i.e. knowledge of the solutions our customers prefer to use and where the market is moving at any given time.

Our approach

With the assistance of the mobile-based "pull" learning pathway "Our driving force in the head and heart", we were able in 2017 to improve the general level of digital expertise in the organisation and enable all employees to learn to use multiple digital platforms (mobile, tablet, PC) for learning, sharing and cooperation across the organisation and when meeting with customers.

A working life characterised by an increased pace requires a shift from hierarchy to a stronger focus on teams and networks. Modern leadership is principally about coaching and inspiring employees such that they utilise their potential and exercise self-management, i.e. that the individual is able to see opportunities and dares to take responsibility for his/her own decisions.

Our results

A new future-oriented and creative office landscape with choice, variation and no fixed sitting areas was introduced in the Norwegian part of the Group at the end of 2017 with the ambition of facilitating greater flexibility, sharing and learning in the organisation. For many employees this is a new and different way of working, while for others it is familiar. Storebrand has made just over 20 major digital deliveries in 2017, which have improved the customer and sales experience and have helped support our vision of our customers recommending us. In addition, about 10 production deployments are delivered every working day, which makes a difference to the customer's digital experience of Storebrand.

Storebrand indicator: Number of improvement projects that have resulted in a digital solution.

Ambitions

We will continue to offer digital learning pathways to our employees into the future and an important, and not least, compulsory course in 2018 will be "Training in the new Personal Data Act – (GDPR)" for which the goal is that we will satisfy the requirements such that our customers can be assured that we correctly process their personal data.

Focus on teams and networks will be important for Storebrand going forward in order to ensure that we utilise our full potential. Our managers will lead learning, lead networks and lead values and result. Teamwork across departments, units and the organisation will therefore also be important in 2018.

In the future, the ability to manage rapid changes with the assistance of good processes and the right technology will apply. Therefore, at Storebrand we will strive to work according to agile work methods in everything we do (Build, Measure, Learn) – what we call "agile and smart", and where we test, try and fail, provide feedback and then retest again and continue to build on this. This work method has already been adopted by large parts of the organisation and will be applicable for more of them in the future.

At the start of 2018 we will introduce a new HR system known as "Workday" in the entire Group. With Workday, information about the organisation will be reflected in realtime and all HR processes will be digitalised. This means that we can equip our organisation for speed, while also contributing to achieving our goal of "Paper-free Storebrand 2018" and will enable us to comply with the new GDPR guidelines that also apply to own employees.

DIVERSITY AND EQUAL OPPORTUNITIES

WHY IS THIS IMPORTANT?

Storebrand is focussed on the organisation reflecting our customers and the market in which the Group operates. Diversity contributes to increased innovation and learning in the organisation.

Our approach

Storebrand has for several years worked systematically on identifying future managerial candidates and promoting even gender distribution. There has been a focused effort on management development in the areas of strategic and operative management, communication and change. The aim is to ensure that future competence requirements are met, and to develop Storebrand to meet the changing needs of society and the market. The company seeks to ensure equal treatment and opportunities for all the internal and external recruitment and development processes. We shall contribute to achieving sustainable development goal 5 for gender equality and particularly the sub-goal of equal treatment at the workplace.

Storebrand has a zero tolerance policy towards harassment and we will continue with preventive work by increasing awareness that we want to have a good and safe workplace where we have a pleasant environment and treat each other with respect. Storebrand has the goal of equal pay for equal work.

The head office has been adapted to meet individual needs. It is a universally designed building.

Our results

In 2017, Storebrand received 85 (83) out of a possible 100 points in the internal employee satisfaction survey that was conducted by Ennova regarding the work with diversity and discrimination. The average age at the Storebrand Group is 44, and average seniority is 12 years in Norway and 9 years in Sweden. Storebrand had 1,773 employees in the Group at year end. 35% of the managers at Storebrand Norway are women and the figure is 47% at SPP. 45% of the employees in the Norwegian part and 55% of the employees at SPP are women.

In 2017, 50 per cent of the board members at Storebrand ASA were women and the figure for the subsidiaries was 43 per cent. The figure for executive management is 33 per cent. 37 per cent of the members of the executive management's leadership teams are women and the figure is 29 per cent at the next level (3).

In cooperation with the union, an assessment and analysis have been carried out of the salary level to be able to even out differences based on gender. Several initiatives were commenced in 2017 to increase awareness about gender equality, gender balance in the workplace and an inclusive workplace.

FACTS

FiftyFifty 2017

FiftyFifty is based on UN sustainable development goal number 5, gender equality, and during 2017 women from some of the largest companies in Norway and from different industries met together with the goal of defining specific initiatives at individual, company and society level as well as goals for how to succeed with recruiting more female managers to higher levels. 12 major enterprises participated in the programme: Orkla, Yara, Posten Bring, Cognizant, Coop, Norwegian Armed Forces, ManpowerGroup, Evry, Norwegian Bar Association, Veidekke, Norsk Tipping and Storebrand. A total of 100 women from these enterprises participated in the programme and each company had participants from different levels of the enterprise.

Through the programme, the participants established goals and measures for how the enterprises shall succeed in recruiting more female managers to the top levels of the organisations. The debate on this often centres around whether the low percentage of women at the top levels is the fault of the companies or the women themselves. In this programme we created an arena for continuing the debate and focusing on specific measures that the participating enterprises pledge to implement in their own operations. This has been collated in a report which also contains recommended measures at community level. This shall be presented at a concluding arrangement in April 2018.

Storebrand took the initiative for FiftyFifty in connection with our 250 year anniversary in 2017 and has implemented the programme in cooperation with the participating enterprises, AFF and the recruitment agency Flensby & Partners.

The mentor programme Catalysts

During 2017, twelve employees were given the opportunity to provide students from minority language backgrounds with a head start as a discussion partner and advisor. Through workshops in diversity management and appreciative enquiry, the participants helped the students and gave them an insight into working life, assistance in self-development and support in making sound choices in relation to school and working life.

The mentor programme is a collaboration with the non-profit organisation Catalysts, headed by Lisa Cooper. Lisa Cooper and Catalysts have several years of experience with operating mentor programmes in the public sector. They are now launching a programme for business in cooperation with Storebrand. The objective is to prevent students from dropping out of high school through inclusion in the local community. We at Storebrand are proud of being the first collaborative partner for Catalysts from the business community.

Young Entrepreneurship

Storebrand entered into a strategic partnership with Young Entrepreneurship (Ungt Entreprenørskap) in 2017, a partnership that makes it possible to meet young people between 16 and 19 years of age. The purpose of the partnership is to motivate young people to choose sustainable and future-oriented solutions when they start companies.

Young Entrepreneurship is a non-profit, nationwide operator that works with promoting entrepreneurship at schools. The organisation contributes to 150,000 students acquiring skills relating to entrepreneurship, innovation, cooperation and personal finances. Together with Young Entrepreneurship, Storebrand has created a website that provides guidance to students and teachers about how sustainable youth businesses can be established.

GRI 405-02 Ratio of basis salary and remuneration of women to men

GRI 406 Incidents of discrimination and corrective actions taken

Storebrand indicator: Gender balanced management

Storebrand indicataor: Gender balanced recruitment

Ambitions

Storebrand shall continue the development of own employees and promote individual development of management skills among women. Storebrand shall endeavour to maintain the gender balance among key personnel who act on behalf of the company both externally and internally. During the recruitment process, discrimination on the basis of, for example, gender, ethnic background and disability must be avoided. We also wish to formulate new methods for measuring how we can contribute to sustainable development goal number 5.

PURPOSE-DRIVEN CULTURE AND COMMITTED EMPLOYEES

WHY IS THIS IMPORTANT?

In order to achieve our objective of "A future to look forward to" we see that it is important to build a company culture in which people are the most important element and the ingenious digital solutions are a given. Storebrand's employees are our greatest source of innovation, development and growth. Use of the right technology is something that we continually strive to develop and utilise in the best interests of the customer. Our organisational structure is continually changing in the direction of a more value-based, agile and smart, customer centric work culture, that focuses on the employee and that enables a higher pace and continual learning in teams and networks. Storebrand's head office shall be a high-quality building with an indoor environment that promotes good health, recycling and adaptations that make it an enjoyable workplace for employees and is a part of the sustainable Storebrand.

Our approach

"People first, digital always" is Storebrand's HR strategy for 2017-2020 and that is actively used to enable us to meet the company's need for an operative, strong and adaptable commercial organisation, with the employees at the centre, that allows for rapid changes to be managed with the assistance of good processes and the right technology.

The Group's business activities require trust from customers, government authorities, shareholders and society in general. In order to gain trust we are dependent upon professionalism, expertise and high ethical standards in all aspects of our work. This applies to the way the Group operates and to the conduct of each individual employee. Storebrand has separate guidelines for ethics, and the work on ethics has a high priority at Storebrand. e-learning courses in ethics and anti-corruption have been prepared that all employees must complete every three years. There is also regular ethical dilemma training in all departments. Ethics is a permanent topic in management training as well in training programmes for new employees. In addition, we have a separate service on the intranet in which employees can anonymously ask questions concerning ethical dilemmas such as discrimination, harassment, corruption etc. This service can be used to obtain guidance in all types of ethical dilemmas and problems.

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

Our results

Improved satisfaction and better than the industry in general

The 2017 employee survey shows significant progress compared with the previous year, and the results for Storebrand are better than the benchmark total for Norway and for the banking and insurance industries.

Storebrand places considerable emphasis on creating and encouraging a feedback culture in order to continually develop the organisation in the right direction. Therefore, up until now we have had annual employee surveys and in 2017 also conducted a pilot programme that involved testing digital pulse readings (Pulsmålinger) every second week.

Job satisfaction is important for customer loyalty

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

The result for job satisfaction in this year's employee survey, which is the sum total of satisfaction and motivation, increased by four points from 2016 to 2017. The company also measures employee loyalty. The score for this area increased by three points from 2016 to 2017.

Major desire to continue the focus on sustainability

With regard to the question of whether employees think that it is valuable that the Storebrand Group desires to have a leading position within sustainability, the point score increased from 87 to 89 and there is also a very high level of knowledge about the Group's sustainability work. This is also confirmed by the many employees who signed their own private "Paris Agreement" in January 2018 in which they pledged to prioritise in the best interests of the agreement.

Good results for management and absence due to illness

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

The Group's absence due to illness has been at a stable low level for many years. Absence due to illness for the Group in 2017 was 3.5 per cent. That means the Group achieved its objective. This figure was 3.5 per cent for the Norwegian part and 3.4 per cent for the Swedish part.

Storebrand has been an "inclusive workplace" (IA) company since 2002, and the Group's managers have over the years built up inclusive routines for following up sick employees. All managers with Norwegian employees must complete a mandatory HSE course, in which part of the training involves following up illnesses. Storebrand's health clinics at the head office in Norway, as well as good health insurance for all employees, are positive contributors to Storebrand's low rate of absence due to illness.

Storebrand's head office in Lysaker is environmentally certified with the grade of "Excellent" in accordance with the international environmental certification standard BREEAM In-Use. BREEAM In-Use (Building Research Establishment's Environmental Assessment Method) for buildings in ordinary operation evaluates the quality of the building in terms of energy, water, use of materials, pollution, transport, green areas and ecology, in addition to health/indoor environment and waste. Excellent is equivalent to a grade of 4 out of 5.

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

Continual focus on ethics and anti-corruption in the follow-up of employees

136 courses in ethics and 148 courses in anti-corruption were conducted during 2017, and all employees must complete the course every 3 years. In addition, a minimum of one review with ethical dilemma training is conducted per department per year.

GRI 205-2 C*ommunication and training on anti-corruption policies and procedures.*

GRI 403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities.

GRI 401-12 Political contributions and socioeconomic compliance.

Storebrand indicator: Engagement index.

Storebrand indicator: Employee satisfaction.

Storebrand indicator: Percentage of employees that view the sustainability focus as positive.

Ambitions

Our focus on continous learning and feedback applies for everyone in the organisation and we place emphasis on the manager setting the ambition and direction, but also giving employees as much opportunity as possible to select how they shall achieve these goals. We are convinced that this contributes to more rewarding job tasks, learning and development for each individual. More than 1,000 employees in Norway and Sweden participated in a pilot programme in 2017 known as "Pulse Readings" (Pulsmålinger) where managers received regular feedback from their employees and followed the trend in employee enthusiasm over time. This type of tool gives managers the ability to more quickly involve their employees in ongoing improvement efforts and in this way make continual improvements. The pulse readings are well-integrated into the organisational development work at Storebrand and will be continued in 2018 as a tool for all managers in Norway and Sweden

The goal is to increase the job satisfaction of each employee in 2018 and work towards gender balanced recruitment and management. In order to utilise the link between people and the digital elements, the goal is to increase the proportion of digital customers during 2018.

Storebrand was ahead of its time in setting high environmental standards for the renovation project at the head office ten years ago and has contributed to the development of BREEAM NOR, the Norwegian version of the certification standard for renovations and new builds. Storebrand is among the country's leading property managers and uses BREEAM as an important tool for systematic improvement of the environmental quality of our properties and management practices. The goal is therefore to have the entire property portfolio environmentally certified.

ORGANISATION WITH THE ABILITY TO LEARN AND ADAPT

WHY IS THIS IMPORTANT?

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

At Storebrand, all of the employees should have an opportunity to develop in line with the company's needs and the most important part of skills development takes place through facilitating development as part of the everyday work at the workplace. Skills development should take place by assigning challenging tasks to employees in their positions, and that they are allowed to develop themselves for new requirements and tasks. The professional competence of employees must always be expanded, so that it can in turn contribute to growth, greater adaptability and a greater restructuring capacity for the Group. Storebrand shall be an attractive workplace for skilled and competent employees and will strive to accommodate the needs of all employees for continual learning in everyday work. We know this creates a sense of achievement and job satisfaction.

The financial sector is being transformed. Organisations such as Storebrand require the ability to initiate quick and continual changes and innovation. Therefore, in 2017 we raised our ambitions of building and strengthening our culture of learning. At Storebrand, we will learn every day from everything we do. Continual learning shall be a part of our mindset – a part of our culture. Our ambition is to offer an even better learning environment with a "pull" instead of a "push" approach. This means fewer controlled learning activities and more facilitation for employees to find the learning resources they need when they need these. We will support this with a modern and flexible learning platform that also supports the establishment of a more digitally competent work force.

Our approach

In order to communicate to and involve employees in creating a joint understanding of our objective, strategy and culture, we invested in new learning technology in 2017. This is new technology that supports the design of longer learning and change processes and which enables flexible and easy access anywhere and at any time. Instead of just focussing on arrangements for involving employees in our culture, we designed and launched a mobile-based learning pathway with a duration of one year. The learning pathway was designed in four phases that are smooth and smart (agile) and open, such that learning from one phase was integrated into the next phase to ensure that the content was always appealing and relevant. Each phase of the learning pathway consisted of videos, nano-learning modules, social activities such as surveys, reviews and reflection exercises. We also combined the digital part with physical meetings at the departments that were chaired by the managers. We called the learning pathway "Our driving force in the head and heart".

Our results

The learning pathway "Our driving force in the head and heart" was launched for 1,773 employees in March 2017. 85% accessed the solution either via mobile, tablet or PC during the first three months after its launch and 96% of those who accessed the solution said they liked it and noted that it is very flexible and easily available.

All employees have at least two annual performance assessment interviews to follow-up deliveries and carreer development.

404-2 Programmes for upgrading employee skills and transition assistance programmes.

404-3 Percentage of employees receiving regular performance and career development reviews.

FACTS – OTHER PROGRAMMES AND INITIATIVES THAT PROMOTE LEARNING AND CULTURE BUILDING

The Storebrand Academy (Storebrand Akademiet). The Group's management development programme. A new group of 20 managers started the programme in 2017. The programme had four meetings during the year.

Storebrand Sandbox. The Group's fintech programme for students. 10 students were accepted from 300 applicants in 2017. The students use Storebrand's work methods to arrive at proposed solutions that are ready for the market. The students also take courses in Lean Startup, presentation techniques and teambuilding.

Ambitions

Our industry is in a continual state of change. Storebrand therefore considers it to be of great benefit to enter into partnerships in order to promote personal development and continual improvement of our products. Being able to derive benefits from the experiences, technology, customer insights and routines of others ensures flexibility, agility and prompt delivery when dealing with customers. The Storebrand Academy shall be further developed and adapted to an agile organisation. The Group is focussed on building relationships and employer branding in relation to existing and potential employees. Company presentations are held regularly at universities and university colleges and the Group's career pages at Storebrand.no, LinkedIn and Instagram are updated to ensure that we are seen as an attractive employer for the employees of the future.

GOALS AND RESULTS – OUR PEOPLE AND SYSTEMS

The table presents short and long-term goals and results for the input factor "Our people and systems" that Storebrand uses in its internal follow-up. The column on the right shows the desired positive impact of the UN sustainable development goals.

Key Performance Indicator	Goal 2017	Baseline 2016	Result 2017	Goal 2018	Goal 2020	Goal 2025
E-Learning course in ethics and anti-corruption		136/148	106/136			
Sick leave	3,50%	3,70%	3,50%	3,50%	3,50%	3,50%
Job satisfaction	72/100	70/100	74/100	75/100	75/101	75/102
Gender balanced management	50/50	41%	38%	50/50	50/50	50/50
Gender balanced employment	50/50	48%	47%	50/50	50/50	50/50
Performance appraisals	100%	100%	100%	100%	100%	100%
Environmental requirements to suppliers		30%	38%	40%	50%	50%
Increase in digital sales						

All input factors relate to The Storebrand Group including subsidiaries unless otherwise spesified in the definition. Definitions can be found on www.storebrand.no/en/sustainability/reports

Shareholder matters

SHARE CAPITAL, RIGHTS ISSUES AND NUMBER OF SHARES

Shares in Storebrand are listed on Oslo Børs (Oslo Stock Exchange) with the ticker code STB. Storebrand ASA's share capital at the end of 2017 was NOK 2,339,070 million. The company has 467,813,982 shares with a par value of NOK 5. As at 31 December 2017, the company owned 973,672 of its own shares, which corresponds to 0.21 per cent of the total share capital. The company has not issued any options that can dilute the existing share capital.

SHAREHOLDERS

Storebrand ASA is among the largest companies listed on Oslo Børs measured by the number of shareholders. The company has shareholders from almost all the municipalities in Norway and from 60 countries. In terms of market capitalisation, Storebrand was the 11th largest company on Oslo Børs at the end of 2017.

SHARE PURCHASE SCHEME FOR EMPLOYEES

Every year since 1996 Storebrand ASA has given its employees an opportunity to purchase shares in the company through a share purchase scheme. The purpose of the scheme is to involve the employees more closely in the company's value creation. In June 2017, each employee was given the opportunity to purchase 250 shares in Storebrand at a price of NOK 55.41 per share. Around 60 per cent of the employees participated and subscribed for a total of 657,715 shares.

FOREIGN OWNERSHIP

As at 31 December 2017, total foreign ownership amounted to 57.1 per cent, compared with 55.6 per cent at the end of 2016.

TRADING VOLUME FOR SHARES IN STOREBRAND

A total of 614 million shares in Storebrand were traded in 2017, compared with 703 million in 2016. The trading volume in monetary terms totalled NOK 25,359 million in 2017, an increase from NOK 21,248 million in 2016. In monetary terms, Storebrand was the 10th most traded share on Oslo Børs in 2017. In relation to the average total number of shares, the turnover rate for shares in Storebrand was 95 per cent.

SHARE PRICE PERFORMANCE

Storebrand generated a total return (including dividends) of 49.1 per cent in 2017. During the corresponding period, the Oslo Børs OSEBX index rose 19,1 per cent, while the European insurance index Beinsur showed a return of 6,2 per cent for the corresponding period.

DIVIDEND POLICY 2017

Storebrand has the goal of paying a dividend of more than 35% of the Group profit after tax, but before amortisation costs. The dividend policy is conditional upon a sustainable solvency margin of more than 150%, including a minimum solvency margin of 110% without the use of transitional rules.

DIVIDEND POLICY 2018

Storebrand aims to pay a dividend of more than 50% of Group result after tax. The Board of Directors ambition is to pay ordinary dividends per share of at least the same nominal amount as the previous year. Ordinary dividends are subject to a sustainable solvency margin of above 150%. If the solvency margin is above 180%, the Board of Directors intends to propose special dividends or share buy backs.

CAPITAL GAINS TAXATION

From 2016, new rules came into force in Norway concerning the taxation of dividends and gains on shares held by private individuals. The shareholder model entails that share dividends exceeding a shielding deduction multiplied by an upward adjustment factor (1.33 for the 2018 financial year) is taxed as general income for the personal shareholder (the tax rate is 23% for the 2018 financial year, which together with the adjustment factor gives an actual tax rate of 30.59%).

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

COMPLIANCE

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

INVESTOR RELATIONS

Storebrand attaches importance to comprehensive and efficient communication with financial markets. Maintaining a continuous dialogue with shareholders, investors and analysts both in Norway and internationally is a high priority. The group has a special investor relations unit responsible for establishing and coordinating contact between the company and external parties such as the stock exchange, analysts, shareholders and other investors. All interim reports, press releases and presentations of interim reports are published on Storebrand's website.

GENERAL MEETING

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

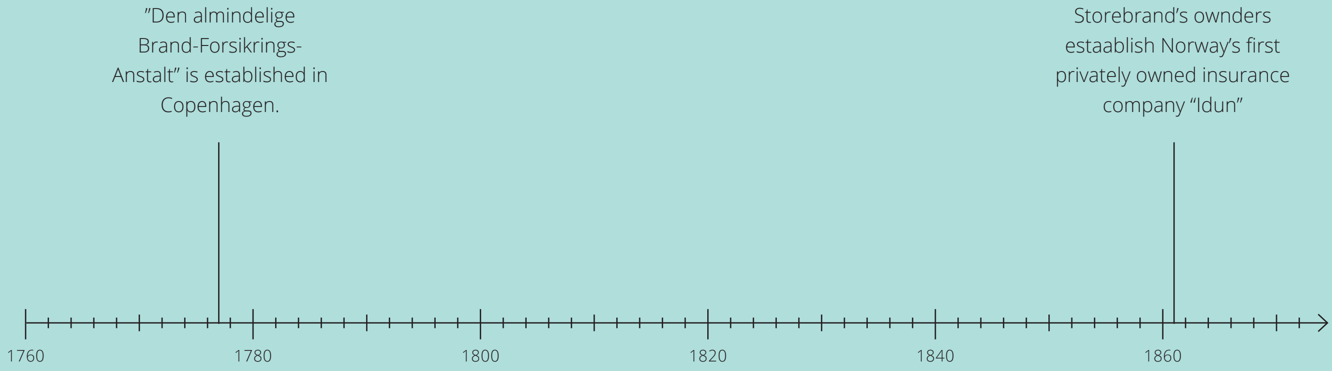
SHAREHOLDERS' CONTACT WITH THE COMPANY

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

Storebrand share	2017	2016	2015	2014	2013	2012
Highest closing price (NOK)	**70.45**	47.10	35.98	40.65	39	31,02
Lowest closing price (NOK)	**46.97**	28.45	23.21	27.52	22.39	16,62
Closing price on 31/12 (NOK)	**66.9**	45.92	34.95	29.9	37.9	26,82
Market cap 31/12 (NOK million)	**31,296**	20,660	15,724	13,137	17,052	12 067
Annual turnover (1000s of shares)	**614,991**	703,382	707,870	546,156	569,138	881 216
Average daily turnover (1000s of shares)	**2,450**	2,780	2,820	2,185	2,286	3 511
Annual turnover (NOK million)	**25,359**	21,249	20,907	19,123	17,067	21 924
Rate of turnover (%)	**94.9**	131	157.3	121.4	126.5	195,9
Number of ordinary shares 31/12 (1000s of shares)	**467,814**	449,910	449,910	449,910	449,910	449 910
Earnings per ordinary share (NOK)	**5.28**	4.73	2.63	4.61	4.41	2,25
Dividend per ordinary share (NOK)	**2.1**	1.55	0	0	0	0
Extraordinary dividend per share	**0.4**					
Total return (%)	**49.1**	**31.4**	**19.7**	**-23**	**41.3**	**-14**

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

History of Storebrand



1767–1919: ROOTS

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

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

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

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

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

1917
The life insurance company Norske Folk is established.

1920–1969: GROWTH AND CONSOLIDATION

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

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

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

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

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

1970–1989: GROUP FORMATION

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

1983
The Norden Group and Storebrand merge.

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

1990–1999: CRISIS AND CHANGE

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

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

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

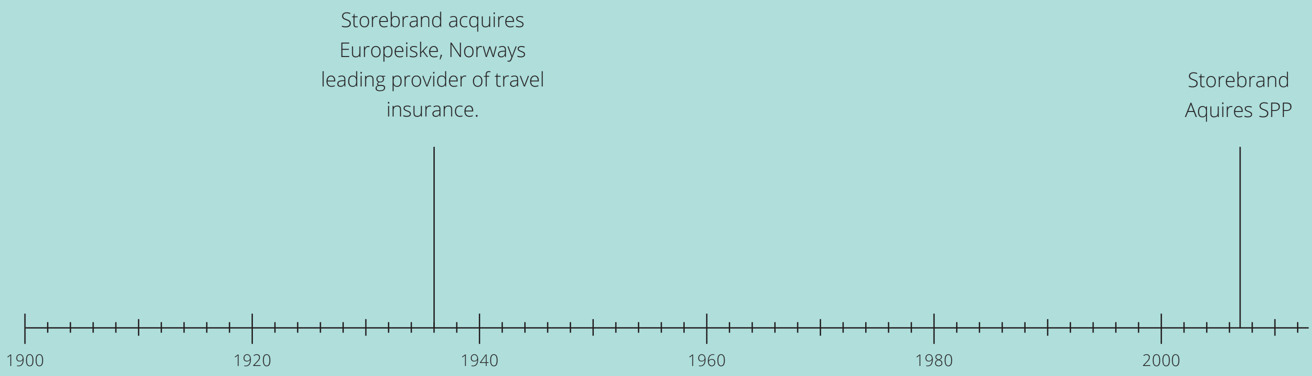
1999
Storebrand, Skandia and Pohjola consolidate their P&C insurance activities in the new Nordic, Swedish registered company, If Skadeförsäkring AB. Storebrand sells its stake five years later.

2000-2011: NEW CHALLENGES

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

2017
Storebrand celebrates its 250 year anniversary and takes over Silver's pension customers and acquires Skagen.

The Board of Directors

DIDRIK MUNCH (1956)

CHAIRMAN OF THE BOARD STOREBRAND ASA SINCE 2017

Position
CEO of Schibsted Norway

Education
Norwegian Police University College
Law degree (cand. jur.)

Previous positions
CEO, Bergens Tidende 1997-2008
Division Director, DnB 1994-1997
Bank Director, DnB 1990-1994
Lawyer, Nevi/Bergen Bank 1987-1990
Company Secretary, Kyrre AS 1986-1987
Police Intendant I/II 1984-1986
Police Inspector 1979-1984

Positions of trust
Lerøy Seafood Group
Grieg Star Shipping
Nye Wermlands Tidningen AB

Ownership in Storebrand
Number of shares as of 31.12.2017: 0

HÅKON REISTAD FURE (1987)

BOARD MEMBER STOREBRAND ASA SINCE 2015

Position
Partner, Magni Partners

Education
MSc in Economics and Business Administration (siviløkonom) with specialisation in finance (BI Norwegian Business School)

Previous positions
Equity research in DNB Markets (2007–2014)

Tillitsverv
Styremedlem i Avida AB

Ownership in Storebrand
Number of shares as of 31.12.2017: 18,500

LAILA S. DAHLEN (1968)

BOARD MEMBER STOREBRAND ASA SINCE 2013

Position
SVP Product and UX, Schibsted Marketplaces

Education
State Authorised Accountant (NHH)
MSc in Economics and Business Administration (siviløkonom) (BI Norwegian Business School)
Master of Science in Finance (University of Wisconsin)

Previous positions
Product Director, Finn.no AS (2011-2017)
COO in Kelkoo/Yahoo, London (2007-2009)
VP Marketplace in Yahoo Europe, London (2006-2007)
Regional Manager Scandinavia and the Netherlands in Kelkoo/Yahoo, Stockholm (2003-2006)
VP International Operations in Kelkoo, Paris (2000-2001)
Manager in PricewaterhouseCoopers, Oslo (1993-2000)

Positions of trust
Board Member of FINN.no AS

Ownership in Storebrand
Number of shares as of 31.12.2017: 10,500

GYRID SKALLEBERG INGERØ (1967)

BOARD MEMBER STOREBRAND ASA SINCE 2013

Position
EVP & Group CFO Kongsberg Gruppen ASA

Education
State Authorised Accountant (NHH)

Previous positions
CFO Telenor Digital Businesses (2016-2019)
CFO Telenor Norge AS (2012-2016)
Restructuring of Expertkjeden (2011-2012)
CFO Opplysningen 1881 AS (2008-2010)
CFO/IR Head at Komplett ASA (2003-2008)
CFO at Reiten & Co. ASA (2000-2003)
Senior Manager at KPMG (1992-2000)
Corporate audit unit at Nordea (1990-1993)

Positions of trust
Board Member of Flytoget AS
Board Member of ITERA ASA
Chairman, Kongsberg Teknologipark AS
Board Member of Sporveien i AS
CFO of Opplysningen 1881 AS

Ownership in Storebrand
Number of shares as of 31.12.2017: 5,000

MARTIN SKANCKE (1966)

BOARD MEMBER STOREBRAND ASA SINCE 2014

Position
Independent Consultant

Education
Authorised Financial Analyst (Norwegian School of Economics)
MSc Econ (London School of Economics and Political Science)
Intermediate level Russian (University of Oslo)
International Finance Programme (Handelshögskolan Stockholm)
MSc in Economics and Business Administration (siviløkonom) (Norwegian School of Economics)

Previous positions
Special Adviser at Storebrand (2011-2013)
Deputy Director General and Director General at the Ministry of Finance (1994-2001,2006-2011)
Director General at the Prime Minister's Office (2002-2006)
Management Consultant at McKinsey & Company (2001-2002)

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

Ownership in Storebrand
Number of shares as of 31.12.2017: 16,414

JAN CHR. OPSAHL (1949)

BOARD MEMBER STOREBRAND ASA SINCE 2016

Position
Chairman of Dallas Asset Management AS

Education
Sloan Fellow (London Business School)
Computer Science (University of Strathclyde)
Bachelor of Arts (University of Strathclyde)

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

Positions of trust
Board Member of Hidden ASA
Chairman of Dallas Asset Management AS
Member of the Norwegian Academy of Technological Sciences
Board Member of NEL Hydrogen ASA (2014-2017)
Board Member of Rec Solar ASA (2013-2015)
Chairman of Tomra Systems ASA (1989-2008)
Chairman of Tandberg Television ASA (1989-2007)
Deputy Board Chairman of Komplett ASA (1996-2003)

Ownership in Storebrand
Number of shares as of 31.12.2017: 1,100,000

KARIN BING ORGLAND (1959)

BOARD MEMBER STOREBRAND ASA SINCE 2015

Position
Self-employed

Education
MSc in Economics and Business Administration (siviløkonom) (Norwegian School of Economics)
Various management programmes (IMD, BI and Management at Lund)

Previous positions
Executive Vice President at DnB and various other managerial positions in the same group (1985-2013)
Consultant at the Norwegian Ministry of Trade and Shipping (1983-1985)

Positions of trust
Chairman of GIEK
Chairman of Entur AS
Board Member of Grieg Seafood ASA
Board Member and Head of Audit Committee at KID ASA
Chairman of Røisheim Hotell AS and Board Member at Røisheim Eiendom AS
Chairman of Visit Jotunheimen AS
Board Member of HAV Eiendom AS
Board Member of Boligselskapet INI AS, Grønland
Member of the Nomination Committee at Orkla ASA and Arcus ASA

Ownership in Storebrand
Number of shares as of 31.12.2017: 15,000

ARNE FREDRIK HÅSTEIN (1973)

EMPLOYEE-ELECTED BOARD MEMBER STOREBRAND ASA SINCE 2014

Position
Senior Employee Representative, Storebrand Livsforsikring AS

Education
Masters Degree in International Finance and Accounting (University of Newcastle upon Tyne)
Bachelor of Business Administration (BI Norwegian Business School/University of Texas at Austin)
Authorised Portfolio Manager (Norwegian School of Economics/Norwegian Society of Financial Analysts)
Specialization in valuation (Norwegian School of Economics/Norwegian Society of Financial Analysts)

Previous positions
Product Specialist, Savings and Pension, Storebrand Livsforsikring AS (2014-2017)
Sales Manager and Product Manager at Delphi Fondene (2009-2014)
Sales Manager and Key Account Manager at Storebrand Kapitalforvaltning AS (2005-2009)
Senior Financial Advisor at Focus Bank AS (2003-2005
Senior Financial Advisor at Storebrand Livsforsikring AS (1999-2003)

Positions of trust
Board Member of the Storebrand Finance Association
Board Member of the Storebrand Art Society

Ownership in Storebrand
Number of shares as of 31.12.2017: 4,144

HEIDI STORRUSTE (1965)

EMPLOYEE ELECTED BOARD MEMBER STOREBRAND ASA SINCE 2013

Position
Team Champion, Digital Business Development, Storebrand Livsforsikring AS

Education
Bachelor of Management (BI)
Certified Executive Coach (Coach Team AS)
DNCF Certified Coach (Metaresource AS)
Business Economist (BI)

Previous positions
Senior Employee Representative, Storebrand Livsforsikring AS (2013-2017)
Project Manager at Storebrand Bank ASA (2011-2013)
Project Owner at Storebrand Bank ASA (2008-2011)
Senior Consultant, Retail Market Credit at Storebrand Bank ASA (1998-2008)
Financial Consultant, Retail Market Credit at Gjensidige Bank AS (1996-1998)
Customer Consultant at Sparebankenes Kredittselskap AS (1987-1996)

Ownership in Storebrand
Number of shares as of 31.12.2017: 3,365

INGVILD PEDERSEN (1985)

EMPLOYEE-ELECTED BOARD MEMBER STOREBRAND ASA SINCE 2017

Position
Customer Insight Manager at Storebrand Livsforsikring AS

Education
Authorised Portfolio Manager (NHH/NFF)
Masters Degree in Economics (University of Bergen)

Previous positions
Product Specialist, Asset Management, Storebrand Livsforsikring AS (2015-2017)
Investment Manager at Storebrand Livsforsikring AS (2011-2015)
Group Trainee at Storebrand Livsforsikring AS (2009-2011)

Ownership in Storebrand
Number of shares as of 31.12.2017: 1,684

Directors report

HIGHLIGHTS

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

Storebrand's strategy is to provide profitable growth within focus areas through simple and sustainable solutions, while we also manage our guaranteed portfolios in a capital-efficient manner. Occupational pension is a core product in both Norway and Sweden. In Norway, employees and former employees of companies that have a pension agreement with Storebrand are also offered attractive retail market solutions. Our vision is simple: We are successful when recommended by our customers. Therefore, the follow-up of feedback from customers is a priority.

Storebrand's goal is to create, through our business activities, a future to look forward to. Our sustainable solutions not only contribute to better pensions, but also to a better world in which to retire. For several decades, it has been our ambition to be bold trailblazers within sustainable investments. We take an active position on the companies in which we invest both our own capital and that of our customers. We believe that companies that integrate environmental, social and good corporate governance considerations in their business activities will be part of creating better returns over time, both through reducing risk and creating new opportunities. This focus is further reinforced by more thorough reporting and the integration of sustainability into all parts of the value chain.

The Guaranteed Pensions area is in long-term decline. Companies are requesting products with guaranteed interest rates to a lesser extent, and these products are capital-intensive for the life insurance companies during periods of low interest rates. The customers' accrued pension rights are secured through a solid solvency position and robust systems for risk-taking in the business.

During 2017, Storebrand continued to work at being the best provider of pension savings, in combination with further capital efficiency improvements and cost reductions. Continued strong growth within fund-based savings, and competitive and sustainable returns to customers contribute to increased assets under management. The Group's position in the savings market has been further strengthened by the acquisitions of Skagen and Silver. Assets under management are now NOK 721 billion.

GROWTH IN SAVINGS AND INSURANCE

Companies and their current and former employees are the Group's main target group. Most defined benefit based pension schemes in the private sector have been discontinued and new earnings principally occur in the defined contribution based schemes. In the corporate market, Storebrand has maintained its position as the market leader for defined contribution pensions in Norway with a market share of 32%. In Sweden, SPP has a strong challenger role with a market share of 14% within occupational pensions outside the collective agreements.

During 2017, Storebrand took important steps in its work on highlighting long-term value creation as part of the continued development of the sustainability work. This involves a broader view of sustainability by linking the financial and non-financial objectives to long-term sustainable value creation. Storebrand and SPP's sustainability work strengthens the Group's competitive position and constructs a business model that creates value for shareholders and has positive repercussions for the society we operate and invest in.

MANAGEMENT OF GUARANTEED PENSION

STRENGTHENING OF RESERVES FOR INCREASED LONGEVITY

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

FINANCIAL TARGETS

DIVIDEND FOR 2017

Storebrand has the goal of paying a dividend of more than 35% of the Group profit after tax, but before amortisation costs. The dividend policy is conditional upon a sustainable solvency margin of more than 150%, including a minimum solvency margin of 110% without the use of transitional rules. The Board has proposed an ordinary dividend to the General Meeting of NOK 1,168 million, equivalent to an ordinary dividend of NOK 2.1 per share, and an extraordinary dividend of NOK 0.4 per share for 2017. The extraordinary dividend is linked to the strong financial result and strong after tax profit.

DIVIDEND POLICY FROM 2018

The Board proposes a new dividend policy that will be applicable from and including the 2018 financial year. The purpose of the proposed dividend policy is to reflect the strong growth in fee-based earnings, more volatile financial market related earnings and future release of capital from business operations with guarantees. To reflect this, the Board's ambition is to pay a stable and increasing ordinary dividend, combined with extraordinary dividends to reflect the volatility in the financial markets and release of capital. The expected release of capital will result in an increased pay- out ratio over time.

Storebrand's dividend policy from 2018:

Storebrand has the goal of paying a dividend of more than 50% of the Group profit after tax. The Board has the ambition of the ordinary dividend per share being at least at the same nominal level as the previous year. The normal dividend is paid out at a sustainable solvency margin of over 150%. At a solvency margin over 180%, the Board's intention is to propose extraordinary dividends or the buy-back of shares.

Storebrand has the following financial targets:

	Targets	**Status 2017**
Return on equity **[1]**	>10%	11.0%
Dividend ratio **[2]**	>35%	40%
Solvency ratio (Storebrand Group)	>150%	172%

GROUP FINANCIAL RESULTS FOR 2017

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

- Group profit **[3]** of NOK 2,940 million for 2017.
- Acquisition of Skagen and Silver completed.
- Solvency margin of 172%.
- The board proposes a dividend of NOK 2.50 per share (NOK 2.1 in ordinary dividend, NOK 0.4 in extraordinary dividend).
- New dividend policy from 2018.

Storebrand acquired Skagen and Silver in 2017. Storebrand is Norway's largest private asset manager and a leading provider of occupational pensions. Skagen has a strong position in the Norwegian savings market, with a clear management philosophy and a strong brand. Skagen has approximately NOK 80 billion under management and is one of Norway's leading active asset managers with an international presence. The market for long term savings is growing and is becoming increasingly more individualised. It is also becoming more important for customers to have an overview of their overall savings for both pensions and other purposes.

Storebrand Livsforsikring AS has entered into an agreement with the administration board of Silver to take over the company's insurance portfolios and, as Norway's leading Group within savings, offer a good solution for Silver's pension customers. Silver's 21,000 agreements and NOK 10 billion in pension assets shall be transferred to Storebrand. NOK 8.5 billion of the portfolio consists of pension products with no interest rate guarantee. The remainder is related to risk coverage.

GROUP RESULT

	Full year	
NOK million	**2017**	**2016**
Fee and administration income	4,779	4,294
Insurance result	1,146	945
Operational cost	-3,498	-3,250
Operating profit	**2,427**	**1,989**
Financial items and risk result life	513	924
Profit before amortisation	**2,940**	**2,913**
Amortisation and write-downs of intangible assets	-536	-406
Profit before tax	**2,404**	**-2,506**
Tax	2	-364
Profit after tax	**2,405**	**2,143**

Storebrand achieved a Group profit before amortisation and reserve strengthening of NOK 2,940 million (NOK 2,913 million) for 2017. The Group profit after tax was NOK 2,405 million (2,143 million). The figures in brackets show comparative figures for the same period last year.

Fee and administration income **[4]** increased 5% in 2017. The underlying income performance is marked by higher income from products without guaranteed interest rates and a decline in income from products with guaranteed interest rates. The insurance result had a combined ratio of 89% (91%).

Adjusted for increased financial tax, special items and consolidation of Skagen, the Group's operating costs increased 3% compared to the previous year. The financial tax on work increased costs by NOK 60 million, compared with the previous year. This has resulted in a nominal increase of 1.9% compared to the same period last year **[5]**. The goal of reduced costs in 2018 compared to 2015 remains in place, adjusted for costs from Skagen.

On the whole, the operating result for 2017 increased by 22%, and this was driven by revenues from the consolidation of Skagen and growth in actively sold products. The financial result has decreased, and this was primarily due to a provision of NOK 200 million in anticipation of a regulatory reduction in the ultimate forward rate at SPP.

Amortisation of NOK 136 million of excess value associated with the acquisition of Skagen increased the level of amortisation in the 4th quarter and in 2017. Ordinary depreciation of intangible assets is expected to be approximately NOK 100 million per quarter in 2018.

The Group had a taxable accounting income of NOK 2 million for 2017. The effective tax rate is influenced by the fact that the Group has operations in countries with tax rates that are different from Norway, and it varies from quarter to quarter depending on each legal entity's contribution to the Group result. The tax rate is estimated at between 19-23% for 2018.

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

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

GROUP RESULT BY BUSINESS AREA

	Full year	
NOK million	**2017**	**2016**
Savings (non-guaranteed)	1,511	1,063
Insurance	608	575
Guaranteed pension	766	870
Other	55	405
Profit before amortisation	**2,940**	**2,913**

The Savings segment experienced growth in fee and administration income of 22% from 2016 to 2017. The result was NOK 1,511 million in 2017 (NOK 1,063 million in 2016). The improvement in the result was primarily due to income consolidated from Skagen. Growth in assets under management in pensions and asset management, as well as growth in bank lending contributed to the earnings growth. The costs increase as a result of acquisition costs and the development and marketing of new product lines.

Insurance reported 1% growth in premium income. The insurance result was NOK 608 million for the year (NOK 575 million in 2016) with a total combined ratio of 89% (91% in 2016). The combined risk result gave a claims ratio of 70% (75% in 2016). Increased volumes, increased allocated costs and ambitions of growth explain the higher costs in the insurance segment. The financial result was negatively influenced by a weak booked return in the 4th quarter, with an equivalent increase in buffers for future returns.

Fee and administration income in the Guaranteed Pension segment has developed in line with the fact that a large part of the portfolio is mature and in long-term decline. Administration income fell 5.3%. Operating costs are being reduced over time as a result of the area being in long-term decline. The result was NOK 766 million in 2017 (NOK 870 million in 2016). The fall in earnings was due to reduced profit sharing and includes the strengthening of reserves in the Swedish business by approximately NOK 200 million as a result of the transition to a new UFR (Ultimate Forward Rate).

BUSINESS AREAS

SAVINGS

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, asset management and retail banking products.

NOK million	2017	2016
Fee and administration income	3,402	2,758
Operational cost	-1,899	-1,700
Operating profit	**1,503**	**1,058**
Financial items and risk result life	8	5
Profit before amortisation	**1,511**	**1,063**

Results

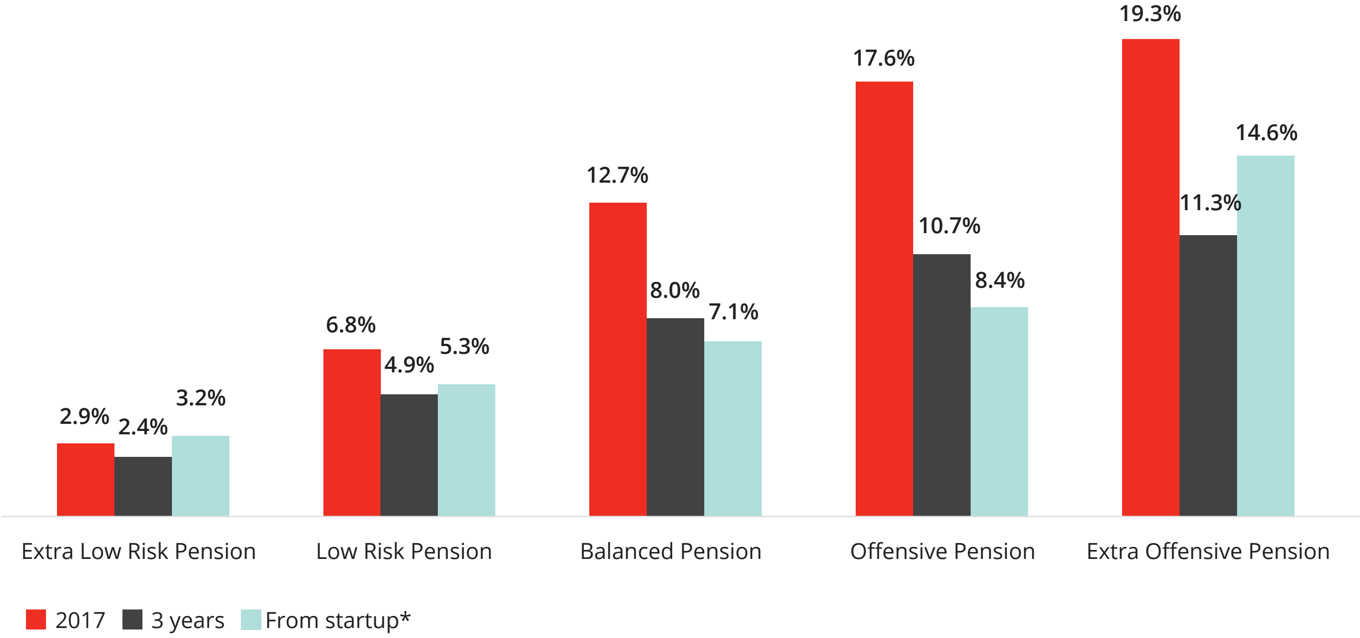
The result for Savings includes the result from Skagen of NOK 259 million and amounts to a total of NOK 1,511 million in 2017. Adjusted for Skagen, there was earnings growth of 18% from 2016 to 2017. The earnings improvement is driven by volume and income growth. Skagen was acquired on 7 December 2017. Most of the result performance at Skagen was achieved before the Group's ownership period. NOK 136 million is amortised in the consolidated financial statements in 2017 to reflect allocated excess value associated with the acquisition and Skagen's expected variable income on the acquisition date.

Total fee and administrative income increased by 13% from 2016 to 2017, adjusted for income from Skagen (NOK 294 million). Income growth is driven by the customers' conversion from defined-benefit to defined-contribution pension schemes in combination with new business and higher savings rates. In addition, volume growth and transaction-based fees in asset management contributed to growth. Improved lending margins give higher net interest income in the bank. Net interest income for the year was 1.20% of average total assets compared with 1.16% last year. For the Norwegian Unit Linked products, increased competition contributes to pressure on margins, while there are relatively stable margins in the Swedish business and Asset Management.

Adjusted for special items in 2016 and 2017, the nominal cost level increased in accordance with the volume growth, which is attributed to investments in new products (IPS and ASK), higher distribution costs and other volume-related costs.

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

Return on defined contribution pension standard portfolios in ITP scheme



* Low Risk, Balanced and Offensive Pension was established in March 2004. Extra Low Risk and Extra Offensive Pension was established in December 2011.

BALANCE SHEET AND MARKET TRENDS

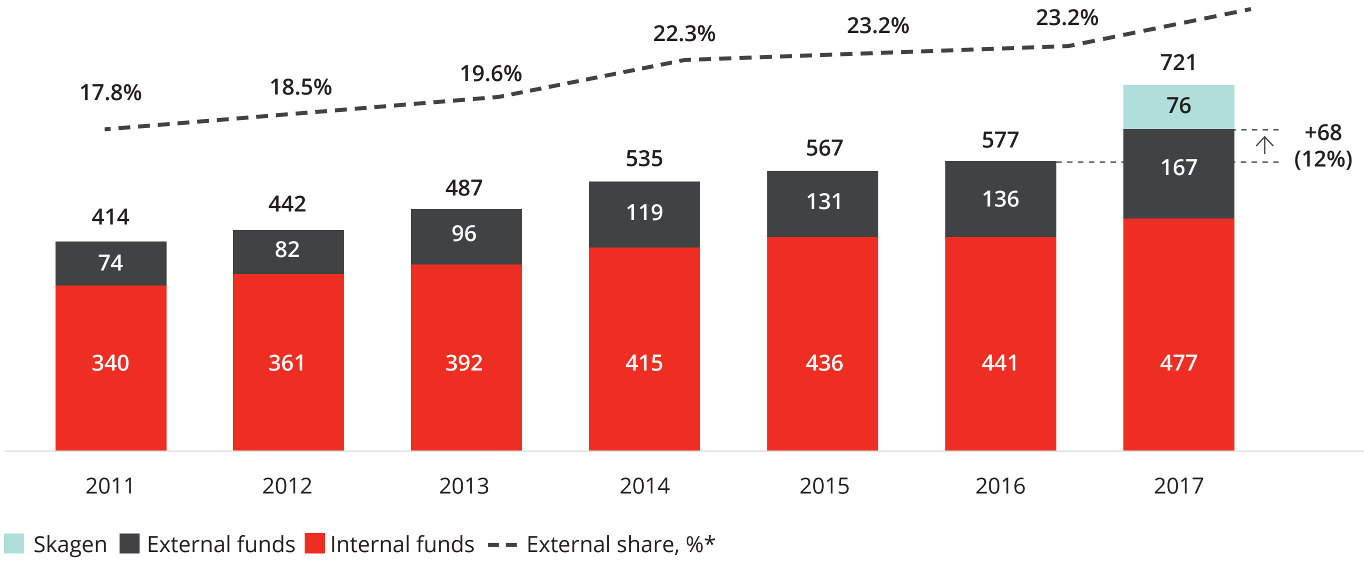
Premium income amounted to NOK 15 billion in 2017, which is NOK 0.9 billion higher than in 2016. Total reserves for non-guaranteed life insurance-related savings have grown by 22% to NOK 147 billion since 2016.

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

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

The asset management business increased assets under management by NOK 53 billion in 2016 (excluding Skagen). This growth is primarily attributed to good new business and good returns on the customer assets. At year end, assets under management (excluding Skagen) amounted to NOK 644 billion, comprising mutual funds and funds-in-funds, as well as individual portfolios for insurance companies, pension funds, municipalities, institutional investors and investment companies. For assets under management, see the graph below.

Asset under management (NOK bn)



*Exclusive Skagen

Key figures – Savings

NOK million	2017	2016
Unit linked reserves	167,849	139,822
Unit linked premiums	3,981	3,466
Assets under management	721,165	576,704
Retail lending	42,133	35,400

INSURANCE

Insurance is responsible for the Group's risk products in Norway and Sweden.[1] The unit provides health insurance in the Norwegian and Swedish corporate and retail markets, P&C insurance and personal risk products in the Norwegian retail market and employer's liability insurance and pension-related insurance in the Norwegian and Swedish corporate markets.

Results

NOK million	2017	2016
Insurance premiums f.o.a.	3,872	3,828
Claims f.o.a.	-2,726	-2,883
Operational cost	-711	-602
Operating profit	**435**	**342**
Financial result	173	233
Contribution from SB Helseforsikring AS	39	39
Profit before amortisation	**608**	**575**

The Insurance result was NOK 608 million (NOK 575 million) for the full year with an overall combined ratio of 89% (91% in 2016). The insurance premiums increased by 1% in 2017. Growth in premiums decreased in comparison with the previous year due to greater competition in the market. The claims ratio has decreased and this is principally due to satisfactory risk development and gains from dissolution for P&C and personal insurance. As planned, increased volumes, increased allocations and ambitions of growth have resulted in higher costs for the insurance area. The underlying profitability and efficiency are good and show a satisfactory development.

Key figures – Insurance

	2017	2016
Claims ratio	70 %	75 %
Cost ratio	18 %	16 %
Combined ratio	89 %	91 %

The combined risk result gives a claims ratio of 70% (75% in 2016) and the underlying risk development is satisfactory. Health insurance has delivered a good result due to good claims development. High financial income and the dissolution of reserves for personal insurance contribute to a good result. P&C insurance delivers lower underlying results, but achieves a good level of profitability due to gains from dissolution. Group disability pensions delivered a lower result than the previous year, which was primarily due to the financial result passing to the customer. Personal insurance maintains a good level of profitability with marginal portfolio growth. The result for the Swedish risk products was lower as a result of the drop in premium income.

The cost percentage was 18% (16%) for the year. As planned, increased volumes and ambitions of growth have resulted in higher allocated costs for the insurance area. Work is being carried out with cost efficiency measures in order to reduce the cost percentage. In addition, a general increase in costs and increased allocated costs have resulted in a higher cost percentage.

The investment portfolio of Insurance in Norway amounts to NOK 8.3 billion, which is primarily invested in fixed income securities with a short or medium duration. The return was good, but lower than the previous year due to lower booked return.

BALANCE SHEET AND MARKET TRENDS

The insurance area offers a broad range of products to the retail market in Norway, as well as the corporate market in both Norway and Sweden. Profitability in the retail market is generally considered to be good, while the margins in the corporate market are consistently low. We see this in connection with both personal insurance and risk cover related to defined contribution pensions in Norway, where the competition is strong and price is an important competition parameter. Total annual premiums at the end of 2017 amounted to NOK 4.5 million, NOK 1.7 million of which is from the retail market and NOK 2.8 million of which is from the corporate market.

Storebrand enjoys a well-established position in the retail market for personal insurance and is in a challenger position within P&C insurance. Storebrand's growth in the retail market has stagnated due to greater competition and a shift in distribution strategy. The Akademiker portfolio is an important driver of growth and the rate of sales is stable. REMA Forsikring was launched as white label in autumn 2016 and is experiencing growth. The partner strategy delivered satisfactory sales during 2017. The growth in personal insurance was stable and in line with general market growth.

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

GUARANTEED PENSION

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

Results

NOK million	2017	2016
Fee and administration income	1,483	1,566
Operating cost	-889	-981
Operating results	**595**	**585**
Risk result life & pensions	67	-37
Financial results and risk result life	104	322
Results before amortisation	**766**	**870**

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

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

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

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

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

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

The premium income for Guaranteed Pension (excluding transfers) was NOK 4.7 billion in 2017. This represents a decline of 15%, compared with 2016. The majority of products are closed for new business and the customers' choices about transferring from guaranteed to non-guaranteed products are in line with the Group's strategy.

Premium income

NOK million	**2017**	**2016**
Defined Benefit (fee based), Norway	2,723	3,484
Paid-up policies, Norway	117	105
Individual life pension, Norway	183	195
Guaranteed products, Sweden	1,662	1,741
Total	**4,684**	**5,524**

Key figures – Guaranteed Pension

NOK million	**2017**	**2016**
Guaranteed reserves	264,320	258,723
Guaranteed reserves in % of total reserves	61.2 %	64.9 %
Transfer of guaranteed reserves	-959	-3,306
Buffer capital as a % of customer assets SBL	7.2 %	5.7 %
Buffer capital as a % of customer assets SPP	9.0 %	6.7 %

OTHER RESULTS

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

Result for Other

NOK million	2017	2016
Fee and administration income	83	145
Operating cost	-188	-141
Operating profit	**-105**	**4**
Financial items and risk result life	161	401
Profit before amortisation	**55**	**405**

1) Excludes eliminations

Eliminations

NOK million	2017	2016
Fee and administration income	-190	-174
Operating cost	190	174
Finacial result	0	0
Result before amortisation	0	0

The result before amortisation for the Other segment activities was NOK 83 million for 2017, compared with NOK 145 million for 2016. The operating costs are influenced by transaction costs associated with the acquisition of Skagen and Silver.

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

The financial result includes the return on the company portfolios in Storebrand Life Insurance and SPP, as well as the financial result of Storebrand ASA. The financial result is weaker due to a lower return in the company portfolios.

CAPITAL SITUATION, RATING AND RISK

CAPITAL SITUATION

Storebrand pays particular attention to the levels of equity and loans in the Group, which are continually and systematically optimised. The level is adjusted for the financial risk and capital requirements. The growth and composition of business segments will be important driving forces behind the need for capital. The purpose of capital management is to ensure an efficient capital structure and ensure an appropriate balance between internal goals and regulatory requirements. The Group’s target is to achieve a solvency margin ratio in accordance with Solvency II of at least 150%. Storebrand Livsforsikring AS also aims to achieve an A level rating. The Group’s parent company has established a goal to achieve a net debt-equity ratio of zero over time. Storebrand ASA has only one class of share. All shares have equal rights and are freely negotiable. The company is not aware of the existence of agreements between shareholders that limit rights to sell shares or to exercise related voting rights.

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

The Storebrand Livsforsikring Group’s solvency capital consists of equity, subordinated loan capital, market value adjustment reserves, additional statutory reserves, conditional bonus and risk equalisation reserves. Solvency capital totalled NOK 64.5 billion at the end of the year, an increase of NOK 7.4 billion in 2017. The market value adjustment reserve increased by NOK 1.0 million and amounted to NOK 3.7 million at the end of the year. Conditional bonus increased by NOK 1.9 million and amounted to NOK 9.2 million. A good booked return has contributed to increasing the additional statutory reserves. The additional statutory reserves totalled NOK 8.3 million at the end of the year, an increase of NOK 1.5 million for the year. The excess value of bonds and loans valued at amortised cost declined due to higher interest rates by NOK 0.3 million for the year and amounted to NOK 8.5 million as at 31 December. The excess value of bonds and loans at amortised cost is not included in the financial statements.

At the end of 2017, the Storebrand Bank Group had pure core capital adequacy of 14.8% and a capital adequacy of 18.9%. The bank group has adapted to the new capital requirements. The company has satisfactory financial strength and liquidity based on its operations. The lending portfolio consists primarily of low-risk home mortgages.

Storebrand ASA (holding) held liquid assets of NOK 1.4 billion at the end of the year. Liquid assets consist primarily of short-term fixed income securities with a good credit rating. Storebrand ASA's (holding) total interest-bearing liabilities were NOK 2.3 billion at the end of the year. This corresponds to a net debt-equity ratio of 4.4%. The next maturity date for bond debt in Storebrand ASA is in October 2018. In addition to the liquidity portfolio, the company has an unused credit facility of EUR 240 million that runs until December 2019. Storebrand ASA recognised dividends and group contributions of NOK 2,154 million for 2017. Provisions for share dividends to the shareholders amounted to NOK 1,168 million.

RATING

There are four companies in the Storebrand Group that issue debt securities. Storebrand Livsforsikring AS issues subordinated loans, Storebrand ASA issues senior debt, Storebrand Bank ASA issues senior debt and subordinated loans, while Storebrand Boligkreditt AS issues covered bonds. All four companies are rated by the credit rating agency Standard & Poor's. There were changes to the credit rating during the year, which involved the future prospects of Storebrand Livsforsikring AS and Storebrand Bank ASA being changed from stable to positive.

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

RISK

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

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

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

Risk management is about looking at both the positive and negative aspects of risk. Risk-taking should contribute to Storebrand achieving its strategic and commercial targets, including customers receiving a competitive return on their pension assets and that Storebrand receives adequate payment for assuming risk in relation to defined rates of return.

As a business requiring a licence, the Storebrand Group and the individual companies are subject to supervision by the Financial Supervisory Authority of Norway and the Swedish Financial Supervisory Authority. Storebrand must also comply with requirements from other public supervisory authorities, including the Norwegian Consumer Authority and the Norwegian Data Protection Authority. Risk management must satisfy the formal requirements pursuant to legislation and other regulations. The level of risk-taking shall be in accordance with the regulatory requirements and other needs of customers, shareholders, lenders, rating companies, etc. Undesired incidents shall be limited.

The majority of Storebrand's risk is from liabilities related to the products. The Group's result and risk are followed up and reported as four areas with very different result and risk drivers: Savings, Insurance, Guaranteed Pension and Other. The different business areas are described under the section Business Areas.

SAVINGS

Savings consists of unit linked insurance, asset management business and the retail market part of the banking business.

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

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

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

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

INSURANCE

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

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

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

GUARANTEED PENSION

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

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

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

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

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

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

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

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

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

OTHER

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

The assets in Storebrand ASA and the company portfolios are invested at low risk, primarily in short-term interest-bearing securities with a high credit rating. Lending to commercial enterprises in Storebrand Bank will be discontinued and the remaining exposure in the bank's balance sheet is low.

REGULATORY CHANGES

The regulations that are adopted by the authorities are of great importance to Storebrand. The Board considers the company to be fully in compliance with the applicable regulations and well-prepared for impending changes.

There are several processes taking place that may be of major importance to the occupational pension market in the future. The Ministry has sent draft legislation for a separate pension account for consultation. The AFP scheme was evaluated in 2017, and work is being carried out on a new public service occupational pension scheme.

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

EUROPEAN REGULATIONS

Solvency II

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

Information and advisory services

A number of EU regulations linked to customer protection will be introduced in 2018.

PRIIPs (Packaged Retail and Insurance-based Investment Products), MIFID II (Markets in Financial Instruments Directive) and IDD (Insurance Distribution Directive) are EU rules that harmonise requirements for information and advisory services.

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

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

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

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

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

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

NORWEGIAN REGULATIONS

Separate pension account

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

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

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

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

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

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

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

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

Evaluation of AFP

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

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

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

New public service pension

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

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

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

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

Report on paid-up policies

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

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

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

Ownership restriction

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

Saving and taxes

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

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

The limit for pension savings of people who are self-employed has increased from 4 to 6%.

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

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

SWEDISH REGULATIONS

The premium pension system

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

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

SUSTAINABILITY IN THE STOREBRAND GROUP

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

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

ORGANISATION, WORKING ENVIRONMENT AND EXPERTISE

Learning and development

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

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

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

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

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

Diversity

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

The average age at Storebrand is 44, and average seniority is 12 years in Norway and 9 years in Sweden. Storebrand had 1,773 employees in the Group at year end. 35% of the management group at Storebrand Norway and 47% at SPP are women. 45% of the employees in the Norwegian part and 55% of the employees at SPP are women.

Storebrand has for several years worked systematically on identifying future managerial candidates and promoting even gender distribution. There has been a focused effort on management development in the areas of strategic and operative management, communication and change. The aim is to ensure that future competence requirements are met, to develop Storebrand to meet the changing needs of society and the market.

In 2017, 50% of Storebrand ASA's board members were women. The proportion of women on the boards of the subsidiaries is 43%. The proportion of women in executive management is 33%. 37% of the members of the executive management's leadership teams are women and the figure is 29% at the next level (4).

The company seeks to ensure equal treatment and opportunities for all the internal and external recruitment and development processes.

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

Annual employee survey

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

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

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

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

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

Absence due to illness

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

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

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

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

Ethics and trust

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

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

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

CORPORATE GOVERNANCE

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

The Board carried out an evaluation in 2017, in which the executive management participated. A total of eleven board meetings were held in 2017. The work of the Board is regulated by special rules of procedure for the Board. The Board has established three advisory committees: the Compensation Committee, Audit Committee and Risk Committee.

In 2017, the following changes to the composition of Storebrand's corporate bodies took place:

Board of Directors of Storebrand ASA: Chairman Birger Magnus left the Board and Didrik Munch was elected as the new Chairman. Board member (employee-elected) Knut Dyre Haug stepped down from the Board and Ingvild Pedersen was elected as the new (employee-elected) board member.

Nomination Committee: Terje Venold has stepped down as Chairman of the Nominations Committee. Per Otto Dyb has been elected as the new Chairman.

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

OUTLOOK

FINANCIAL PERFORMANCE

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

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

Asset management is an important business area within the Savings segment. Asset management has had stable growth in reserves and good earnings development. The capital management platform is competitive and scalable for continued growth.

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

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.

MARKET TRENDS

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

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

RISK

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

CAPITAL MANAGEMENT AND DIVIDENDS

Storebrand has established a framework for capital management that links dividends to the solvency ratio and has published a new dividend policy for 2018 and into the future. The goal is a solvency ratio of over 150%, including transitional rules. The solvency ratio at the end of the fourth quarter was 172%. The solvency level shows that the Group is robust for the risks the business faces. A gradual improvement is expected in the underlying solvency margin in the coming years. The expected result performance in the Group, and reduced capital requirements from the guaranteed business are expected to increase the solvency level in the coming year. Financial market volatility and changes to regulatory requirements may result in short-term movements in the solvency level. The Board's ambition is to pay consistently increasing dividends, combined with extraordinary dividends, to reflect the financial market volatility and release of capital. The expected release of capital will result in an increased payment ratio over time.

A dividend of more than 50% of the Group's profit after tax and a higher nominal level than the ordinary dividend for 2017 are expected for 2018.

OFFICIAL FINANCIAL STATEMENTS OF STOREBRAND ASA

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

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

Storebrand ASA reported a profit before tax of NOK 1,934 million in 2017, compared with NOK 829 million in 2016. Group contributions from investments in subsidiaries totalled NOK 2,154 million, compared with NOK 899 million in 2016.

RESULT FOR STOREBRAND ASA

NOK million	2017	2016
Group contribution and dividends	2,154	899
Net financial items	-96	5
Operating expenses	-123	-76
Pre-tax profit/loss	**1,934**	**829**
Tax	-110	-91
Profit for the year	**1,824**	**738**

STATEMENT OF COMPREHENSIVE INCOME

NOK million	2017	2016
Profit for the year	1,824	738
Other income statement elements that cannot subsequently be reclassified through the income statement		
Change in actuarial gains or losses	-34	-41
Tax on other income statement components	8	10
Total other income statement elements	**-25**	**-31**
Total comprehensive income	**1,798**	**707**

ALLOCATION OF THE PROFIT FOR THE YEAR

The profit for Storebrand ASA for 2017 was NOK 1,824 million, compared with NOK 738 million in 2016.

The Board has proposed a dividend to the General Meeting of NOK 1,168 million, equivalent to NOK 2.5 per share, for the 2017 financial year, of which ordinary dividends amounted to NOK 2.1 per share and extraordinary dividends amounted to NOK 0.4 per share.

ALLOCATION OF THE PROFIT FOR THE YEAR FOR STOREBRAND ASA

NOK million	2017	2016
Profit for the year	1,824	738
Allocations		
Transferred to other reserves	656	43
Provision for share dividends	1,168	695
Total allocations	**1,824**	**738**

LYSAKER, 6. FEBRUARY 2018
THE BOARD OF DIRECTORS OF STOREBRAND ASA

Didrik Munch (sign.)
Styrets leder

Karin Bing Orgland (sign.)

Laila S. Dahle (sign.)

Gyrid Skalleberg Ingerø (sign.)

Martin Skancke (sign.)

Håkon Reistad Fure (sign.)

Jan Chr. Opsahl (sign.)

Arne Fredrik Håstein (sign.)

Heidi Storruste (sign.)

Ingvild Pedersen (sign.)

Odd Arild Grefstad (sign.)
Administrerende direktør

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

[2] The income statement is based on reported IFRS results for the individual companies.

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

[4] Adjusted for exchangerate, including income from Skagen.

[5] A change to coordinate the Group's elimination principles has resulted in revenues and costs having increased by NOK 14 million (NOK 7 million) during the quarter and NOK 58 million (NOK 59 million) for the year. For more information see www.storebrand.no/ir.

Corporate Governance

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

Storebrand's corporate governance principles have been laid down in accordance with the Norwegian Code of Practice for Corporate Governance. The management and the Board of Directors of Storebrand ASA (hereafter referred to as the Board) conduct an annual review of Storebrand's adopted corporate governance policies and compliance therewith. Storebrand reports in accordance with section 3-3b of the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance. Storebrand issues an integrated report that deals with the financial, environmental and social conditions, as well as corporate governance, which is material to Storebrand. The materiality analysis is discussed in the Chapter Sustainable strategy.

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

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

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

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

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

For more than 20 years, Storebrand has been among the best within sustainable investments and has taken an active approach to how we invest both our own capital and that of our customers. Storebrand believes that companies that integrate environmental, social and governance considerations in their business activities reduce risk and create new opportunities for the business activities and capital owners. Storebrand has the ambition of maintaining a position among the best companies by integrating this perspective in other business areas. Storebrand believes that this will create increased value for customers, owners, society and other stakeholders. See the separate article in the annual report on Financial Capital and Our Investment Universe.

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

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

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

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

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

The Board of Storebrand ASA continually monitors Storebrand's capital solidity in light of its goals, strategy and risk profile. You can read more about Storebrand's capital situation and solvency in the Board of Directors' Report. The Board has adopted a dividend policy that states that the dividend paid to shareholders shall normally amount to at least 35 per cent of the profit for the year after tax, but before amortisation costs. The dividend shall be adjusted such that Storebrand is assured the right capital structure. The dividend is set by the Annual General Meeting (AGM), based on a proposal put forward by the Board. Pursuant to Section 8-1, paragraph two of the Norwegian Public Limited Liability Companies Act,

the General Meeting may, by simple majority, authorise the Board of Directors to distribute a dividend. This shall be based on the annual financial statements adopted by the General Meeting. This authorisation may not be granted for a period longer than until the next Annual General Meeting. In addition, the authorisation shall be based on the adopted dividend policy. The General Meeting was not requested to provide such authorisation in 2017. Read more about Storebrand's dividend policy in the Board of Directors Report.

Storebrand ASA would like to have various tools available for its efforts to maintain an optimal capital structure for Storebrand to contribute to good shareholder returns and financial resilience. At the 2017 Annual General Meeting, the Board was granted authorisation to increase the share capital through issuing new shares for a total maximum value of NOK 224,954,945. This authorisation may be used for the acquisition of businesses in consideration for new shares or increasing the share capital by other means. The Board of Directors may decide to waive the shareholders' preferential rights to subscribe for new shares in accordance with the authorisation. This authorisation may be used for one or more new issues. The authorisation is valid until the next Annual General Meeting.

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

Pursuant to the authorization, the Board of Directors decided on 6 December 2017 to increase the share capital of Storebrand ASA by NOK 89 520 455, from NOK 2 249 549 455 to NOK 2 339 069 910, by issuing 17 904 091 new shares each with a nominal value of NOK 5, whereby the number Issued shares in the company increase from 449 909 891 shares to 467 813 982 shares. The decision was taken in connection with the completion of the acquisition of 91 per cent of the shares in Skagen AS, where parts of the purchase price are settled through the transfer of Storebrand shares.

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

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

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

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

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

The share capital has been increased in 2017, by the authorisation granted the Board of Directors by the Annual General meeting cf. section 3 above. In case of capital increases in accordance with this authorization, the board may decide that the shareholders' preferential rights shall be waived.
The capital increase was carried out against deposits in assets other than money. The shareholders therefore did not have preferential rights pursuant to section 10-4 of the Public Limited Liability Companies Act.

For a complete overview see chapter for shareholder matters.

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

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

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

General meeting
Pursuant to the Articles of Association, Storebrand ASA's General Meeting shall be held by the end of June each year. The General Meeting was held on 5 April 2017. All shareholders with a known address will receive notice of the General Meeting, which will be sent out no later than 21 days prior to the General Meeting. Pursuant to the Articles of Association, the deadline for giving notice of attendance shall be set at no later than five calendar days prior to the General Meeting. In accordance with Storebrand's Articles of Association, the right to make other documentation available on Storebrand's website is exercised, cf. Section 5-11 a of the Norwegian Public Limited Liability Companies Act. However, a shareholder can still request to be sent these documents by mail.

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

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

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

The General Meeting shall:

- consider the annual accounts, consisting of the profit and loss statement, the balance sheet and the annual report, including the consolidated profit and loss statement and balance sheet, and the auditor's report,
- decide upon adoption of the profit and loss statement and balance sheet,decide upon adoption of the consolidated profit and loss statement and balance sheet,
- decide upon the allocation of profit or manner of covering loss in
- accordance with the adopted balance sheet, and on the distribution of dividends,
- elect the auditor,
- appoint members to the Nomination Committee and this should include the Chairman of the Nomination Committee,
- elect members to the Board of Directors, and this should include the Chairman of the Board of Directors,

- consider the Board of Directors' statement on the fixing of salaries and other remuneration to executive personnel,
- Stipulate the remuneration of members of the Board of Directors and Board Committees,
- Stipulate the remuneration of members of the Nomination Committee,
- Stipulate the auditor's fee,
- transact any other business listed on the agenda.

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

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

Storebrand ASA's Articles of Association regulate the Nomination Committee, which consists of four or five members and an observer elected by the employees. For the election period 2017-2018 the Nomination Committee has proposed four members.

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

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

The Articles of Association stipulate that the Nomination Committee should work in accordance with the rules of procedure adopted by the General Meeting. The Nomination Committee's rules of procedure were adopted at the 2017 Annual General Meeting. In accordance with the rules of procedure, the Nomination Committee shall, for example, give attention to the following when preparing nominations for representatives for the companies' governing and controlling bodies: competence, experience, capacity, gender distribution, independence and the interests of the community of shareholders. More information about the members has been published on Storebrand's website. The Nomination Committee contacts the company's 30 largest shareholders annually and requests that they propose candidates for the company's Board of Directors and Nomination Committees. A corresponding request to the shareholders is published on the company's website

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

An attempt is made to adapt the remuneration of the members of the Nomination Committee to the nature of the tasks and time spent on committee work. The Nomination Committee held four meetings in 2017.

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

The Articles of Association stipulate that between five and seven board members shall be elected by the General Meeting based on nominations from the Nomination Committee. Two members, or three members if the General Meeting elects six or seven directors, shall be elected by and from among the employees. The Board members are elected for one year at a time. The day-to-day management is not represented on the Board of Directors. At the end of 2017, the Board of Directors consisted of ten members (six men and four women).

None of the members elected by the General Meeting have any employment, professional or consultancy relationship with Storebrand beyond their appointment to the Board of Directors. The backgrounds of the individual board members are described in the Chapter Board of Directors of the annual report and on Storebrand's website. The composition of the Board of Directors satisfies the independence requirements set forth in the Code of Practice. There are few instances of disqualification during the consideration of matters by the Board (none during 2017). The assessment of each board member's independence is commented on in the overview of governing and controlling bodies. An overview of the number of shares in Storebrand ASA owned by members of governing bodies as at 31 December 2017 is included in the notes to the financial statements for Storebrand ASA (Information on related parties) see note 16. None of the board members elected by shareholders have held office for more than ten years.

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

Board's duties

In 2017, a total of eleven board meetings were held, two of which were held at the subsidiary SPP in Stockholm. The Board discusses Storebrand's future strategy and strategy implementation, and in addition has an annual strategy Meeting. The administration annual preparation of plans and budgets in connection with the annual financial plan, is based on the Boards discussions and guidelines from the annual strategy meeting.The Board shall stay informed about Storebrand's financial position and development, and it shall ensure that the company's value creation and profitability are safeguarded in the best possible manner on behalf of the owners. The Board shall also ensure that the activities are subjected to adequate control and ensure that Storebrand has adequate capital based on the scope of, and risks associated with, its activities. The attendance records of individual board members are provided in the overview of the Board of Directors . The work of the Board is regulated by special rules of procedure for the Board, which are reviewed annually. In order to ensure sound and well-considered decisions, importance is attached to ensuring that meetings of the Board are well prepared so that all the members can participate in the decision-making process. The Board prepares an annual schedule for its meetings and the topics it will consider. The agenda for the next board meeting is normally presented to the Board based on the approved schedule for the year and a list of matters carried forward from previous meetings. The final agenda is fixed in consultation with the Chairman of the Board. Time is set aside at each board meeting to evaluate the meeting without the management present. The Board is entitled to appoint external advisers to help it with its work whenever it deems this necessary. The Board has also drawn up instructions for the CEO.

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

Board committees

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

The Remuneration Committee assists the Board with all matters concerning the CEO's remuneration. The committee monitors the remuneration of Storebrand's executive personnel, and proposes guidelines for the fixing of the executive personnel's remuneration and the Board's statement on the fixing of the executive personnel's remuneration, which is presented to the General Meeting each year. In addition, the committee safeguards the areas required by the Compensation Regulations in Norway and Sweden. The Compensation Committee held two meetings in 2017.

The Audit Committee assists the Board by reviewing, evaluating and, where necessary, proposing appropriate measures with respect to the Group's overall controls, financial and operational reporting, risk management/control, and internal and external auditing. The Audit Committee held seven meetings in 2017, including a joint Meeting With the Risk Committee. The external and internal auditors attend the meetings. The majority of the Committee's members are independent of the company. The Board of Directors has found that it is appropriate to have a combined Remuneration Committee for all of Storebrand.

The main task of the Risk Committee is to prepare matters to be considered by the Board of Directors in the area of risk, with a special focus on Storebrand's risk appetite and risk strategy, including investment strategy. The Committee should contribute forward-looking decision-making support related to the Board's discussion of risk taking, financial forecasts and the treatment of risk reporting. The Risk Committee has held seven meetings in 2017, including a joint meeting with the Audit Committee.

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

Management and control

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

Storebrand's sustainability guidelines summarise how the work is an integral part of Storebrand's overarching objectives and management and control processes. The guidelines encompass all parts of Storebrand's business activities, including investing, product development, purchasing, follow-up of employees and internal operations. Storebrand's sustainability goals are adopted by the Board of Directors, and the sustainability scorecard is followed up by the Group's executive management team semi-annually. Storebrand also complies with the international reporting standard GRI (Global Reporting Initiative, version G4) and uses integrated reporting. The results are audited by Storebrand's external auditor, see the auditor's report.

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

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

Risk management and internal control

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

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

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

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

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

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

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

Financial information and Storebrand's accounting process

Storebrand publishes four interim financial statements, in addition to the ordinary annual financial statements. The financial statements shall satisfy legal and regulatory requirements and be prepared in accordance with the adopted accounting policies and published according to the schedule adopted by the Board of Storebrand ASA.

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

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

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

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

The General Meeting fixes the Board's remuneration annually on the basis of the recommendations of the Nomination Committee. The fees paid to the members of the Board are not linked to earnings, option schemes or similar arrangements. Members of the Board and Board Committees do not receive incentive-based remuneration; instead they receive a fixed annual compensation, either per year or per meeting the member attends, or a combination of such remuneration. The shareholder-elected members of the Board do not participate in Storebrand's pension schemes. None of the shareholder-elected members of the Board carry out any duties for Storebrand beyond their appointment to the Board. More detailed information on the compensation, loans and shareholdings may be found in notes 24 (Group) and 6 and 16 (ASA). Board members are encouraged to hold shares in the company.

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

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

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

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

More detailed information about the remuneration of executive personnel may be found in notes 24 (Group) and 6 (ASA) and in the Board's statement on the fixing of salaries and other remuneration to executive personnel, which is included in the notice of the General Meeting and available at www.storebrand.no. Executive personnel are encouraged to hold shares in Storebrand ASA, even beyond the lock-in period.

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

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

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

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

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

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

OTHER

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

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

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

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

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

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

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

Members of Storebrand ASA's Board of Directors and Committees

BOARD OF DIRECTORS STOREBRAND ASA

Chairman
Didirik Munch

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

Members (employee elected)
Arne Fredrik Håstein
Ingvild Pedersen
Heidi Storruste

RISK COMMITTEE

Chairman
Martin Skancke

Members
Håkon Reistad Fure
Ingvild Pedersen

AUDIT COMMITTEE

Chairman
Karin Bing Orgland

Members
Martin Skancke
Heidi Storruste

COMPENSATION COMMITTEE

Chairman
Didrik Munch

Members
Håkon Reistad Fure
Gyrid Skalleberg Ingerø
Arne Fredrik Håstein

NOMINATION COMMITTEE

Chairman
Per Otto Dyb

Members (elected by shareholders)
Odd Ivar Biller
Olaug Svarva
Tor Olav Trøim

Profit and Loss Account

NOK Million	Note	**2017**	2016
Premium income	15	26,652	25,829
Net income from financial assets and properties for the company:			
– equities and other units at fair value	16	31	38
– bonds and other fixed-income securities at fair value	16	503	598
– financial derivatives at fair value	16	99	66
– loans at fair value		57	22
– bonds at amortised cost	16	134	122
– loans at amortised cost		665	702
– properties	17		10
– profit from investments in associated companies/joint controlled operation	30	119	65
Net income from financial assets and properties for the customers:			
– equities and other units at fair value	16	16,943	11,609
– bonds and other fixed-income securities at fair value	16	3,157	4,074
– financial derivatives at fair value	16	848	2,570
– loans at fair value	16	113	18
– bonds at amortised cost	16	4,243	4,197
– loans at amortised cost	16	443	289
– properties	17	2,556	2,295
– profit from investments in associated companies	30	231	167
Other income	18	4,051	3,220
Total income		**60,845**	**55,891**
Insurance claims	19	-24,985	-25,313
Change in insurance liabilities	3, 20	-23,048	-23,748
Change in capital buffer	21	-3,943	1,475
Operating expenses	22, 23, 24, 25	-4,073	-3,788
Other expenses	26	-930	-683
Interest expenses		-925	-920
Total expenses before amortisation and write-downs		**-57,905**	**-52,978**
Group profit before amortisation and write-downs		**2,940**	**2,913**
Amortisation and write-downs of intangible assets	28	-536	-406
Group pre-tax profit		**2,404**	**2,506**
Tax expenses	27	2	-364
Profit/loss for the year		**2,405**	**2,143**
Profit/loss for the year due to:			
Share of profit for the period – shareholders		2,375	2,118
Share of profit for the period – hybrid capital investors		11	11
Share of profit for the period – minority		20	14
Total		**2,405**	**2,143**
Earnings per ordinary share (NOK)		5.28	4.73
Average number of shares as basis for calculation (million)		449.8	448.2
There is no dilution of the shares			

Statement of total comprehensive income

NOK Million	Note	2017	2016
Profit/loss for the year		**2,405**	**2,143**
Change in actuarial assumptions		-117	-142
Adjustment of value of properties for own use		130	102
Gains/losses from cash flow hedging	42	23	-60
Total comprehensive income elements allocated to customers		-130	-102
Tax on other result elements not to be classified to profit/loss		2	37
Total other result elements not to be classified to profit/loss		-92	-166
Translation differences foreign exchange		387	-802
Unrealised gains on financial instruments available for sale		8	6
Total other result elements that may be classified to profit/loss		395	-796
Total other comprehensive income elements		**303**	**-961**
Total comprehensive income		**2,708**	**1,181**
Total comprehensive attribute to:			
Share of total comprehensive income – shareholders		2,675	1,163
Share of total comprehensive income – hybrid capital investors		11	11
Share of total comprehensive income – minority		22	7
Total		**2,708**	**1,181**

Statement of financial position

NOK Million	Note	31.12.17	31.12.16
Assets company portfolio			
Deferred tax assets	27	637	595
Intangible assets and excess value on purchased insurance contracts	28	6 295	4 858
Pension assets	23	3	
Tangible fixed assets	29	55	57
Investments in associated companies and joint ventures	30	291	458
Financial assets at amortised cost:			
– Bonds	10, 31, 32	3 403	3 398
– Loans to financial institutions	10, 31	313	272
– Loans to customers	10, 31, 33	26 678	25 310
Reinsurers' share of technical reserves		27	40
Investment properties at fair value	8, 34	50	51
Biological assets		64	64
Accounts receivable and other short-term receivables	31, 35	4 834	2 647
Financial assets at fair value:			
– Equities and other units	8, 12, 31, 36	363	121
– Bonds and other fixed-income securities	8, 10, 12, 31, 37	31 719	30 503
– Derivatives	10, 12, 31, 38	1 341	1 206
– Loans to customers	33	580	1 958
Bank deposits	10, 31	3 466	3 694
Minority interests in consolidated mutual funds		30 303	20 386
Total assets company portfolio		**110 424**	**95 619**
Assets customer portfolio			
Tangible fixed assets	29	488	433
Investments in associated companies	30	3 113	1 918
Receivables from associated companies and joint ventures	30	39	37
Financial assets at amortised cost:			
– Bonds	10, 31, 32	84 071	79 378
– Bonds held-to-maturity	10, 32, 33	15 128	15 644
– Loans to customers	10, 31, 33	21 425	16 727
Reinsurers' share of technical reserves		63	106
Investment properties at fair value	8, 34	27 403	24 110
Properties for own use	34	1 408	2 863
Biological assets		791	702
Accounts receivable and other short-term receivables	31, 35	692	1 053
Financial assets at fair value:			
– Equities and other units	8, 12, 31, 36	156 071	129 416
– Bonds and other fixed-income securities	8, 10, 12, 31, 37	135 042	141 334
– Derivatives	10, 12, 31, 38	2 723	3 621
– Loans to customers	33	5 104	2 346
Bank deposits	10, 31	4 958	4 375
Total assets customer portfolio		**458 519**	**424 065**
Total assets		**568 943**	**519 684**
Equity and liabilities			
Paid-in capital		12 855	11 726

NOK Million	Note	31.12.17	31.12.16
Retained earnings		17 652	15 631
Hybrid capital		226	226
Minority interests		99	54
Total equity		**30 832**	**27 637**
Subordinated loan capital	9, 31	8 867	7 621
Capital buffer	39	21 137	16 719
Insurance liabilities	39, 4	435 749	405 257
Pension liabilities	23	341	289
Deferred tax	27	238	175
Financial liabilities:			
– Liabilities to financial institutions	9, 12, 31	155	407
– Deposits from banking customers	9, 12, 31	14 628	15 238
– Securities issued	9, 31	16 575	16 219
– Derivatives company portfolio	10, 12, 31, 38	282	326
– Derivatives customer portfolio	10, 12, 31, 38	1 733	1 868
Other current liabilities	9, 31, 41	8 102	7 542
Minority interests in consolidated mutual funds		30 303	20 386
Total liabilities		**538 110**	**492 047**
Total equity and liabilities		**568 943**	**519 684**

LYSAKER, 6. FEBRUARY 2018
BOARD OF DIRECTORS OF STOREBRAND ASA

Didrik Munch (sign.)
Styrets leder

Karin Bing Orgland (sign.)

Laila S. Dahle (sign.)

Gyrid Skalleberg Ingerø (sign.)

Martin Skancke (sign.)

Håkon Reistad Fure (sign.)

Jan Chr. Opsahl (sign.)

Arne Fredrik Håstein (sign.)

Heidi Storruste (sign.)

Ingvild Pedersen (sign.)

Odd Arild Grefstad (sign.)
Administrerende direktør

Statement of changes in equity

	Majority's share of equity									
Million NOK	Share capital [2]	Own shares	Share premium	Total paid in equity	Currency translation differences	Other equity [3]	Total retained earnings	Hybrid capital [1]	Minority interests	Total equity
Equity at 31 December 2015	2,250	-10	9,485	11,724	1,831	12,646	14,477	226	520	26,946
Profit for the period						2,118	2,118	11	14	2,143
Total other comprehensive income elements					-789	-166	-955		-7	-961
Total comprehensive income for the period					**-789**	**1,952**	**1,163**	**11**	**7**	**1,181**
Equity transactions with owners:										
Own shares		2		2		26	26			28
Hybrid capital classified as equity						3	3			3
Paid out interest hybrid capital								-11		-11
Dividend paid									-14	-14
Purchase of minority interests						-18	-18		-459	-477
Other						-18	-18			-18
Equity at 31 December 2016	**2,250**	**-8**	**9,485**	**11,726**	**1,042**	**14,590**	**15,631**	**226**	**54**	**27,637**
Profit for the period						2,375	2,375	11	20	2,405
Total other comprehensive income elements					385	-84	300		2	303
Total comprehensive income for the period					**385**	**2,290**	**2,675**	**11**	**22**	**2,708**
Equity transactions with owners:										
Own shares		3		3		44	44			47
Issues of shares	90		1,037	1,126					3	1,129
Hybrid capital classified as equity						3	3			3
Paid out interest hybrid capital								-11		-11
Dividend paid						-695	-695		-2	-697
Purchase of minority interests						2	2			2
Other						-8	-8		21	13
Equity at 31 December 2017	**2,339**	**-5**	**10,521**	**12,855**	**1,426**	**16,226**	**17,652**	**226**	**99**	**30,832**

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

[2] 467 813 982 shares with a nominal value of NOK 5. A capital increase was carried out in 2017 by issuing 17,904,091 shares with a subscription price of NOK 62.90. The shares have been used as consideration for the purchase of shares in Skagen.

[3] Includes undistributable funds in the risk equalisation fund amounting to NOK 142 million and security reserves amounting NOK 53 million.

Cash flow analysis

Million NOK	2017	2016
Cash flow from operational activities		
Net receipts premium – insurance	24,071	26,483
Net payments compensation and insurance benefits	-19,221	-18,911
Net receipts/payments – transfers	-2,995	-4,647
Net change insurance liabilities	4,501	-1,784
Receipts – interest, commission and fees from customers	2,853	2,896
Payments – interest, commission and fees to customers	-372	-587
Taxes paid	-6	
Payments relating to operations	-3,432	-3,125
Net receipts/payments – other operational activities	-7	136
Net cash flow from operations before financial assets and banking customers	**5,392**	**462**
Net receipts/payments – loans to customers	-7,412	-10,969
Net receipts/payments – deposits bank customers	-610	-2,586
Net receipts/payments – mutual funds	4,331	12,935
Net receipts/payments – investment properties	-623	2,058
Net change in bank deposits insurance customers	-332	-323
Net cash flow from financial assets and banking customers	**-4,653**	**1,115**
Net cash flow from operational activities	**739**	**1,576**
Cash flow from investment activities		
Net receipts – sale of subsidaries	245	64
Net payments – purchase of group companies	-408	-5
Net receits/payments – sale/purchase of fixed assets	-98	-63
Net cash flow from investment activities	**-261**	**-4**
Cash flow from financing activities		
Payments – repayments of loans	-4,899	-4,457
Receipts – new loans	4,899	3,700
Payments – interest on loans	-334	-372
Receipts – subordinated loan capital	1,126	700
Payments – repayment of subordinated loan capital	-150	
Payments – interest on subordinated loan capital	-377	-367
Net receipts/payments – loans to and claims from other financial institutions	-252	-9
Receipts – issuing of share capital / sale of shares to own employees		14
Payments – repayment of share capital	36	
Payments – dividends	-698	-14
Payments – repayment of hybrid capital	-11	-11
Net cash flow from financing activities	**-659**	**-816**
Net cash flow for the period	**-181**	**757**
– of which net cash flow in the period before financial assets and banking customers	4,471	-358
Net movement in cash and cash equivalents	-181	757
Cash and cash equivalents at start of the period for new/sold out companies	7	-13
Cash and cash equivalents at start of the period	3-965	3,132
Currency translation differences	-11	91
Cash and cash equivalents at the end of the period *	**3,780**	**3,966**
*** Consist of:**		
Loans to financial institutions	313	272
Bank deposits	3,466	3,694
Total	**3,780**	**3,966**

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

OPERATIONAL ACTIVITIES

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

INVESTMENT ACTIVITIES

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

FINANCING ACTIVITIES

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

CASH/CASH EQUIVALENTS

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

Storebrand Group - Notes

Note 1 – Company information and accounting policies

1. COMPANY INFORMATION

Storebrand ASA is a Norwegian public limited company that is listed on the Oslo Stock Exchange. The consolidated financial statements for 2017 were approved by the Board of Directors of Storebrand ASA on 6 February 2018.

The Storebrand Group offers a comprehensive range of insurance and asset management services, as well as securities, banking and investment services, to private individuals, companies, municipalities, and the public sector. The Storebrand Group consists of the business areas Guaranteed Pensions, Savings, Insurance and Other. The Group's head office is located at Professor Kohts vei 9, in Lysaker, Norway.

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

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

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

Investment properties are measured at fair value.

Capitalised intangible assets, which mainly comprise excess value relating to insurance contracts and customer relations upon a business combination, are also recognised on the balance sheet. This excess value is measured at historical cost less annual amortisation and write-downs.

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

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

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

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

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

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

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

3. BASIS FOR PREPARATION OF THE FINANCIAL STATEMENTS

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

Storebrand ASA's consolidated financial statements are presented using EU-approved International Financial Reporting Standards (IFRS) and related interpretations, as well as other Norwegian disclosure requirements laid down in legislation and regulations.

Use of estimates when preparing the consolidated financial statements.

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

4. CHANGES IN ACCOUNTING POLICIES

New accounting standards that have a significant impact on the consolidated financial statements have not been implemented in 2017. For changes in estimates, see Note 2 for further information.

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

- Net interest income from Bank (this line has been removed from the statement)
- Loans at fair value
- Loans at amortised cost
- Other income
- Changes in insurance liabilities
- Operating expences
- Other expences
- Interest expenses

5. NEW IFRS STANDARDS

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

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

IFRS 9

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

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

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

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

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

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

IFRS 17
A key standard for the Storebrand consolidated financial statements will be IFRS17 Insurance Contracts, which shall replace the current IFRS4. The standard was published by IASB on 18 May 2017 and will apply from 1 January 2021.

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

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

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

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

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

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

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

The standard introduces three models for measuring insurance contracts.

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

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

IFRS 15

The new standard for recognising revenue from contracts with customers enters into force on 1 January 2018. IFRS 15 introduces a five-step model for recognising revenues from contracts with customers. Under IFRS 15, revenues are recognised in an amount that reflects the consideration to which an entity expects to be entitled in exchange for goods or services to a customer.

The standard applies for all contracts that are entered into from and including 1 January 2018, and for existing contracts that are not concluded on this date. The purpose of the standard is to remove the inconsistency and weaknesses that exist in current revenue recognition standards and improve the comparability of revenue recognition between business enterprises, industries and geographic regions.

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

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

IFRS 16

IFRS 16 Leases, replaces the current IAS 17 and is applicable from 1 January 2019. IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases. The new leasing standard will not result in major changes for lessors, but will however significantly change accounting by lessees. IFRS 16 requires that, in principle, lessees recognise all leases in the balance sheet according to a simplified model that resembles the accounting treatment of financial leases in accordance with IAS17. The present value of the combined lease payments shall be recognised on the balance sheet as debt and an asset that reflects the right of use of the asset during the lease period. The recognised asset is amortised over the lease period and the depreciation expense is recognised as an operating expense on an ongoing basis. The interest expense on the lease commitment is recognised as a financial expense.

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

6. CONSOLIDATION

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

Storebrand Livsforsikring AS, Storebrand Asset Management AS, Storebrand Bank ASA and Storebrand Forsikring AS are significant subsidiaries owned directly by Storebrand ASA. Storebrand Livsforsikring AS also owns the Swedish holding company Storebrand Holding AB, which in turn owns SPP Pension & Försäkring AB (publ). On acquiring the Swedish operations in 2007, the authorities instructed Storebrand to make an application to maintain a group structure by the end of 2009. Storebrand has filed an application to maintain the existing group structure. A controlling interest in Skagen AS was acquired in 2017 and is owned by Storebrand Asset Management AS. The Norwegian authorities have granted Storebrand an exemption from the requirement to organise equivalent businesses in the same company. This exemption expires in 2022.

Investments in associated companies (normally investments of between 20 per cent and 50 per cent of the company's equity) in which the Group exercises significant influence are consolidated in accordance with the equity method. Investments in joint ventures are recognised in accordance with the equity method.

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

Currencies and translation of foreign companies' accounts

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

Elimination of internal transactions

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

7. BUSINESS COMBINATIONS

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

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

8. INCOME RECOGNITION

Premium income

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

Income from properties and financial assets

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

Other income

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

9. GOODWILL AND INTANGIBLE ASSETS

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

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

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

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

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

10. ADEQUACY TEST FOR INSURANCE LIABILITIES AND RELATED EXCESS VALUES

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

11. INVESTMENT PROPERTIES

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

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

12. FINANCIAL INSTRUMENTS

12-1. General policies and definitions

Recognition and derecognition

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

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

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

Definition of amortised cost

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

Definition of fair value

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

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

Impairment of financial assets

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

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

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

12-2. Classification and measurement of financial assets and liabilities

Financial assets are classified into one of the following categories:

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

Held for trading

A financial asset is held for trading if:

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

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

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

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

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

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

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

Investments held to maturity

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

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

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

Loans and receivables

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

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

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

12-3. Derivatives

Definition of a derivative

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

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

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

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

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

12-4. Hedge accounting
Fair value hedging
Storebrand uses fair value hedging, where the items hedged are financial assets and financial liabilities measured at amortised cost. Derivatives are recognised at fair value through profit or loss or are included in total comprehensive income. Changes in the value of the hedged item that are attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognised through profit or loss.

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

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

12-5. Financial liabilities
Subsequent to initial recognition, all financial liabilities are primarily measured at amortised cost using an effective interest method.

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

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

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

13-1. General – life insurance
Claims for own account
Claims for own account comprise claims settlements paid out, less reinsurance received, premium reserves transferred to other companies, reinsurance ceded and changes in claims reserves. Claims not settled or paid out are provided for by allocation to the claims reserve under the item, changes in insurance liabilities.

Changes in insurance liabilities

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

Insurance liabilities

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

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

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

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

Insurance liabilities, special investments portfolio

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

IBNS reserves

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

Transfers of premium reserves, etc. (transfers)

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

Selling costs

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

13-2. Life insurance – Norway

Additional statutory reserves

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

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

Premium fund, deposit reserve and pensioners' surplus fund

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

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

Market value adjustment reserve

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

Reserves for undetermined insurance events

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

Risk equalisation reserve

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

13-3. Life insurance Sweden

Life insurance reserves

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

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

Reserves for undetermined insurance events

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

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

13-4. P&C insurance
Costs related to insurance claims are recognised when the claims occur. The following allocations have been made:

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

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

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

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

14-1. Defined-benefit scheme
Pension costs and pension obligations for defined-benefit pension schemes are determined using a linear accrual formula and expected final salary as the basis for the entitlements, based on assumptions about the discount rate, future salary increases, pensions and National Insurance benefits, future returns on pension plan assets as well as actuarial estimates of mortality, disability and voluntary early leavers. The net pension cost for the period comprises the total of the accrued future pension entitlements during the period, the interest cost on the calculated pension liability and the expected return on pension plan assets.

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

14-2. Defined-contribution scheme
The defined-contribution pension scheme involves the Group in paying an annual contribution to the employees' collective pension savings. The future pension will depend upon the size of the contribution and the annual return on the pension savings. The Group does not have any further work-related obligations after the annual contribution has been paid. No provisions are made for ongoing pension liabilities for these types of schemes. Defined-contribution pension schemes are recognised directly in the financial statements.

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

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

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

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

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

16. TAX

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

Deferred tax is calculated on the basis of the Group's tax loss carryforwards, deductible temporary differences and taxable temporary differences. The Group's tax-increasing temporary differences also include temporary differences linked to the Group's investment properties. These properties are primarily found in the Norwegian life company's customer portfolio and in companies that are owned by holding companies, which in turn is directly owned by Storebrand Livsforsikring AS. Even though these property companies are included in the customer portfolio and can be sold virtually free of tax, the tax-increasing temporary differences linked to the underlying properties which are also included in the Norwegian tax group, are included in the Group's temporary differences where provisions have been made for deferred tax. See also Section 6 above, which concerns business combinations.

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

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

Financial tax

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

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

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

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

See Note 27 for further information.

17. PROVISION FOR DIVIDENDS

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

18. LEASING

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

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

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

Note 2 – Critical accounting estimates and judgements

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

A description of the most important elements and assessments in which discretion is used and which may influence recognised amounts or key figures is provided below and in Note 13 for Solvency II and in Note 27 for Tax.

Actual results may differ from these estimates.

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

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

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

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

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

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

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

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

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

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

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

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

Further information about insurance liabilities is provided in Notes 7, 39 and 40.

INVESTMENT PROPERTIES

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

Key elements included in valuations that require exercising judgement are:

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

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

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

FINANCIAL INSTRUMENTS AT FAIR VALUE

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

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

Reference is also made to Note 13 in which the valuation of financial instruments at fair value is described in more detail.

FINANCIAL INSTRUMENTS AT AMORTISED COST

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

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

OTHER INTANGIBLE ASSETS WITH UNDEFINED USEFUL ECONOMIC LIVES

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

PENSIONS FOR OWN EMPLOYEES

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

DEFERRED TAX AND UNCERTAIN TAX POSITIONS

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

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

Reference is made to further information in Note 27.

Note 3 – Acquisition

Skagen

Storebrand has acquired 90.95% of the shares in Skagen, which has a strong position in the Norwegian fund and savings market. It also has significant capital under management from institutional clients and distributors in Sweden and internationally. Skagen has a clear management philosophy and a strong brand. The transaction was completed on 7 December 2017.

All shares in Skagen that were acquired by Storebrand ASA were transferred to Storebrand Asset Management AS as of 8 December 2017 as a contribution in kind.

In accordance with the share purchase agreement that was entered into, Storebrand has acquired all class A shares and 10,000 class B shares in Skagen, corresponding to 90.95% of the share capital in the Company and 99.9% of the votes in the Company.

Skagen has 134 employees, and the company will be a part of the Savings segment.

Storebrand has paid the selling shareholders consideration for the shares amounting to NOK 1.5 billion upon completion of the transaction, divided between newly issued shares in Storebrand ASA and a cash consideration of NOK 407 million. Upon completion of the transaction, 17,904,091 new shares have been issued in Storebrand ASA as a partial financing of the share acquisition. The capital increase was carried out as a private placement and without the existing shareholders having preference. This is due to the capital increase being part of the settlement. The value of the consideration that Storebrand ASA is paying for the shares in Skagen is based on the closing price of the shares in Storebrand ASA as of 6 December, which was NOK 62.90 per share. In addition there may be additional consideration based on developments in results and income in Skagen, and the sharing of fees triggered by Skagen delivering excess returns compared to its relevant reference indexes. The additional consideration has an upper limit of NOK 1.9 billion.

The acquisition of the shares in Skagen was made public on 25 October 2017, and the transaction has been approved by the Financial Supervisory Authority of Norway and the Norwegian Ministry of Finance, in addition to the competition authorities in Norway and Sweden.

Business combinations are recognised in accordance with the acquisition method. Upon acquisition of a subsidiary, a fair value analysis is performed, and assets and liabilities are assessed at fair value at the time of purchase. The residual value in the acquisition will constitute goodwill.

Excess value of NOK 688 million has been identified before deferred tax in the acquisition analysis. Skagen has a strong brand name and important customer relations in its operations. Of the total excess value, NOK 145 million is related to the brand name, which is amortized over 10 years, while NOK 402 million is related to customer relations, which are amortized over 10 years. In addition, excess value has been identified from customer relations related to the Skagen's result in 2017 of NOK 131 million, which is amortized in 2017, while there is excess value of NOK 10 million related to IT systems. Deferred tax of NOK 172 million has been calculated for the excess value. Goodwill amounts to NOK 1007 million and this item is not depreciated, but is tested yearly against impairment.

AQQUISITION ANALYSIS SKAGEN

NOK million	Book value in the company	Excess value upon acquistion	Book value
Assets			
Intangible assets	20	688	708
Financial assets	367		367

NOK million	Book value in the company	Excess value upon acquistion	Book value
Other assets	469		469
Bank deposits	43		43
Total assets	**899**	**688**	**1,587**
Liabilities			
Current liabilities	679		679
Deferred tax	-1	172	171
Net identifiable assets and liabilities	**221**	**516**	**737**
Goodwill			1,007
Fair value at acquisition date			**1,743**
Minority interests			20
Fair value majority (cost price)			**1,723**
Condiitional consideration			190
Cash consideration			**1,533**

SETTLEMENT OF CASH CONSIDERATION

NOK million	Amount
Consideration shares Storebrand ASA	1,126
Paid i cash	407
Total	**1,533**

RESULTS IN SKAGEN 2017

NOK million	After acquisition	Before acquisition
Income	330	690
Profit	259	15

The result for Skagen has been included in Storebrand's group result from December 2017.

Silver

On 24 October 2017 Storebrand Livsforsikring AS entered into an agreement to acquire Silver's insurance portfolios. Silver was put under administration on 17 February 2017. The acquisition also includes the company Silver AS after the company is released from administration

The transaction was completed in January 2018. The transaction was completed in two parts, with one part as an acquisition of the portfolio, and the other part as an acquisition of Silver AS with its remaining operations.

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

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

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

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

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

Note 4 – Segment reporting

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

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

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

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

OTHER
The result for Storebrand ASA is reported under Other, as well as the result for the company portfolios and small subsidiaries of Storebrand Life Insurance and SPP. In addition, the results associated with loans to commercial enterprises by Storebrand Bank and the activities at BenCo are reported in this segment. The elimination of intra-group transactions that have been included in the other segments has also been included.

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

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

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

The insurance result consists of insurance premiums and claims

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

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

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

Financial items and risk result life and pensions include Risk Result Life and Pensions and Financial Result includes net profit sharing and Loan Losses

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

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

Net profit sharing

Storebrand Livsforsikring

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

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

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

SPP Pension & Försäkring

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

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

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

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

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

Loan losses

Loan losses consist of individual and group write-downs on lending activities that are on the balance sheet of Storebrand Bank Group. In the Group's income statement, the item is classified under loan losses. With regard to loan losses that are on the balance sheet of the Storebrand Livforsikring Group, these will not be included on this line in either the alternative income statement or in the Group's income statement, but in the Group's income statement will be included in the item, net income from financial assets and property for customers.

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

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

GROUP PROFIT BY SEGMENTS

NOK million	2017	2016
Savings	1,511	1,063
Insurance	608	575
Guaranteed pension	766	870
Other	55	405
Group profit before amortisation	**2,940**	**2,913**
Amortisation of intangible assets [1]	-536	-406
Group pre-tax profit	**2,404**	**2,506**

	Savings		Insurance		Guaranteed pension	
NOK million	**2017**	2016	**2017**	2016	**2017**	2016
Fee and administation income	3,402	2,758			1,483	1,566
Insurance result			1,146	945		
– Insurance premiums f.o.a.			*3,872*	*3,828*		
– Claims f.o.a.			*-2,822*	*-2,883*		
Operating cost	-1,899	-1,700	-711	-602	-889	-981
Operating profit	**1,503**	**1,058**	**435**	**342**	**595**	**585**
Financial items and risk result life & pension	8	5	173	233	171	284
Group profit before amortisation	**1,511**	**1,063**	**608**	**575**	**766**	**870**
Amortisation of intangible assets [2]						
Group pre-tax profit						

	Other		Storebrand Group	
NOK million	**2017**	2016	**2017**	2016
Fee and administation income	-107	-30	4,779	4,294
Insurance result			1,146	945
– Insurance premiums f.o.a.			*3,872*	*3,828*
– Claims f.o.a.			*-2,726*	*-2,883*
Operating cost	2	33	-3,498	-3,250
Operating profit	**-105**	**4**	**2,427**	**1,989**
Financial items and risk result life & pension	161	401	513	924
Group profit before amortisation	**55**	**405**	**2,940**	**2,913**
Amortisation of intangible assets [3]			-536	-406
Group pre-tax profit			**2,404**	**2,506**

The Storebrand Group are represented in the following countries:

Segment/Country	Norway	Sweden	Latvia	UK	Guernsey	Netherlands	Denmark
Savings	X	X		X		X	X
Insurance	X	X					
Guaranteed pension	X	X					
Other	X	X	X	X	X		

KEY FIGURES BY BUSINESS AREA

NOK million	**2017**	2016
Group		
Earnings per ordinary share	5.28	4.73
Equity	30,832	27,637
Savings		
Premium income Unit Linked	15,017	14,143
Unit Linked reserves	167,849	139,822
AuM asset management	721,165	576,704
Retail lending	42,133	35,400
Insurance		
Total written premiums	4,462	4,502
Claims ratio	70%	76%
Cost ratio	18%	16%
Combined ratio	89%	91%
Guaranteed pension		
Guaranteed reserves	264,320	258,723
Guaranteed reseves in % of total reserves	61.2%	64.9%
Net transfer out of guaranteed reserves	117	245
Capital buffer in % of customer reserves Storebrand Life Group **[4]**	7.2%	5.7%
Capital buffer in % of customer reserves SPP **[5]**	9.0%	6.7%
Solidity		
Solvency II **[6]**	172%	157%
Solidity capital (Storebrand Life Group) **[7]**	63,972	56,381
Capital adequacy Storebrand Bank	18.9%	17.7%
Core Capital adequacy Stobrand Bank	16.6%	15.7%

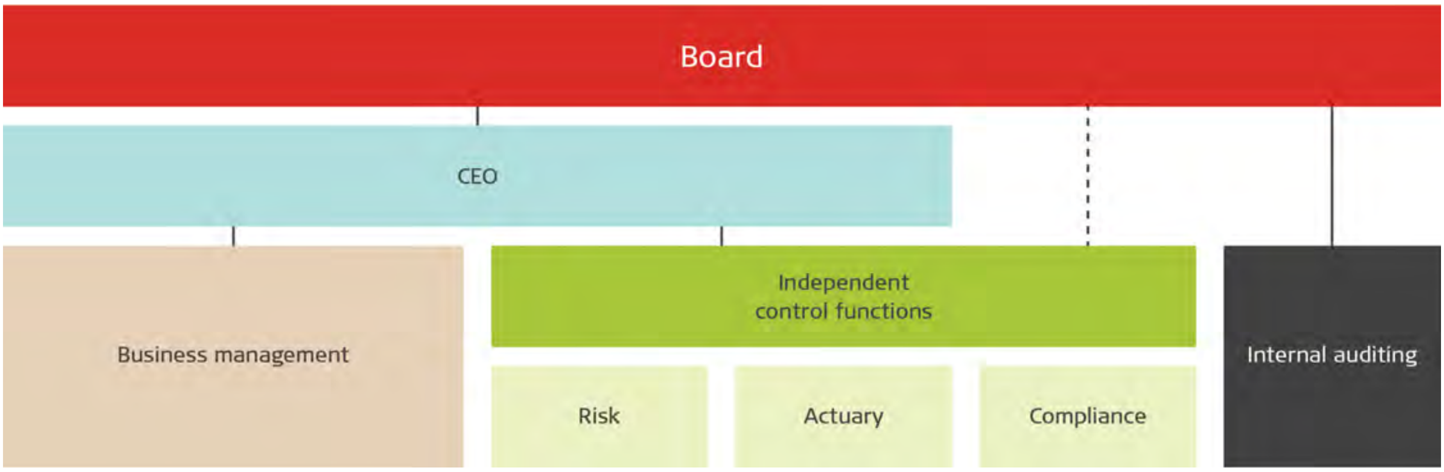
Note 5 – Risk management and internal control

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

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

ORGANISATION OF RISK MANAGEMENT

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



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

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

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

INDEPENDENT CONTROL FUNCTIONS

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

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

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

Note 6 – Operational risk

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

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

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

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

Note 7 – Insurance risk

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

The insurance risk in Norway is largely standardised between the contracts in the same industry as a result of detailed regulation from the authorities. In Sweden, the framework conditions for insurance contracts entail major differences between the contracts within the same industry.

The risk of long life expectancy is the greatest insurance risk in the Group. Other risks include the risk of disability and risk of mortality. The life insurance risks are:

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

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

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

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

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

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

DESCRIPTION OF PRODUCTS

GROUP CONTRACTS

Savings

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

Guaranteed pension

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

Insurance – lump-sum payments (Norway only)

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

INDIVIDUAL CONTRACTS

Savings

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

Guaranteed Pension

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

Insurance

4. Individual P&C insurance contracts are individual contracts with lump-sum payments in the event of critical illness, child insurance, damage to motor vehicle or injury to passengers, combined fire insurance, travel insurance or accident insurance.
5. Disability and survivor products without savings.

RISK PREMIUMS AND TARIFFS

Guaranteed pensions

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

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

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

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

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

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

Insurance

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

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

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

Management of insurance risk

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

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

Large claims or special events constitute a major risk for all products. The largest claims will typically be in the group life, occupational injury and personal injury (motor vehicle accidents) segments.

The company manages its insurance risk through a variety of reinsurance programmes. Through catastrophe reinsurance (excess of loss), the company covers losses (single claims and reserves provisions) where a single event causes more than two deaths or disability cases. This cover is also subject to an upper limit. A reinsurance agreement for life policies covers death and disability risk that exceeds the maximum risk amount for own account the company practises. The company's maximum risk amount for own account is relatively high, and the risk reinsured is therefore relatively modest.

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

RISK RESULT

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

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

Specification of risk result

	Storebrand Life Insurance AS		SPP Pension & Försäkring AB	
NOK million	**2017**	2016	**2017**	2016
Survival	-52	-8	67	-54
Death	440	310	21	56
Disability	218	185	84	90
Reinsurance	-18	-17	-3	-3
Pooling	19	-59	-1	0
Other	-3	-25	-8	-16
Total risk result	603	**386**	**161**	**73**

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

Storebrand Livsforsikring AS

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

SPP Pension & Försäkring AB

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

Note 8 – Financial market risk

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

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

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

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

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

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

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

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

ASSET ALLOCATION

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

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

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

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

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

For company portfolios and guaranteed customer portfolios, most of the assets that are in currencies other than the domestic currency are hedged. This limits the currency risk from the investment portfolios.

Foreign exchange risk primarily arises as a result of investments in international securities, including as a result of ownership in SPP. Hedging is performed by means of forward foreign exchange contracts at the portfolio level, and the currency positions are monitored continuously against a total limit. Negative currency positions are closed out no later than the day after they arose.

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

FINANCIAL ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

	Balance sheet items excluding currency derivatives	Forwad contracts	Net position	
NOK million	Net in balance sheet	Net sales	in currency	in NOK
DKK	1,522	-167	1,355	1,808
CAD	107	-243	-136	-891
EUR	1,220	-1,430	-209	-2,046
GBP	134	-183	-49	-540
JPY	23,649	-38,087	-14,437	-1,054
SEK	184,268	-1,660	-185,929	185,744
USD	3,250	-4,299	-1,049	-8,524
NOK [8]	26,438	-558	25,880	25,842
Other currency types				-779
Insurance liabilities in foreign exchange	-190,177		-190,177	-189,989
Total net currency positions 2017				**9,571**
Total net currency positions 2016				**5,425**

The table above shows the currency positions as at 31 December 2017. The currency exposure is primarily related to investments in the Norwegian and Swedish insurance business.

BANKING BUSINESS

Storebrand Bank ASA hedges net balance sheet items by means of forward contracts. The permitted limit for the bank's foreign exchange position is 0.50 per cent of primary capital, which is presently approximately NOK 12 million.

GUARANTEED CUSTOMER PORTFOLIOS IN MORE DETAIL

Storebrand Life Insurance

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

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

Interest rate

	2017	2016
6 %	0.3 %	0.3 %
5 %	0.3 %	0.4 %
4 %	47.8 %	59.3 %
3.4 %	0.4 %	0.4 %
3 %	30.1 %	30.6 %
2.75 %	1.1 %	1.1 %
2.50 %	11.3 %	11.4 %
2.00 %	7.6 %	5.7 %
0.50 %	7.0 %	0.2 %
0 %	0.4 %	0.5 %

The table includes premium reserve excluding IBNS.

Average interest rate guarantee in per cent

	2017	2016
Individual endowment insurance	2.7 %	2.7 %
Individual pension insurance	3.8 %	3.8 %
Group pension insurance	2.7 %	2.8 %
Paid-up policy	3.4 %	3.4 %
Group life insurance	0.1 %	0.1 %
Total	**3.2 %**	**3.3 %**

The table includes premium reserve including IBNS.

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

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

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

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

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

SPP PENSION & INSURANCE

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

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

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

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

Interest rate

	2017	2016
5.20 %	13.4 %	14.2 %
4.5%-5.2%	0.4 %	0.5 %
4.00 %	1.5 %	1.6 %
3.00 %	49.4 %	49.9 %
2.75%-4.0%	7.1 %	7.1 %
2.70 %	0.1 %	0.1 %
2.50 %	7.2 %	7.3 %
1.60 %	0.1 %	0.2 %
1.50 %	4.0 %	4.0 %
1.25 %	4.9 %	5.0 %
1.25% **[9]**	2.8 %	1.2 %
0.5%-2.5%	4.6 %	4.7 %
0.00 %	4.3 %	4.3 %

Average interest rate guarantee in per cent

	2017	2016
Individual pension insurance	3.4 %	3.4 %
Group pension insurance	2.6 %	2.6 %
Individual occupational pension insurance	3.2 %	3.0 %
Total	**2.9 %**	**2.9 %**

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

SENSITIVITY ANALYSES

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

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

The amount of stress is the same that is used for the company's risk management. The stresses include a 12 per cent fall in equities, 7 per cent fall in property, and an increase in credit spreads of 60 basis points. For interest rates, the stresses include both an increase and fall of 50 basis points, where the most negative is used. The increase in interest rates is negative for the result, while the solvency position is negatively affected by a fall in interest rates.

The stresses are applied individually, but the overall market risk is less than the sum of the individual stresses, because diversification is assumed. The correlation between the stresses is the same that is used for Solvency II.

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

Sensitivity assessments

Resultrisk	Storebrand Life Insurance		SPP Pension & Försäkring	
	NOK million	Share of portfolio	SEK million	Share of portfolio
Interest rate risk	1,907	1.0 %	372	0.4 %
Equity price risk	1,657	0.9 %	852	1.0 %
Property price risk	1,347	0.7 %	482	0.7 %
Credit risk	726	0.4 %	750	0.8 %
Diversification	-764	-0.4 %	-384	-0.4 %
Result	**4,873**	**2.5 %**	**2,172**	**2.4 %**

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

STOREBRAND LIFE INSURANCE

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

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

SPP PENSION & INSURANCE

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

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

OTHER OPERATIONS

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

Note 9 – Liquidity risk

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

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

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

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

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

UNDISCOUNTED CASH FLOWS FOR FINANCIAL LIABILITIES [10]

NOK million	0-6 months	6-12 months	1-3 years	3-5 years	> 5 years	**Total cashflows**	Total booked value
Subordinated loan capital [11]	1,799	61	1,741	2,439	4,298	10,338	8,867
Liabilities to financial institutions	155					155	155
Deposits from bank customers	14,403	225				14,628	14,628
Debt raised from issuance of securities	2,244	943	7,834	6,653		17,674	16,575
Other current liabilities	8,101					8,101	8,101
Uncalled residual liabilities Limited partnership	7,906					7,906	
Unused credit lines lending	3,474					3,474	
Lending commitments	2,007					2,007	
Total financial liabilities 2017	**40,089**	**1,230**	**9,575**	**9,092**	**4,298**	**64,284**	**48,326**
Derivatives related to funding 2017	**-117**	**20**	**-139**	**-97**	**-125**	**-457**	**41**
Total financial liabilities 2016	39,050	309	11,299	8,049	4,721	63,428	47,028

SPECIFICATION OF SUBORDINATED LOAN CAPITAL

NOK million	**Nominal value**	**Currency**	**Interest**	**Maturity**	**Book value**
Issuer					
Hybrid tier 1 capital [12]					
Storebrand Livsforsikring AS	1,500	NOK	Variable	2018	1,506
Perpetual subordinated loan capital					
Storebrand Livsforsikring AS	1,000	NOK	Variable	2020	1,000
Storebrand Livsforsikring AS	1,100	NOK	Variable	2024	1,103
Dated subordinated loan capital					
Storebrand Livsforsikring AS	300	EUR	Fixed	2023	3,227
Storebrand Livsforsikring AS	750	SEK	Variable	2021	757
Storebrand Livsforsikring AS	1,000	SEK	Variable	2022	998
Storebrand Bank ASA	150	NOK	Variable	2017	126
Storebrand Bank ASA	125	NOK	Variable	2019	150
Total subordinated loans and hybrid tier 1 capital 2017					**8,867**
Total subordinated loans and hybrid tier 1 capital 2016					7,621

SPESIFICATION OF LIABILITIES TO FINANCIAL INSTITUTIONS

	Book value	
NOK million	**2017**	2016
Call date		
2017		407
2018	155	
Total liabilities to financial institutions	155	**407**

SPESIFICATION OF LIABILITIES TO FINANCIAL INSTITUTIONS

	Book value	
NOK million	**2017**	2018
Total debt raised through issuance of securities	**16,575**	**16,219**

	Book value	
NOK million	2017	2018
Call date		
2017		3,051
2018	2,882	4,062
2019	3,152	2,692
2020	4,030	3,417
2021	3,509	2,997
2022	3,002	
Total debt raised through issuance of securities	**16,575**	**16,219**

The loan agreements and credit facilities contain covenants.

COVERED BONDS

For issued covered bonds, a regulatory requirement for over-collateralisation of 102 per cent and an over-collateralisation requirement of 109.5 per cent for bonds issued before 21 June 2017 apply.

CREDIT FACILITIES

Storebrand ASA has an unused credit facility of EUR 240 million, expiration December 2019.

FACILITIES ISSUED TO STOREBRAND BOLIGKREDITT AS

Storebrand Bank has issued two credit facilities to Storebrand Boligkreditt AS. One of these is an ordinary overdraft facility, with a ceiling of NOK 6 billion. This has no expired date, but can be terminated by the bank with 15 months' notice. The other facility may not be terminated by Storebrand Bank until at least 3 months after the maturity date of the covered bond and the associated derivates with the longest period to maturity. Both agreements provide a minimum capacity to cover at least interests and payments on covered bonds and derivatives the following 31 days.

FINANCING ACTIVITIES – MOVEMENTS DURING THE YEAR

NOK Million	Subordinated loan capital	Liabilities to financial institutions	Securities issued
Book value 1.1.17	7,621	407	16,219
Admission of new loans/liabilities	1,126	155	5,292
Repayment of loans/liabilities	-150	-407	-4,899
Change in accrued interest	12		-4
Translation differences	289		
Change in value/amortisation	-30		-34
Book value 31.12.17	**8,867**	**155**	**16,575**

Note 10 – Credit risk

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

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

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

CREDIT RISK BROKEN DOWN BY COUNTERPARTY

BONDS AND OTHER FIXED-INCOME SECURITIES AT FAIR VALUE

Category by issuer or guarantor NOK million	**AAA Fair value**	**AA Fair value**	**A Fair value**	**BBB Fair value**	**Other Fair value**	**NIG Fair value**	**Total Fair value**
Government and government guaranteed bonds	20,052	7,681	10,542	5,164		985	44,424
Corporate bonds	17,502	13,326	20,615	24,258	736	722	77,159
Structured notes				81			81
Collateralised securities	31,575	55		122	5		31,758
Total interest bearing securities stated by rating	**69,129**	**21,062**	**31,157**	**29,625**	**741**	**1,708**	**153,421**
Bond funds not managed by Storebrand							9,017
Non-interest bearing securities managed by Storebrand							4,323
Total 2017	**69,129**	**21,062**	**31,157**	**29,625**	**741**	**1,708**	**166,761**
Total 2016	69,845	26,631	33,097	30,778		1,141	171,837

INTEREST BEARING SECURITIES AT AMORTISED COST

Category of issuer or guarantor NOK million	**AAA Fair value**	**AA Fair value**	**A Fair value**	**BBB Fair value**	**Other Fair value**	**NIG Fair value**	**Total Fair value**
Government and government guaranteed bonds	14,036	6,111	7,187	4,068		2,369	33,771
Corporate bonds	13,355	12,465	11,164	6,304		5,710	48,998
Structured notes		945			925		1,869
Collateralised securities	13,352	4,990	7,081	1,043			26,467
Total 2017	**40,744**	**24,511**	**25,432**	**11,415**	**925**	**8,079**	**111,105**
Total 2016	40,724	22,646	25,678	11,400		6,766	107,214

COUNTERPARTIES

NOK million	**AAA Fair value**	**AA Fair value**	**A Fair value**	**BBB Fair value**	**Other Fair value**	**NIG Fair value**	**Total Fair value**
Derivatives		3,215	821	105		75	4,216
Of which derivatives in bond funds, managed by Storebrand		126	23			2	152
Total derivatives excluding derivatives in bond funds 2017		**3,089**	**797**	**105**		**73**	**4,064**
Total derivatives excluding derivatives in bond funds 2016		1,806	2,277	238		506	4,827
Bank deposits	472	7,256	699	11		35	8,474
Of which bank deposits in bond funds, managed by Storebrand		50					50
Total bank deposits excluding bank deposits in bond funds 2017	**472**	**7,207**	**699**	**11**		**35**	**8,424**
Total bank deposits excluding bank deposits in bond funds 2016	465	5,870	1,710	15		10	8,069
Loans to financial institutions		244	70				313

Rating classes based on Standard & Poor's.

NIG = Non-investment grade.

THE LOAN PORTFOLIO

Distribution of the loan portfolio

Commitments by customer groups

NOK million	**Loan to and receivables from customers**	**Guar ante es**	**Unused credit-lines**	**Total commit-ments**	**Unimpaired commit-ments**	**Impaired commit-ments**	**Individual write-downs**	**Net defaulted commit-ments**
Development of building projects		2		2				
– Of which Storebrand Livsforsikring	19,074		105	19,180				

NOK million	Loan to and receivables from customers	Guarantees	Unused credit-lines	Total commit-ments	Unimpaired commit-ments	Impaired commit-ments	Individual write-downs	Net defaulted commit-ments
Sale and operation of real estate	9,048	17		9,066		29	20	10
Other service providers	320			320		42	9	33
Wage-earners and others	42,031		3,551	45,582	150	41	13	178
Others	2,470		22	2,492	1	2	1	1
Total	**53,868**	**20**	**3,574**	**57,462**	**150**	**114**	**43**	**222**
– Individual write-downs	-54			-54				
+ Group write-downs	-27			-27				
Total loans to and receivables from customers 2017 [1]	**53,788**	**20**	**3,574**	**57,382**	**150**	**114**	**43**	**222**
Total loans to and receivables from customers 2016 [2]	46,342	24	3,654	50,020	107	88	27	168
[1] 2017:								
– Of whcih Storebrand Bank	27,257	20	3,474	30,751	150	114	43	222
– Of which Storebrand Livsforsikring	26,531		100	26,631				
[2] 2016:								
– Of whcih Storebrand Bank	27,268	24	3,548	30,840	107	88	27	168
– Of which Storebrand Livsforsikring	19,074		105	19,180				

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

The majority of the loans at Storebrand consist of home loans to retail market customers. The home loans are approved and administered by Storebrand Bank, but an increasing share of the loans has been transferred to Storebrand Livsforsikring as a part of the investment portfolio. Storebrand Livsforsikring and SPP also have loans to companies as part of the investment portfolio. The corporate market segment at Storebrand Bank is being discontinued and will eventually be wound up. Lending as an asset class will increase in future years for the life insurance companies, because lending makes a good contribution to achieving the return guarantee.

As at 31 December 2017, Storebrand had loans to customers totalling NOK 54 billion net after provisions for losses of NOK 54 million. Of this, NOK 12 billion was to the corporate market and NOK 42 billion to the retail market.

The corporate market portfolio consists of income generating properties and development properties with few customers and low level of default that are primarily secured by mortgage in commercial property. Corporate market loans at Storebrand Bank are being discontinued and therefore everything other than NOK 0.3 billion of the loans has been provided by Storebrand Livsforsikring and SPP

In the retail market, most of the loans are secured by means of home mortgages. Customers are evaluated according to their capacity and intent to repay the loan. In addition to their capacity to service debt, customers are checked in relation to policy regulations, and customers are given a credit store using a scoring model. The balance of home loans sold from Storebrand Bank to sister company Storebrand Livsforsikring is NOK 15.2 billion. The mortgages were sold on commercial terms.

The weighted average loan-to-value ratio for home loans is approximately 57 per cent. Over 97 per cent of home loans have a loan to value ratio within 85 per cent and approximately 99.7 per cent are within a 100 per cent loan to value ratio. Approximately 51 per cent of the home loans are within a 60 per cent LVR. The portfolio is considered to have a low to moderate credit risk.

Total committments by remaining term

	2017				2016			
NOK million	Loans to and receivables from customers	Guarantees	Unused credit line	Total commit-ments	Loans to and receivables from customers	Guarantees	Unused credit line	Total commit-ments
Total gross commitments	53,868	20	3,574	57,462	46,409	24	3,654	50,086

	2017				2016			
NOK million	Loans to and receivables from customers	Guara ntees	Unused credit line	Total commit-ments	Loans to and receivables from customers	Guara ntees	Unused credit line	Total commit-ments
Up to one month	243		24	268	55			55
1 – 3 months	91	2	55	148	505	2	22	529
3 months – 1 year	1,096	16	294	1,406	1,350	2	136	1,489
1 -5 years	8,298	1	859	9,159	8,364	20	1,086	9,469
More than 5 years	44,140		2,341	46,482	36,135		2,410	38,545
Total gross commitments	**53,868**	**20**	**3,574**	**57,462**	**46,409**	**24**	**3,654**	**50,086**

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

Credit risks by customer groups

NOK million	Gross non-performing commitments	Individual write-downs	Net non-performing commit-ments	Total recognised value changes during the period
Sale and operation of real estate	29	20	10	9
Other service providers	42	9	33	9
Wage-earners and others	191	13	178	-3
Others	2	-10	1	-11
Total 2017	**265**	**32**	**222**	**4**
Total 2016	195	27	168	-30

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

Total engagement amount by remaining term to maturity

	2017				2016			
NOK million	Loans to and receivables from customers	Guara ntees	Unused credit line	Total commit-ments	Loans to and receivables from customers	Guara ntees	Unused credit line	Total commit-ments
Overdue 1-30 days	379		3	383	346	2	3	351
Overdue 31-60 days	101		1	102	78			79
Overdue 61-90 days	50			50	54			55
Overdue more than 90 days	150		2	153	107		3	110
Total	**681**		**7**	**688**	**586**	**2**	**6**	**594**

COUNTERPARTY RISK – DERIVATES

Investments subject to netting agreements/CSA

				Collateral		
NOK million	Booked value fin. assets	Booked value fin. liabilites	Net booked fin. assets/ liabilities	Cash (+/-)	Securities (+/-)	Net exposure
Investments subject to netting agreements	**3,971**	**2,015**	**1,956**		**-1,228**	**3,183**

NOK million	Booked value fin. assets	Booked value fin. liabilites	Net booked fin. assets/ liabilities	Collateral Cash (+/-)	Securities (+/-)	Net exposure
Investments not subject to netting agreements	93		93			
Total 2017	**4,064**	**2,015**	**2,049**			

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

Note 11 – Concentrations of risk

CONCENTRATIONS OF RISK

Most of the risk for the Storebrand Group relates to the guaranteed pension products in the life insurance companies. These risks are consolidated in the Storebrand Life Insurance Group, which includes the Storebrand Livsforsikring AS, SPP Livförsäkring AB and the business in Ireland and Guernsey (BenCo). Other companies directly owned by Storebrand ASA that are exposed to significant risks are Storebrand Forsikring AS, Storebrand Helseforsikring AS, Storebrand Asset Management Group and Storebrand Bank Group.

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

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

The financial market and investment risks are largely related to the customer portfolios in the life insurance business. The risk associated with a negative outcome in the financial market is described and quantified in Note 8, financial market risk. The banking business has little direct exposure to types of risk other than credit.

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

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

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

Note 12 – Valuation of financial instruments and properties

The Group conducts a comprehensive process to ensure that financial instruments are valued as closely as possible to their market value. Publicly listed financial instruments are valued on the basis of the official closing price on stock exchanges, supplied by Reuters and Bloomberg. Fund units are generally valued at the updated official NAV prices when such prices exist. Bonds are generally valued based on prices obtained from Reuters and Bloomberg. Bonds that are not regularly quoted will normally be valued using recognised theoretical models. The latter is particularly applicable to bonds denominated in Norwegian kroner. Discount rates composed of the swap rates plus a credit premium are used as a basis for these types of valuations. The credit premium will often be specific to the issuer, and will normally be based on a consensus of credit spreads quoted by a selected brokerage firm.

Unlisted derivatives, including primarily interest rate and foreign exchange instruments, are also valued theoretically. Money market rates, swap rates, exchange rates and volatilities that form the basis for valuations are supplied by Reuters and Bloomberg.

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

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

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

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

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

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

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

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

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

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

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

LOANS TO CUSTOMERS
The value of fixed-rate loans is determined by discounting the agreed cash flows over the remaining maturity by the current discount rate adjusted for market spread.

The discount rate that is used is based on a swap interest rate (mid swap) with a maturity that corresponds to the remaining lock-in period for the underlying loans. The market spread that is used on the date of the balance sheet is determined by assessing the market conditions, market price and the associated swap interest rate. However, the fair value of loans to corporate customers with margin loans is lower than the amortised cost because certain loans run with lower margins that they would have done if they had been taken up as of the end of 2017. The value shortfall is calculated by discounting the difference between the agreed margin and the current market price over the remaining duration.

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

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

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

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

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

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

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

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

VALUATION OF FINANCIAL INSTRUMENTS AND PROPERTIES AT FAIR VALUE

	Level 1	Level 2	Level 3		
NOK million	Quoted prices	Observable assumptions	Non-observable assumptions	31/12/17	31/12/16
Assets:					
Equities and units					
– Equities	22,135	457	767	23,360	21,950
– Fund units	427	124,968	7,679	133,074	107,586
Total equities and fund units 31.12.17	**22,563**	**125,425**	**8,445**	**156,433**	
Total equities and fund units 31.12.16	20,615	99,814	9,107		129,537
Loans to customers [14]					
– Loans to customers – corporate			5,104	5,104	2,346
– Loans to customers – retail			580	580	1,959
Loans to customers 31.12.17 [15]			**5,684**	**5,684**	
Loans to customers 31.12.16 **[16]**			4,304		4,304
Bonds and other fixed-income securities					
– Government bonds	24,011	25,011		49,022	47,696
– Corporate bonds	165	49,057	108	49,331	33,154
– Structured notes		81		81	29
– Collateralised securities		28,914		28,914	33,216
– Bond funds	9	39,403		39,412	57,742
Total bonds and other fixed-income securities 31.12.17	**24,186**	**142,467**	**108**	**166,761**	
Total bonds and other fixed-income securities 31.12.16	23,337	148,251	249		171,837
Derivatives:					
– Interest derivatives		2,799		2,799	3,291
– Currency derivatives		-751		-751	-657
Total derivatives 31.12.17		**2,049**		**2,049**	
– of which derivatives with a positive market value		4,114		4,114	4,827
– of which derivatives with a negative market value		-2,065		-2,065	-2,194
Total derivatives 31.12.16		2,634			2,634
Properties:					
Investment properties			27,453	27,453	24,161
Properties for own use			1,408	1,408	2,863
Total properties 31.12.17			**28,861**	**28,861**	
Total properties 31.12.16			27,024		27,024
Liabilities:					
Liabilities to financial institutions **[17]**					402
Total liabilities 31.12.17 [18]					
Total liabilities 31.12.16 **[13]**		402			402

MOVEMENTS BETWEEN QUOTED PRICES AND OBSERVABLE ASSUMPTIONS

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

Movements from level 1 to level 2 reflect a reduction in the trading volume of relevant equities and bonds during the most recent measurement period. On the other hand, movements from level 2 to level 1 indicate an increase in the market value of relevant equities and bonds during the most recent measurement period.

FINANCIAL INSTRUMENTS AND REAL ESTATE AT FAIR VALUE – LEVEL 3

NOK million	Equities	Fund units	Loans to customers	Corporrate bonds	Investment properties	Properties for own use
Book value 01.01.17	1,059	8,050	4,304	249	24,284	2,895
Net gains/losses on financial instruments	-23	749	-73	-36	376	69
Supply	2	725	3,150		4,056	168
Sales	-295	-1,974	-1,825	-115	-1,856	-2,239
Translation differences	23	129	128	11		
Other					593	514
Book value 31.12.17	**767**	**7,679**	**5,684**	**108**	**27,453**	**1,408**

VALUATION OF FINANCIAL INSTRUMENTS TO AMORTISED COST

	Level 1	Level 2	Level 3				
NOK Mill.	Quoted prices	Observable assumptions	Non- observable assumptions	Total fair value 31.12.17	Total fair value 31.12.16	Book value 31.12.17	Book value 31.12.16
Financial assets							
Loans to and due from financial institutions		313		313	272	313	272
Loans to customers – corporate	1	299	6 200	6 500	8 474	6 532	8 518
Loans to customers – retail		26 354	15 217	41 571	33 520	41 571	33 520
Bonds held to maturity		16 933		16 933	17 537	15 128	15 644
Bonds classified as loans and receivables		94 218		94 218	89 677	87 474	82 777
Total financial assets 31.12.2017	**1**	**138 117**	**21 417**	**159 536**		**151 019**	
Total financial assets 31.12.2016		132 759	16 721		149 480		140 730
Financial liabilities							
Debt raised by issuance of securities		16 634		16 634	16 290	16 575	16 219
Liabilities to financial institutions		155		155	5	155	5
Deposits from banking customers		14 628		14 628	15 238	14 628	15 238
Subordinatd loan capital		8 990		8 990	7 720	8 867	7 621
Total financial liabilities 31.12.2017		**40 407**		**40 407**		**40 224**	
Total financial liabilities 31.12.2016		39 254			39 254		39 083

THE SENSITIVITY OF FINANCIAL INSTRUMENTS AND PROPERTY AT FAIR VALUE

Equities

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

	Change in value at change in discount rate	
Million NOK	Increase + 25 bp	Decrease – 25 bp
Change in fair value per 31.12.17	**45**	**-43**
Change in fair value per 31.12.16	44	-42

Fund units

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

	Change MSCI World	
Million NOK	Increase + 10 %	Decrease – 10 %
Change in fair value per 31.12.17	323	-323
Change in fair value per 31.12.16	349	-349

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

	Change in value underlying properties	
Million NOK	Increase + 10 %	Decrease + 10 %
Change in fair value per 31.12.17	19	-19
Change in fair value per 31.12.16	35	-35

Loans to customers

The value of fixed-rate loans is determined by discounting the agreed cash flows over the remaining maturity by the current discount rate adjusted for market spread. The discount rate that is used is based on a swap interest rate (mid swap) with a maturity that corresponds to the remaining lock-in period for the underlying loans. The market spread that is used on the date of the balance sheet is determined by assessing the market conditions, market price and the associated swap interest rate.

Loans from SPP Pension & Försäkring AB are appraised at fair value. The value of these loans is determined by future cash flows being discounted by an associated swap curve adjusted for a customer-specific credit spread.

	Change in marketspread	
Million NOK	+ 10 bp	– 10 bp
Change in fair value per 31.12.17	-20	20
Change in fair value per 31.12.16	-19	19

Corporate bonds

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

	Change MSCI World	
Million NOK	Increase + 10 %	Decrease + 10 %
Change in fair value per 31.12.17	6	-6
Change in fair value per 31.12.16	12	-12

Properties

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

	Change in required rate of return	
Million NOK	**+ 0.25 %**	**– 0.25 %**
Change in fair value per 31.12.17	-1,324	1,466
Change in fair value per 31.12.16	-1,231	1,344

Note 13 – Solvens II

The Storebrand Group is an insurance-dominated, cross-sectoral financial group with capital requirements in accordance with Solvency II. Storebrand calculates Solvency II according to the standard method as defined in the Solvency II Regulations.

Consolidation is carried out in accordance with Section 18-2 of the Norwegian Act relating to Financial Undertakings and Financial Groups.

The solvency capital requirement and minimum capital requirement for the group are calculated in accordance with Section 46 (1)-(3) of the Solvency II Regulations using the standard method and include the effect of the transitional arrangement for shares pursuant to Section 58 of the Solvency II Regulations.

The models used as a basis for the calculation of capital requirements and solvency capital are based on a number of requirements and assumptions that are partly specified in the regulations and partly interpreted by Storebrand based on the regulations. The most important assumptions and estimates in the calculation relate to the risk-reducing capacity of deferred tax, future margins and reserve developments, as well as the value of the customers guarantees and options. The assumptions and estimates are reviewed on an ongoing basis and are based on historical experience and 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 **[19]**. 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.

The companies in the group governed by CRD IV are included in the group's solvency capital and solvency capital requirements with their respective primary capital and capital requirements.

Solvency capital

	31.12.17					31.12.16
NOK million	Total	Group 1 unlimited	Group 1 limited	Group 2	Group 3	Total
Share capital	**2,339**	2,339				2,250
Share premium	**10,521**	10,521				9,485
Reconciliation reserve	**25,694**	25,694				23,524
Including the effect of the transitional arrangement	**4,513**	4,513				3,073
Subordinated loans	**8,547**		2,642	5,905		7,198
Deferred tax assets	**71**				71	102
Risk equalisation reserve	**143**			143		140
Minority interests	**49**				49	46
Unavailable minority interests	**-33**				-33	-30
Deductions for CRD IV subsidiaries	**-2,929**	-2,429	-225	-275		-2,690
Expected paid out dividend	**-1,168**	-1,168				-695
Total basic solvency capital	**43,234**	34,958	2,417	5,773	87	39,331
Subordinated capital for subsidiaries regulated in accordance with CRD IV	**2,929**					2,690
Total solvency capital	**46,164**					42,020
Total solvency capital available to cover the minimum capital requirement	**39,294**	34,958	2,417	1,920		36,726

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	31.12.17	31.12.16
Market	22,936	24,175
Counterparty	565	529
Life	10,453	8,773
Health	744	731
P&C	283	295
Operational	1,496	1,449
Diversification	-7,023	-6,340
Loss-absorbing tax effect	-5,002	-5,363
Total solvency capital requirement – insurance company	**24,452**	**24,249**
Capital requirements for subsidiaries regulated in accordance with CRD IV	2,458	2,537
Total solvency capital requirement	**26,910**	**26,786**
Solvency margin with transitional rules	**172%**	**157%**
Minimum capital requirement	**9,599**	**10,010**
Minimum margin	**409%**	**367%**

Note 14 – Cross-sectoral financial group

The Storebrand Group has a requirement to report capital adequacy in a multi-sectoral financial group (conglomerate directive). The calculation in accordance with the Solvency II regulations and capital adequacy calculation in accordance with the conglomerate directive give the same primary capital and essentially the same capital requirements.

NOK million	31.12.17	31.12.16
Capital requirements for CRD IV companies	2,687	2,700
Solvency captial requirements for insurance	24,452	24,249
Total capital requirements	**27,138**	**26,950**
Net primary capital for companies included in the CRD IV report	2,929	2,690
Net primary capital for insurance	43,234	39,331
Total net primary capital	**46,164**	**42,020**
Overfunding	**19,025**	**15,070**

Under Solvency II, the capital requirement from the CRD IV companies in the Group is included in accordance with their respective capital requirements. In a multi-sectoral financial group, all the capital requirements of the CRD IV companies are calculated based on their respective applicable requirements, including buffer requirement for the largest company in the Group (Storebrand Bank). This increases the total requirement from the CRD IV companies in relation to what is included in the Solvency II calculation. As at 31 December 2017, the difference amounted to NOK 229 million.

Note 15 – Premium income

NOK million	2017	2016
Savings:		
Unit Linked Storebrand Life Insurance	11,893	10,875
Unit Linked SPP	5,772	5,159
Total savings	**17,666**	**16,034**
Of which premium reserve transferred to company	2,648	1,890
Insurance:		
P&C & Individual life [20]	1,831	1,831
Group life [21]	737	743
Pension related disability insurance	1,297	1,330
Total insurance	**3,864**	**3,904**
Of which premium reserve transferred to company	110	38
Guaranteed pension:		
Defined Benefit (fee based) Storebrand Life Insurance	3,142	4,035
Paid-up policies Storebrand Life Insurance	-277	-348
Traditional individual life and pension Storebrand Life Insurance	259	272
SPP Guaranteed Products	1,817	1,786
Total guaranteed pension	**4,940**	**5,746**
Of which premium reserve transferred to company		-474
Other:		
BenCo	182	146
Total other	**182**	**146**
Total premium income	**26,652**	**25,829**
Of which premium reserve transferred to company	2,758	1,455

Note 16 – Net income analysed by class of financial instrument

NOK million	Dividend/ interest income etc.	Net gains and losses on financial assets	Net revaluation on investments	Total 2017	Of which Company	Of which Customer	2016
Profit on equities and fund units	594	2,642	13,738	16,974	31	16,943	11,647
Profit on bonds and other fixed-income securities at fair value	3,199	2,449	-1,988	3,660	503	3,157	4,672
Profit on financial derivatives	1,329	362	-745	946	99	848	2,636
Profit on loans	158		12	170	57	113	40
Total gains and losses on financial assets at fair value	**5,280**	**5,453**	**11,017**	**21,750**	**690**	**21,060**	**18,995**
– of which FVO (fair value option)	3,830	5,089	11,728	20,647	399	20,212	15,725
– of which trading	1,322	358	-737	943	99	848	2,641
Net income bonds to amortised cost, loans and accounts receivables	4,061	317		4,377	134	4,243	3,613
Net income bonds held to maturity							706
Net income loans	1,108			1,108	665	443	991
Total gains and losses on financial assets at amortised cost	**5,169**	**317**		**5,486**	**799**	**4,686**	**5,310**

Losses from loans

NOK million	2017	2016
Write-downs/income recognition for loans and guarantees for the period		
Change in individual loan write-downs for the period	-15	31
Change in grouped loan write-downs for the period	8	-4
Realised losses on loans where provisions have previously been made	-2	-35
Realised losses on loans where no provisions have previously been made	-5	-7
Recovery of loan losses realised previously	2	1
Write-downs/income recognition for loans and guarantees for the period	**-13**	**-14**

Note 17 – Net income from properties

NOK million	2017	2016
Rent income from properties *	1,376	1,282
Operating expenses (including maintenance and repairs) relating to properties that have provided rent income during the period **	-294	-292
Total	**1,082**	**990**
Change in fair value	1,474	1,314
Total income properties	**2,556**	**2,304**
* Of which properties for own use	184	181
** Of which properties for own use	-40	-42
Allocation by company and customers:		
Company [22]		10
Customer	2,556	2,295
Total income from properties	**2,556**	**2,304**

Note 18 – Other income

NOK million	2017	2016
Fee and commission income, banking	79	64
Net fee and commission income, banking	**79**	**64**
Management fees, asset management	1,354	835
Management fees	826	517
Return commissions/Kick-back	848	785
Insurance related income	315	440
Revenue from companies other than banking and insurance	373	417
Other income	256	162
Total other income	**4,051**	**3,220**

Note 19 – Insurance claims

NOK million	2017	2016
Savings:		
Unit Linked Storebrand Life Insurance	-4,646	-3,312
Unit Linked SPP	-3,456	-3,106
Total savings	**-8,102**	**-6,418**
Of which premium reserve transferred to company	-3,310	-3,356
Insurance:		
P&C & Individual life **[23]**	-1,080	-1,138
Group life **[24]**	-514	-715
Pension related disability insurance	-158	-166
Total insurance	**-1,752**	**-2,020**
Of which premium reserve transferred to company	-30	-34
Guaranteed pension:		
Defined Benefit (fee based) Storebrand Life Insurance	-2,091	-4,097
Paid-up policies Storebrand Life Insurance	-4,989	-4,607
Traditional individual life and pension Storebrand Life Insurance	-1,499	-1,420
SPP Guaranteed Products	-5,275	-5,796
Total guaranteed pension	**-13,854**	**-15,919**
Of which premium reserve transferred to company	-642	-2,812
Other:		
BenCo	-1,277	-956
Total other	**-1,277**	**-956**
Total net premium income	**-24,985**	**-25,313**
Of which premium reserve transferred to company	-3,982	-6,202

The table below shows the anticipated compensation payments.

Development in exected insurance claim payments – life insurance

NOK billion	Storebrand Life Insurance	SPP	BenCo
0-1 year	16	7	2
1-3 years	34	13	3
> 3 years	204	147	10
Total	**253**	**167**	**14**

Development in insurance claim payment – P&C insurance, exlusive run-off

NOK million	2012	2013	2014	2015	2016	2017	Total
Calculated gross cost of claims							
At end of the policy year	391	461	513	690	793	785	
– one year later	373	482	506	687	762		
– two years later	364	478	500	653			
– three years later	357	482	483				
– four years later	370	471					
– five years later	362						
Calculated amount 31.12.17							
Total disbursed to present	344	437	453	573	665	486	2,958
Claims reserve	18	34	30	80	97	299	557
Claims reserve for previous years (before 2012)							19

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

Note 20 – Change in insurance liabilities – life insurance

NOK million	Storebrand Life Insurance	BenCo	SPP	Eliminations	2017	2016
Guaranteed return	-5,812	-76	-2,216		-8,104	-8,086
Other changes in premium reserves customer funds with guaranteed return	4,980	551	3,732	52	9,316	5,478
Change in premium reserve customer funds without guaranteed return	-15,227	198	-8,980		-24,009	-19,670
Change in premuim fund/pensioners surplus fund	-23	336			313	310
Profit to customers	-574				-574	-761
Change in allocations, risk products	9				9	-1,019
Change in insurance liabilities – life insurance	**-16,647**	**1,009**	**-7,463**	**52**	**-23,049**	**-23,748**

Note 21 – Change in capital buffer

NOK million	2017	2016
Change in market value adjustment reserve	-1,024	1,836
Change in additional statutory reserves	-1,387	-1,488
Change in conditional bonuses	-1,532	1,126
Total change in capital buffer	**-3,943**	**1,475**

Note 22 – Operating expenses and number of employees

OPERATING EXPENSES

NOK million	2017	2016
Personnel expenses	-1,955	-1,741
Amortisation/write-downs	-167	-275
Other operating expenses	-1,952	-1,771
Total operating expenses	**-4,073**	-3,788

NUMBER OF EMPLOYEES [25]

	2017	2016
Number of employees 31.12	1,795	1,745
Average number of employees	1,759	1,816
Number of person-years 31.12	1,773	1,723
Average number of person-years	1,738	1,791

Note 23 – Pension expenses and pension liabilities

Storebrand Group has country-specific pension schemes.

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

The premiums and content of the defined-contribution pension scheme are as follows:

- Saving starts from the first krone of salary.
- Savings rate of 7 per cent of salary from 0 to 12 G (the National Insurance basic amount "G" was NOK 93,634 at 31 December 2017)
- In addition, 13 per cent of salary between 7.1 and 12 G is saved.
- Savings rate for salary over 12 G is 20 per cent.

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

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

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

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

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

The pension in the BTP2 agreement (defined-benefit occupational pension that is a closed scheme) amounts to 10 per cent of the annual salary up to 7.5 times the "basic income amount" (which was SEK 61,500 in 2017 and will be SEK 62.500 in 2018), 65 per cent of salary in the interval from 7.5 to 20, and 32.5 per cent in the interval from 20 to 30. No retirement pension is paid for the portion of salary in excess of 30 times the "basic income amount". Full pension entitlement is reached after 30 years of membership in the pension scheme. In addition to the defined-benefit part, the BTP plan has a smaller defined-contribution component. Here the employees can decide themselves how assets are to be invested (traditional insurance or unit-linked insurance). The defined-contribution part is 2 per cent of the annual salary.

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

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

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

Reconciliation of pension assets and liabilities in the statement of financial position

	2017	2016
Present value of insured pension liabilities	994	979
Fair value of pension assets	-928	-948
Net pension liabilities/assets insured scheme	66	31
Asset ceiling	5	
Present value of unsecured liabilities	267	258
Net pension liabilities recognised in statement of financial position	**338**	**289**

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

Booked in statement of financial position

NOK million	**2017**	2016
Pension assets	3	
Pension liabilities	341	289

Changes in the net defined benefit pension liabilities in the period

NOK million	**2017**	2016
Net pension liabilities 01.01	1,237	1,481
Pensions earned in the period	17	32
Pension cost recognised in period	32	39
Estimate deviations	18	118
Gain/loss on insurance reductions	2	-179
Pensions paid	-89	-104
Changes to pension scheme		-71
Pension liabilities additions/disposals and currency adjustments	43	-73
Payroll tax of employer contribution, assets		-7
Net pension liabilities 31.12	**1,260**	**1,237**

Changes in the fair value of pension assets

NOK million	2017	2016
Pension assets at fair value 01.01	948	1 016
Expected return	26	30
Estimate deviation	-96	-27
Premiums paid	32	89
Pensions paid	-34	-31
Changes to pension scheme		-61
Pension liabilities additions/disposals and currency adjustments	51	-61
Payroll tax of employer contribution, assets		-7
Net pension assets 31.12	**928**	**948**
Expected premium payments (pension assets) in 2018	27	
Expected premium payments (contributions) in 2018	171	
Expected AFP early retirement scheme payments in 2018	15	
Expected payments from operations (uninsured scheme) in 2018	69	

Pension assets are based on the financial assets held by Storebrand Life Insurance/SPP composed at 31.12:

	Storebrand Life Insurance		SPP	
NOK million	2017	2016	2017	2016
Real estate at fair value	12%	15%	11%	8%
Bonds at amortised cost	32%	40%		
Loans at amortised cost	12%	6%		
Equities and units at fair value	15%	12%	8%	6%
Bonds at fair value	27%	27%	81%	86%
Total	**100%**	**100%**	**100%**	**100%**
The table shows the percentage asset allocation of pension assets at year-end managed by Storebrand Life Insurance.				
Realised return on assets	**4,9 %**	**6,4 %**	**3,7 %**	**5,3 %**

Net pension expenses booked to profit and loss account, specified as follows

NOK million	2017	2016
Current service cost	17	32
Net interest cost/expected return	8	9
Changes to pension scheme		-189
Gain/loss on insurence reductions	3	
Total for defined benefit schemes	**29**	**-147**
The periods payment to contribution scheme	161	152
The periods payment to contractual pension	17	17
Net pension cost recognised in profit and loss account in the period	**207**	**22**

Other Comprehensive Income (OCI) in the period

NOK million	2017	2016
Acturial loss (gain) – change in discount rate	98	100
Acturial loss (gain) – change in other financial assumptions	-10	-2
Acturial loss (gain) – experience DBO	-70	27
Loss (gain) – experience asset	95	24
Investment management cost		3
Asset ceiling – asset adjustment	5	
Remeasurements loss (gain) in the period	**119**	**152**

Main assumptions used when calculating net pension liability 31.12

	Storebrand Livsforsikring		SPP	
	2017	2016	2017	2016
Discount rate	2.6%	2.3%	2.3%	2.8%
Expected earnings growth	2.25%	2.00%	3.5%	3.5%
Expected annual increase in social security pensions	2.25%	2.00%	3.0%	3.0%
Expected annual increase in pensions payments	0.0%	0.0%	2.0%	2.0%
Disability table	KU	KU		
Mortality table	K2013BE	K2013BE	DUS14	DUS14

Financial assumptions:

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

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

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

Actuarial assumptions:

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

The actuarial assumptions in Sweden follow the industry's mutual mortality table DUS14 adjusted for corporate differences. The average employee turnover rate is estimated to be 4 per cent p.a.

Sensetivity analysis pension calculations

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

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

	Discount rate		Expected earnings growth		Expected annual increase in pensions payment	Mortality – change in expected life expectancy	
	1.0%	-1.0 %	1.0 %	-1.0 %	1.0 %	+ 1 year	– 1 year
Percentage change in pension:							
– Pension liabilities	-9%	12%		-4%	7%	4%	-4%
– The period's net pension costs	-24%	-1%	-7%	-20%	-7%	-10%	-17%

Note 24 – Remuneration to senior employees and elected officers of the company

NOK thousand	Ordinary salary [26]	Other benefits [27]	Total remuneration for the year	Pension accrued for the year	termination salary (months)	Loan [28]	No. of shares owned [29]
Senior employees							
Odd Arild Grefstad	6,881	199	7,079	1,107	24	3,508	114,486
Lars Aa. Løddesøl	4,819	214	5,033	863	18	8,997	70,144
Geir Holmgren	4,335	215	4,550	692	12	6,774	39,283
Robin Kamark **[30]**	3,858	139	3,997	794		na	na
Heidi Skaaret	4,391	198	4,589	688	12	3,481	38,014
Staffan Hansén	4,762	17	4,780	1,066	12		37,788
Jan Erik Saugestad	4,901	164	5,065	878	12	1,200	32,882
Jostein Chr. Dalland	2,757	148	2,904	483	12		9,959
Karin Greve-Isdahl **[31]**	1,646	12	1,657	273	12		2,267
Wenche Annie Martinussen **[32]**	2,751	169	2,920	386	12	7,850	7,227
Total 2017	**41,100**	**1,474**	**42,574**	**7,231**		**31,810**	**352,050**
Total 2016	37,006	1,463	38,469	7,286		27,283	314,376

NOK thousand	Remuneration	Loan	No. of shares owned [33]
Board of Directors			
Birger Magnus **[34]**	173		20,000
Didrik Munch **[35]**	487		
Gyrid Skalleberg Ingerø	345		5,000
Laila S. Dahlen	322		10,500
Martin Skancke	567		16,414
Håkon Reistad Fure	503		18,500
Karin Bing Orgland	469		15,000
Jan Chr. Opsahl	322		1,100,000
Heidi Storruste	363	3,461	3,365
Knut Dyre Haug **[36]**	109	1,226	13,755
Arne Fredrik Håstein	403	3,273	4,144
Ingvild Pedersen **[37]**	308	2,389	1,684
Total 2017	**4,372**	**10,349**	**1,208,362**
Total 2016	4,623	7,850	1,183,678

Loans to Group employees totalled NOK 2.431 million.

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

The Board of Directors of Storebrand ASA has had a dedicated Compensation Committee since 2000. The Compensation Committee is tasked with making a recommendation to the Board of Directors concerning all matters regarding the Company's remuneration of its Chief Executive Officer. The Committee is responsible for keeping itself informed and proposing guidelines for the determination of remuneration of executive employees in the Group. The Committee also acts as an advisory body to the Chief Executive Officer with regard to remuneration schemes that encompass all employees of the Storebrand Group, including Storebrand's bonus and pension schemes. The Compensation Committee satisfies the follow-up requirements set forth in the remuneration schemes.

Storebrand Asset Management AS' subsidiary Skagen AS, which was acquired in December 2017, has separate guidelines for financial consideration which will be examined at in more detail during 2018 and the Group's guidelines will therefore not apply directly to Skagen AS in 2018.

1. ADVISORY GUIDELINES FOR THE COMING FINANCIAL YEAR

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

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

The salaries of executive employees are determined based on the position's responsibilities and level of complexity. Comparisons with equivalent external positions are regularly made in order to adjust the salary level to the market rates. Storebrand does not wish to be a pay leader in relation to the industry.

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

Pension scheme
The Company shall arrange and pay for ordinary group pension insurance common to all employees, from the moment employment commences, and in accordance with the pension rules in force at any given time. With effect from 2015, the Company has defined contribution pension schemes for all employees. This applies to pay both above and below 12 G. **[38]**

In connection with the transition from defined benefit to defined contribution schemes, compensation schemes were established for employees for whom the change was disadvantageous. These schemes give additional monthly saving for employees for a maximum 36 months. The additional saving is taxed as pay.

For group management, the calculated cash value of pension rights for pay above 12 G that was already earned before the change will be paid out over a five-year period. The payment period is fixed regardless of whether the employee leaves the Company before the end of this period.

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

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

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

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

In 2018, a limited group of a few employees may be encompassed by a scheme similar to that of the executive management team with the mandatory purchase of the Company's shares.

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

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

The guidelines for executive remuneration policy set for 2017 have been followed. The annual independent assessment of the guidelines and the practising of these guidelines in connection with bonuses to be paid in 2018 will be carried out during the first half of 2018.

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

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

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

Note 25 – Remuneration paid to auditors

The remuneration paid to Deloitte AS amounts to:

NOK million	**2017**	2016
Statutory audit	-11,3	-12,7
Other reporting duties	-1,3	-2,1
Tax advice	-0,5	-1,3
Other non-audit services	-0,2	-0,4
Total remuneration to auditors	**-13,3**	**-16,5**

The amounts are excluding VAT.

Note 26 – Other expenses

NOK million	**2017**	**2016**
Incurance related expenses	-100	-34
Administration expenses	-551	-444
Earnout	-51	
Other expenses	-228	-205
Total other expenses	**-930**	**-683**

Note 27 – Tax

TAX COST IN THE RESULT

NOK million	**2017**	2016
Tax payable	-72	-28
Change in deferred tax	74	-336
Total tax charge	**2**	**-364**

RECONCILIATION OF EXPECTED AND ACTUAL TAX COST

NOK million	2017	2016
Ordinary pre-tax profit	2,404	2,506
Expected income tax at nominal rate	-601	-625
Tax effect of		
realised/unrealised shares	112	-89
share dividends received	66	-47
associated companies	14	15
other permanent differences	496	319
recognition/write-down of tax assets	1	
change in tax rate	104	118
Changes from previous years	-190	-55
Total tax charge	**2**	**-364**
Effective tax rate *	0%	15%

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

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

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

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

NOK million	2017	2016
Tax-increasing temporary differences		
Securities	15,095	9,769
Properties	10,452	11,063
Operating assets	8	158
Securities liabilities	65	
Gains/losses account	84	106
Other	1,281	1,116
Total tax-increasing temporary differences	**26,984**	**22,211**
Tax-reducing temporary differences		
Securities	-43	-64
Operating assets	-39	-35
Provisions	-10,682	-6,914
Accrued pension liabilities	-240	-254
Gains/losses account	-9	-11
Other	-3	
Total tax-reducing temporary differences	**-11,015**	**-7,278**
Carryforward losses	**-16,649**	**-15,969**
Basis for net deferred tax and tax assets	**-679**	**-1,036**
Net basis for deferred tax and tax assets	**-679**	**-1,036**
Net deferred tax assets/liabilities in balance sheet *) **) *)**	**-399**	**-420**
Recognised in balance sheet		
Deferred tax assets	637	595
Deferred tax	238	175

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

**) In December 2017, the Norwegian Parliament (Storting) agreed to reduce the company tax rate from 24 to 23 per cent with effect from 1 January 2018. It was also agreed to keep the rate at 25 per cent for companies subject to the financial tax. The Storebrand Group includes companies that are both subject to and not subject to the financial tax. Therefore, when capitalising deferred tax/deferred tax assets in the consolidated financial statements, the company tax rate that applies for the individual companies is used (23 or 25 per cent).

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

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

Note 28 – Intangible assets and excess value on purchased insurance contracts

	Intangible assets					
NOK million	IT systems	VIF [39]	Other intangible assets	Goodwill	2017	2016
Acquisition cost 01.01	737	9,380	671	1,260	12,048	13,353
Additions in the period						
– Developed internally	43				43	44
– Purchased separately	73				73	105
– Purchased via acquistion/merger	31		678	1,007	1,715	
Disposals in the period	-36				-36	-287
Currency differences on converting foreign units	3	510	35	43	590	-1,166
Other changes	1				1	
Acquisition cost 31.12	**851**	**9,890**	**1,384**	**2,310**	**14,434**	**12,049**
Accumulated depreciation and write-downs 01.01	-410	-5,880	-597	-304	-7,190	-7,543
Write-downs in the period						-10
Amortisation in the period	-82	-325	-211		-619	-506
Disposals in the period	33				33	199
Currency differences on converting foreign units		-330	-33		-363	671
Acc. depreciation and write-downs 31.12	**-460**	**-6,535**	**-841**	**-304**	**-8,139**	**-7,190**
Book value 31.12	**391**	**3,355**	**542**	**2,006**	**6,295**	**4,858**

Intangible assets linked to acquisition of SPP

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

In calculating the utility value, the management have made use of budgets and forecasts approved by the Board for the next three years (2018 to 2020). The management has made assessments for the period from 2021 to 2027, and the annual growth for each element in the income statement has been estimated. The primary drivers of improved long-term results will be the return on total assets, underlying inflation and wage growth in the market (which drive premium growth). The utility value is calculated using a required rate of return after tax of 5.3 per cent. The required rate of return is calculated based on the risk-free interest rate and added to a premium that reflects the risk of the business.

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

Intangible assets linked to the banking business

A cash flow based valuation based on the expected result after tax is used when calculating the utility value of the banking business. In the spring of 2014, the board of the bank approved a liquidation plan for the bank's corporate market portfolio. This liquidation has been taken into account in the financial plan. In addition, budgets and forecasts approved by the Board for the next three years (2018 to 2020) are used as the basis for the valuation.

The cash flow is based on two elements, profit/loss after tax to equity and change in expected regulatory tying-up of capital. It is also assumed that all capital in addition to regulatory tied-up capital, can be withdrawn at the end of each period. For the period after 2020, a growth rate of 2.5 percent has been used for the retail market which is also included in the calculation of the terminal value. The required rate of return to equity is calculated based on the capital asset pricing model (CAPM). Long-term risk-free interest is set at the interest rate for 10 year Norwegian government bonds. The market's risk premium is set at 4,5 percent and this is in line with the risk premium in the Norwegian market.

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

There will be uncertainty related to the assumptions that have been made in the valuation. The value will be affected by the assumptions for the interest rate margin, expected losses on lending, growth parameters and capital requirements, as well as what required rate of return is assumed, etc. It is pointed out that the aim of the calculations is to ensure adequate reliability that the utility value, cf. IAS 36, is not lower than the recognised value in the accounts. Simulation with reasonable, as well as conservative, assumptions indicates a value for the investment that justifies the book .

Intangible assets linked to the acquisition of Skagen

Storebrand ASA acquired 90.95% of the shares in Skagen AS on 7 December 2017. The intangible assets linked to Skagen are customer lists, branded products, technology and goodwill. On 8 December 2017, Storebrand ASA transferred ownership of Skagen AS to Storebrand Asset Management as a contribution in kind.

The value of Skagen AS is calculated based on expected cash flows from Skagen's business activities. As of 31 December 2017, no separate calculations have been made of the utility value because it has been found that the valuation from early December has not been subject to significant changes or impairment. Based on this, the utility value of the company is deemed to justify the book value of Skagen.

Specification of intagible assets

NOK million	Useful economic life	Depr. rate	Depr. method	Book value 2017
Brand name SPP	10 years	10 %	Straight line	
Brand name Skagen	10 years	10 %	Straight line	144
SPP Fonder	10 years	10 %	Straight line	
IT systems	3-8 years	20 %	Straight line	391
Customer lists SPP	10 years	10 %	Straight line	
Customer lists Skagen	10 years	10 %	Straight line	399
Value of business in force SPP	20 years	5 %	Straight line	3,355
Total				**4,289**

Goodwill distributed by business acquisition

NOK million	Business area	Acquisition cost 01.01	Accumulated write-downs 01.01	Book value 01.01	Supply/ disposals/ currency effect	Book value 31.12
Delphi Fondsforvaltning	Savings	35	-4	32		32
SPP Fonder	Savings	45		45	2	48
Storebrand Bank ASA	Other	422	-300	122		122
SPP	Guarant. pension/Savings	757		757	40	797
Skagen	Savings				1,007	1,007
Total		**1,261**	**-304**	**957**	**1,049**	**2,006**

Note 29 – Tangible fixed assets

NOK million	Vehicles/ equipment	Real estate	2017	2016
Book value 01.01	58	423	481	500
Additions	6	5	11	28
Disposals	-2		-2	-17
Value adjustment recognised through the balance sheet	1	22	23	13
Addition via acquisition/merger	6	5	10	
Depreciation	-19		-19	-18
Currency differences from converting foreign units	1	37	38	-25
Other changes			1	9
Book value 31.12	**52**	**491**	**543**	**490**

Depreciation plan and financial lifetime

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

Note 30 – Investments in other companies

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

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

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

SPECIFICATION OF SUBSIDARIES WITH SUBSTANTIAL MINORITY (100% FIGURES)

	2017
NOK million	Benco
Assets	17,350
Liabilities	16,851
Equity – majority	449
Equity – minority	50
Ownership intereest – minority	10
Voting rights as a percentage of the total number of shares	10
Income	891
Result after tax	20
Other income and expenses	1
Total comprehensive income	20
Dividend paid to minority	2

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

	2017
NOK million	Storebrand Helseforsikring AS
Accounting method	Equity-method
Type of operation	Insurance
Type of interest	Joint venture
Current assets	718
Fixed assets	15
Short term liabilities	64
Long term liabilities	347
Cash and cash equivalents	42
Income	729
Result after tax	79
Total comprehensive income	80
Dividend paid	72

OWNERSHIP INTERESTS IN ASSOCIATED COMPANIES AND JOINT VENTURES

NOK million	Business location	Ownership share	Book value 31.12
Associated companies			
Norsk Pensjon AS	Oslo	25.0 %	1
Inntre Holding AS	Steinkjær	34.3 %	84
Handelsboderna i Sverige Fastighets AB	Stockholm	50.0 %	44
Storebrand Eiendomsfond Invest AS	Oslo	21.2 %	3,069
Joint ventures			
Försäkringsgirot AB	Stockholm	25.0 %	3
Storebrand Helseforsikring AS	Lysaker	50.0 %	161
Cognizant Technology Solutions	Vilnius	34.0 %	42
Total			**3,404**

NOK million	Business location	Ownership share	Book value 31.12
Allocation by company and customers			
Investments in associated companies – company			291
Investments in associated companies – customers			3,113
Total			**3,404**

RECEIVABLES FOR ASSOCIATED COMPANIES AND JOINT VENTURES

NOK million	2017	2016
Handelsboden Örebro Rävgräva 4:4 AB	39	37
Total	**39**	**37**
Allocation by company and customers		
Receivables in associated companies – customers	39	37
Total receivables for associated companies	**39**	**37**

INCOME FROM ASSOCIATED COMPANIES AND JOINT VENTURES

NOK million	2017	2016
Proportion of the result	245	230
Interest income		1
Realised change in value	88	
Unrealised change in value	17	1
Total	**350**	**232**
Allocation by company and customers		
Receivables in associated companies – company	119	65
Receivables in associated companies – customers	231	167
Total receivables from associated companies	**350**	**232**

Note 31 – Classification of financial assets and liabilities

NOK million	Loans and receivables	Investments, held to maturity	Fair value, held for sale	Fair value, FVO	Available for sale	Liabilities at amortised cost	Total
Financial assets							
Bank deposits	8,424						8,424
Shares and fund units				156,420	14		156,433
Bonds and other fixed-income securities	87,474	15,128		166,761			269,363
Loans to financial institutions	313						313
Loans to customers	48,103			5,684			53,787
Accounts receivable and other short-term receivables	5,526						5,526
Derivatives			4,064				4,064
Total financial assets 2017	**149,841**	**15,128**	**4,064**	**328,865**	**14**		**497,911**
Total financial assets 2016	136,855	15,644	4,827	305,672	6		463,004
Financial liabilities							
Subordinated loan capital						8,867	8,867
Liabilities to financial institutions						155	155
Deposits from banking customers						14,628	14,628
Securities issued						16,575	16,575
Derivatives			139	1,876			2,015
Other current liabilities						8,101	8,101
Total financial liabilities 2017			**139**	**1,876**		**48,326**	**50,341**
Total financial liabilities 2016			209	402		48,611	49,221

Note 32 – Bonds at amortised cost

LOANS AND RECEIVABLES

	2017		2016	
NOK million	Book value	Fair value	Book value	Fair value
Government bonds	28,148	31,268	26,545	30,008
Corporate bonds	40,798	42,419	38,356	39,592
Structured notes	1,020	1,034	594	580
Collateralised securities	17,510	19,497	17,282	19,496
Total bonds at amortised cost	**87,474**	**94,218**	**82,777**	**89,677**

STOREBRAND BANK

	2017		2016	
NOK million	Book value	Fair value	Book value	Fair value
Modified duration		0.2		0.2
Average effective yield		0.7%		1.2%

STOREBRAND LIFE INSURANCE

	2017		2016	
NOK million	Book value	Fair value	Book value	Fair value
Modified duration		7.0		6.7
Average effective yield	1.3%	0.9%	3.8%	2.6%

Distribution beween company and customers

	2017		2016	
NOK million	Book value	Fair value	Book value	Fair value
Loans and receivables company	3,403		3,398	
Loans and receivables customers with guarantee	84,071		79,378	
Total	**87,474**		**82,777**	

BONDS HELD TO MATURITY

	2017		2016	
NOK mill.	Book value	Fair value	Book value	Fair value
Government bonds			363	412
Corporate bonds	5,828	6,490	5,829	6,456
Collateralised securities	9,300	10,443	9,452	10,669
Total bonds at amortised cost	**15,128**	**16,933**	**15,644**	**17,537**
Modifed duration		4.9		5.5
Average effective yield	2.2%	1.2%	4.5%	2.4%
Distribution beween company and customers:				
Bonds held to maturity – customers with guarantees	15,128		15,644	
Total	**15,128**		**15,644**	

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

Note 33 – Loans to customers

LOANS

NOK million	2017	2016
Corporate market *	11,683	10,907
Retail market	42,184	35,508
Gross loans	**53,867**	**46,415**
Write-downs of loans losses	-80	-73
Net loans **	**53,786**	**46,342**
* Of which Storebrand Bank	360	1,550
** Of which Storebrand Bank	27,257	27,268
Of which Storebrand Livsforsikring	26,530	19,074

NON-PERFORMING AND LOSS-EXPOSED LOANS

NOK million	2017	2016
Non-performing and loss-exposed loans without identified impairment	150	107
Non-performing and loss-exposed loans with identified impairment	114	88
Gross non-performing loans	**265**	**195**
Individual write-downs	-43	-27
Net non-performing loan [40]	**222**	**167**

For further information about lending, see note 10 Credit risk.

Note 34 – Properties

TYPE OF PROPERTIES

			31/12/17		
NOK million	31.12.17	31.12.16	Required rate of return % [41]	Average duration of lease (years) [42]	m2
Office buildings (including parking and storage):					
Oslo-Vika/Filipstad Brygge	6,838	8,186	4,00-4,35	5.4	93,952
Rest of Greater Oslo	3,935	3,583	4,95-5,75	5.3	85,515
Office buildings in Sweden	1,259	1,106	4.5	5.5	29,559
Shopping centres (including parking and storage)					
Rest of Greater Oslo	611	591	6.9	3.0	38,820
Rest of Norway	6,151	6,008	4,35-7,05	3.5	161,259
Housing Sweden [43]	1,909	458	5.7	5.1	75,002
Car parks					
Multi-storey car parks in Oslo	933	918	4.2	4.0	27,393
Multi-storey car parks in Sweden [44]	62	72	5.0	13.7	4,967
Other properties:					
Cultural/conference centres in Sweden [45]	264	275	6.8	13.3	18,757

			31/12/17		
NOK million	31.12.17	31.12.16			m2
Trading Sweden **[46]**	1,236	488	3.9	0.3	7,000
Hotel Sweden **[47]**	2,391	1,190	4.5	12.2	35,386
Service properties Sverige **[48]**	1,814	1,237	5.1	12.1	62,157
Properties Norway	50	51			
Total investment properties	**27,453**	**24,161**			**639,766**
Properties for own use	1,408	2,863	4.1	4.0	16,853
Total properties	**28,861**	**27,024**			**656,619**

As of 31.12.16, Storebrand Life Insurance had NOK 3 069 million invested in Storebrand Eiendomsfond Norge KS and Ruseløkkveien 26. The investments are classified as "Investment in associated Ccmpanies and joint ventures" in the Consolidated Financial Statements. Storebrand Eiendomsfond Norge KS and Ruseløkkveien 26 invest exclusively in real estate at fair value.

Vacancy

Norway

The vacancy rate for lettable areas was 4.1 per cent (6.7 per cent) at the end of 2017.
Of the total vacancy, 9.3 per cent (9,2 per cant) is related to to space that is unavaiilable for leasing due to ongoing development procjects.
At the end of 2017, a total of 13.3 per cent (15.9 per cent) of the floor space in the investment properties was vacant.

Sweden

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

Transactions

Purchases: No further property acquisitons has been agreed upon in Storebrand Livsforsikring that is not included in the Financial statement as of 31.12.2017. In SPP and Euroben, SEK 1 144 million in property acquisitions have been agreed upon in addition to the figures that have been finalized and included in the financial statements as of 31 December 2017.

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

Properties for own use

NOK million	2017	2016
Book value 01.01	2,863	2,887
Additions	120	20
Disposals	-2,225	
Revaluation booked in balance sheet	69	52
Depreciation	-65	-66
Write-ups due to write-downs in the period	64	64
Currency differences from converting foreign units	69	-133
Other change	514	39
Book value 31.12	**1,408**	**2,863**
Acquisition cost opening balance	2,639	2,619
Acquisition cost closing balance	534	2,639
Accumulated depreciation and write-downs opening balance	-521	-456
Accumulated depreciation and write-downs closing balance	-587	-521
Allocation by company and customers:		
Properties for own use – customers	1,408	2,863
Total	**1,408**	**2,863**
Depreciation method		Straight line
Depreciation plan and financial lifetime		50 years

Note 35 – Accounts receivable and other short-term receivables

NOK million	2017	2016
Accounts receivable	646	616
Receivables in connection with direct insurance	533	419
Interest earned/pre-paid expenses	178	169
Fee earned	376	119
Claims on insurance brokers	439	378
Prepayment of yield tax	414	
Collateral	674	
Tax receivable	1,414	1,259
Activated sales costs (Swedish business)	537	502
Other current receivables	316	237
Book value 31.12	**5,526**	**3,699**
Allocation by company and customers:		
Accounts receivable and other short-term receivables – company	4,834	2,646
Accounts receivable and other short-term receivables – customers	692	1,053
Total	**5,526**	**3,699**

Age distribution for accounts receivable 31.12 (gross)

NOK million	2017	2016
Receivables not fallen due	587	594
Past due 1 – 30 days	53	19
Past due 31 – 60 days	4	1
Past due 61 – 90 days	3	2
Past due > 90 days	2	1
Gross accounts receivable	**648**	**618**
Provisions for losses 31.12	-2	-2
Net accounts receivable	**646**	**616**

Note 36 – Equities and units

	2017	2016
NOK million	Fair value	Fair value
Equities	22,465	21,951
Fund units	133,968	107,586
Total equities and fund units	**156,434**	**129,537**
Allocation by company and customers:		
Equities and fund units – company	363	121
Equities and fund units – customers with guarantee	24,556	18,158
Equities and fund units – customers without guarantee	131,514	111,258
Sum	**156,433**	**129,537**

Note 37 – Bonds and other fixed-income securities

NOK million	2017 Fair value	2016 Fair value
Government bonds	49,022	47,696
Corporate bonds	49,331	33,154
Structured notes	81	29
Collateralised securities	28,914	33,216
Bond funds	39,412	57,742
Total bonds and other fixed-income securities	**166,761**	**171,837**
Allocation by company and customers:		
Bonds and other fixed-income securities – company	31,718	30,504
Bonds and other fixed-income securities – customers with guarantee	101,897	114,680
Bonds and other fixed-income securities – customers without guarantee	33,146	26,654
Total	**166,761**	**171,837**

	Fair value					
	Storebrand Life Insurance	SPP Pension & Insurance	Eurobe n	Storebrand Bank	Storebrand Insurance	Storebrand ASA
Modified duration	6.5	1.5	4.9	0.2	0.5	0.6
Average effective yield	1.8%	-0.1%	0.4%	0.8%	1.2%	1.1%

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

Note 38 – Derivatives

NOMINAL VOLUME

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

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

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

NOK million	Gross nominal volume [49]	Gross booked value fin. assets	Gross booked value fin. liabilities	Net booked fin. assets/ liabilities	Net amounts taken into account netting agreements Fin. assets	 Fin. liabilities	Net amou nt
Interest derivatives	80,778	3,872	1,073		1,198	76	2,799
Currency derivatives	70,667	192	942		81	730	-750
Total derivater 31.12.17		**4,064**	**2,015**		**1,280**	**806**	**2,049**

NOK million	Gross booked value fin. assets	Gross booked value fin. liabilities	Net booked fin. assets/ liabilities	Net amounts taken into account netting agreements Fin. assets	Fin. liabilities	Net amou nt
Total derivater 31.12.16	4,827	2,194		1,065	864	2,633

Distribution between company and customers:	
Derivatives – company	1,059
Derivatives – customers with guarantee	1,255
Derivatives – customers without guarantee	-265
Total	2,049

Note 39 – Technical insurance reserves – life insurance

Specification of buffer capital items conserning life insurance

NOK million	**Guaranteed pension**	**Saving s**	**Insurance [50]**	**BenC o**	**Total Storebrand Group 2017**	**Total Storebrand Group 2016**
Additional statutory reserves	8,254				8,254	6,794
Conditional bonus	7,042			2,134	9,176	7,241
Market value adjustment reserve	3,634		73		3,707	2,684
Total buffer capital	**18,930**		**73**	**2,134**	**21,137**	**16,719**

Specification of balance sheet items conserning life insurance

NOK million	Guaranteed pension	Savings	[51]	BenCo	Total Storebrand Group 2017	Total Storebrand Group 2016
Premium reserve	244,307	167,848	4,918	14,264	431,337	399,280
– of which IBNS						3,128
Pension surplus fund	6				6	12
Premium fund/deposit fund	2,557				2,557	2,659
Other technical reserves			631		631	684
– of which IBNS						646
Claims reserve	58			66	124	1,543
– of which IBNS						1,543
Total insurance liabilities – life insurance	**246,929**	**167,848**	**5,550**	**14,330**	**434,657**	**404,178**

Market value adjustment reserve

NOK million	**2017**	2016
Equities	3,037	1,266
Interest-bearing	670	1,417
Total market value adjustment reserves at fair value	**3,707**	**2,684**

See note 40 for insurance liabilities – P&C.

Note 40 – Technical insurance reserves – P&C insurance

Assets and liabilities – P&C insurance

NOK million	2017	2016
Reinsurance share of insurance technical reserves	27	40
Total assets	27	40
Premium reserve	460	467
Claims reserve	632	611
– of which IBNS	602	582
– of which Administration reserve	30	29
Total liabilities	**1,092**	**1,079**

See note 39 for insurance liabilities – life insurance.

Note 41 – Other current liabilities

NOK million	2017	2016
Accounts payable	255	149
Accrued expenses/appropriations	637	619
Appropriations earnout	273	35
Other appropriations	500	126
Governmental fees and tax withholding	217	351
Collateral received derivates in cash	2,037	2,953
Liabilities in connection with direct insurance	1,584	1,250
Liabilities to broker	917	458
Minority SPP Fastighet KB	841	220
Subordinated loan SPP Pension & Försäkring AB		663
Other current liabilities	842	719
Book value 31.12	**8,102**	**7,542**

Specification of restructuring reserves

NOK million	2017	2016
Book value 01.01	100	105
Increase in the period	16	80
Amount recognised against reserves in the period	-67	-85
Reversal of previous allocations due to estimate discrepancies.	-7	
Change due to currency	1	
Book value 31.12	**43**	**100**

Note 42 – Hedge accounting

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

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

The effectiveness of hedging is monitored at the individual security level.

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

Hedging instrument/hedged item

	2017					2016				
	Contract /	Book value [52]				Conract /	Book value [53]			
NOK million	nominal value	Assets	Liabilities	Booked	Recognised of comprehensive income	nominal value	Assets	Liabilities	Booked	Recognised of comprehensive income
Interest rate swaps	4,623	1,245		-39	188	4,623	1,081		-74	-197
Subordinated loans	-2,238		3,227	-22	-154	-2,238		3,027	-13	137
Debt raised through issuance of securities	2,350		2,459	37		-2,350		2,508	70	

Currency hedging of net investment in SPP
In 2017, Storebrand utilised cash flow hedging for the currency risk linked to Storebrand's net investment in SPP. 3 month rolling currency derivatives were used in which the spot element in these is used as the hedging instrument. In 2016 and 2017, a time-limited subordinated loan of SEK 1.750 million was taken up. The loan was used as a hedging instrument relating to the hedging of the net investment in SPP. The effective share of hedging instruments is recognised in total profit. The net investment in SPP is partly hedged and therefore the expectation is that future hedge effectiveness will be around 100 per cent.

Hedging instrument/hedged item

	2017			2016		
		Book value [54]			Book value [55]	
NOK million	Contract/nominal value	Assets	Liabilities	Conract/nominal value	Assets	Liabilities
Currency derivatives	-4,200		69	-4,700		51
Loan used as hedging instrument	-1,750		1,797	-750		722
Underlying items		5,862			5,560	

Note 43 – Collateral

NOK million	2017	2016
Collateral for Derivatives trading	2,249	2,179
Collateral received in connection with Derivatives trading	-21	-3,087
Total received and pledged collateral	**2,228**	**-908**

Collateral pledged in connection with futures and options are regulated on a daily basis in the daily margin clearing on each contract.

Collatrals are received and given both as cash and securities.

NOK million	2017	2016
Book value of bonds pledged as collateral for the bank's lending from Norges Bank	888	880
Booked value of securities pledged as collateral in other financial institutions	302	151
Total	**1,190**	**1,031**

Securities pledged as collateral are linked to lending access in Norges Bank for which, pursuant to the regulations, the loans must be fully guaranteed with collateral in interest-bearing securities and/or the bank's deposits in Norges bank. Storebrand Bank ASA has none F-loan in Norges Bank as per 31.12.2017.

Of total loans of NOK 27.3 billion , NOK 14.5 billion has been mortgaged in connection with the issuing of covered bonds (covered bond rate) in Storebrand Boligkreditt AS.

The loans in Storebrand Boligkreditt have been mortgaged in connection with the issuing of covered bonds (covered bond rate) in Storebrand Boligkreditt AS. Storebrand Boligkreditt AS has over-collateralisation (OC) of 29 per cent. The company must maintain the applicable OC that the rating agency requires if the company wishes to retain the current AAA rating. This requirement was 18.86 per cent at the end of 2017. The statutory OC is 2 per cent. Through commitments from previous prospectuses for covered bond issues, the company is obligated to maintain OC of up to 9.5% until these securities mature. Storebrand Boligkreditt AS has security that is NOK 1.1 billion more than what the present rating requires. Storebrand Bank ASA therefore considers the security to be adequate.

Note 44 – Contingent liabilities

NOK million	**2017**	2016
Guarantees	20	24
Unused credit limit for customers	3,474	3,548
Uncalled residual liabilities re limited partnership	5,451	2,971
Loan commitment retail market	2,007	3,524
Debt instrument to Silver Pensjonsforsikring in connection with the acquisition **[56]**	520	
Total contingent liabilities	**13,927**	**10,067**

Guarantees principally describe payment guarantees and contract guarantees.
Unused credit limit for customers concern granted and unused overdrafts and credit cards, as well as unused facility for credit loans secured by property.

The Storebrand Group companies are engaged in extensive activities in Norway and abroad, and are subject for client complaints and may become part in legal disputes.

Note 45 – Securities lending and buy-back guarantees

Covered bonds – Storebrand Bank Group

NOK mill.	**2017**	**2016**
Transferred bonds still recognised on the statement of financial position		402
Liabilities related to the assets		402

Transferred bonds that are included in buyback agreements (repos) are not derecognised, since all risk and return on the securities are retained by Storebrand Bank ASA.

Note 46 – Information related parties

Companies in the Storebrand Group have transactions with related parties who are shareholders in Storebrand ASA and senior employees. These are transactions that are part of the products and services offered by the Group's companies to their customers. The transactions are entered into on commercial terms and include occupational pensions, private pensions savings, P&C insurance, leasing of premises, bank deposits, lending, asset management and fund saving. See note 24 for further information about senior employees.

Internal transactions between group companies are eliminated in the consolidated financial statements, with the exception of transactions between the customer portfolio in Storebrand Livsforsikring AS and other units in the Group. See note 1 Accounting Policies for further information.

For further information about related parties, see notes 30 and 41.

[1] Amortisation of intangible assets are included in Storebrand Group

[2] Amortisation of intangible assets are included in Storebrand Group

[3] Amortisation of intangible assets are included in Storebrand Group

[4] Additional statutory reserves + market value adjustment reserve

[5] Conditional bonuses

[6] See note 13 for specification of Solvency II

[7] 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.

[8] Equity and bond funds denominated in NOK with foreign currency exposurein i.a. EUR and USD NOK 20 billion.

[9] 1.25 per cent on 85 per cent of the premium

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

[25] Including Storebrand Helseforsikring with 100 per cent. Figures for 2017 include 138 employees in Skagen

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

[27] Comprises company car, telephone, insurance, concessionary interest rate, other taxable benefits.

[28] Employees can borrow up to NOK 3,5 million with subsidised rates while excess loanamount hold market rate. From 2018, the loan amount is NOK 7,0 million.

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

[30] Senior employee only part of the year

[31] Senior employee only part of the year

[32] Senior employee only part of the year

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

[34] Board member only part of the year

[35] Board member only part of the year

[36] Board member only part of the year

[37] Board member only part of the year

[38] "G" is the basic amount in the Norwegian National Insurance Scheme.

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

[40] The figures apply in their entirety Storebrand Bank

[41] The properties are valued on the basis of the following effective required rate of return (included 2.5 per cent inflation)

[42] The average duration of the leases has been calculated proportionately based on the value of the individual properties.

[43] All of the proporties in Sweden are appraised externally. The appraisal is based on the required rates of return in the market

[44] All of the proporties in Sweden are appraised externally. The appraisal is based on the required rates of return in the market

[45] All of the proporties in Sweden are appraised externally. The appraisal is based on the required rates of return in the market

[46] All of the proporties in Sweden are appraised externally. The appraisal is based on the required rates of return in the market

[47] All of the proporties in Sweden are appraised externally. The appraisal is based on the required rates of return in the market

[48] All of the proporties in Sweden are appraised externally. The appraisal is based on the required rates of return in the market

[49] Values 31.12.

[50] Including personal risk and employee insurance of the Insurance segment.

[51] Including personal risk and employee insurance of the Insurance segment.

[52] Book value as at 31.12.

[53] Book value as at 31.12.

[54] Book value as at 31.12.

[55] Book value as at 31.12.

[56] The debt instrument is conditional upon the company being released from administration

Profit and loss account

NOK million	Note	2017	2016
Operating income			
Income from investments in subsidiaries	2	2 154	899
Net income and gains from financial instruments:			
– bonds and other fixed-income securities	3	36	48
– financial derivatives/other financial instruments	3	-4	–7
Other financial instruments		2	55
Operating income		**2 188**	**996**
Interest expenses		-69	-85
Other financial expenses	8	-62	-6
Operating costs			
Personnel costs	4, 5, 6	-41	-27
Amortisation	12	-1	-1
Other operating costs		-81	-48
Total operating costs		**-123**	**-76**
Total costs		**-254**	**-167**
Pre-tax profit		**1 934**	**829**
Tax	7	-110	-91
Profit for year		**1 824**	**738**

Statement of total comprehensive income

NOK million	Note	2017	2016
Profit for year		**1 824**	**738**
Other result elements not to be classified to profit/loss			
Change in estimate deviation pension	5	-34	-41
Tax on other result elements		8	10
Total other result elements		**-25**	**-31**
Total comprehensive income		**1 798**	**707**

Statement of financial position

NOK million	Note	31.12.17	31.12.16
Fixed assets			
Deferred tax assets	7	135	236
Tangible fixed assets	13	28	29
Shares in subsidiaries and associated companies	8	18,724	17,102
Total fixed assets		**18,886**	**17,367**
Current assets			
Owed within group	17	2,207	891
Other current receivables			11
Investments in trading portfolio:			
– equities and other fund units	9	3	
– bonds and other fixed-income securities	10,12	1,380	2,123
– financial derivatives/other financial instruments	11, 12, 15	16	20
Bank deposits	12	53	72
Total current assets		**3,659**	**3,117**
Total assets		**22,545**	**20,484**
Equity and liabilities			
Share capital		2,339	2,250
Own shares		-5	-8
Share premium reserve		10,521	9,485
Total paid in equity		**12,855**	**11,726**
Other equity		5,793	5,129
Total equity		**18,648**	**16,855**
Non-current liabilities			
Pension liabilities	5	176	159
Securities issued	14, 15	2,270	2,698
Total non-current liabilities		**2,446**	**2,857**
Current liabilities			
Debt within group	17	3	7
Provision for dividend		1,168	695
Other current liabilities		280	71
Total current liabilities		**1,451**	**773**
Total equity and liabilities		**22,545**	**20,484**

LYSAKER, 6. FEBRUARY 2018
BOARD OF DIRECTORS OF STOREBRAND ASA

Didrik Munch (sign.)
Styrets leder

Karin Bing Orgland (sign.)	Laila S. Dahle (sign.)	Gyrid Skalleberg Ingerø (sign.)
Martin Skancke (sign.)	Håkon Reistad Fure (sign.)	Jan Chr. Opsahl (sign.)
Arne Fredrik Håstein (sign.)	Heidi Storruste (sign.)	Ingvild Pedersen (sign.)

Odd Arild Grefstad (sign.)
Administrerende direktør

Statement of changes in equity

NOK million	Share capital [1]	Own shares	Share premium	Other equity	Total equity
Equity at 31.12. 2015	**2,250**	**-10**	**9,485**	**5,105**	**16,829**
Profit for the period				738	738
Total other result elements				-31	-31
Total comprehensive income				**707**	**707**
Provision for dividend				-695	-695
Own share bought back **[2]**		2		26	28
Employee share **[3]**				-14	-14
Equity at 31.12. 2016	**2,250**	**-8**	**9,485**	**5,129**	**16,855**
Profit for the period				1,824	1,824
Total other result elements				-25	-25
Total comprehensive income				**1,798**	**1,798**
Issue of shares **[4]**	90		1,037		1,126
Provision for dividend				-1,168	-1,168
Own share bought back **[5]**		3		44	47
Employee share				-11	-11
Equity at 31.12. 2017	**2,339**	**-5**	**10,521**	**5,793**	**18,648**

[1] 467 813 982 shares with a nominal value of NOK 5.

[2] In 2017, 657 715 shares were sold to our own employees. Holding of own shares 31.December 2017 was 973 672.

[3] In 2017, 657 715 shares were sold to our own employees. Holding of own shares 31.December 2017 was 973 672.

[4] A capital increase was carried out in 2017 by issuing 17,904,091 shares with a subscription price of NOK 62.90. The shares have been used as consideration for the purchase of shares in SKAGEN.

[5] In 2017, 657 715 shares were sold to our own employees. Holding of own shares 31.December 2017 was 973 672.

Cash flow statement

NOK million	2017	2016
Cash flow from operational activities		
Receipts – interest, commission and fees from customers	50	48
Net receipts/payments – securities at fair value	732	112
Payments relating to operations	-165	-117
Net receipts/payments – other operational activities	934	522
Net cash flow from operational activities	**1,551**	**565**
Cash flow from investment activities		
Net receipts – sale of subsidiaries		64
Net payments – sale/capitalisation of subsidiaries	-408	-79
Net receipts/payments – sale/purchase of property and fixed assets	2	
Net cash flow from investment activities	**-407**	**-15**
Cash flow from financing activities		
Payments – repayments of loans	-1,425	-555
Receipts – new loans	1,001	2
Payments – interest on loans	-81	-100
Receipts – sold own shart to employees	36	14
Payments – dividends	-695	
Net cash flow from financing activities	**-1,163**	**-639**
Net cash flow for the period	**-19**	**-89**
Net movement in cash and cash equivalents	-19	-89
Cash and cash equivalents at start of the period	72	161
Cash and cash equivalents at the end of the period	**53**	**72**

Storebrand ASA - Notes

Note 1 – Accounting policies

Storebrand ASA is the holding company of the Storebrand Group. The Storebrand Group is engaged in life and P&C insurance, banking and asset management, with insurance being the primary business. The financial statements of Storebrand ASA have accordingly been prepared in accordance with the Norwegian Accounting Act, generally accepted accounting policies in Norway, and the Norwegian Regulations relating to annual accounts for nonlife insurance companies. Storebrand ASA has used the simplified IFRS provisions in the regulations for recognition and measurement.

USE OF ESTIMATES AND DISCRETIONARY ASSUMPTIONS

In preparing the annual financial statements, Storebrand has made assumptions and used estimates that affect the reported value of assets, liabilities, revenues, costs, as well as the information provided on contingent liabilities. Future events may cause these estimates to change. Such changes will be recognised in the financial statements when there is a sufficient basis for using new estimates. The most important estimates and assessments are related to the valuation of the company's subsidiaries and the assumptions used for pension calculations.

CLASSIFICATION AND VALUATION POLICIES

Assets intended for permanent ownership and use are classified as fixed assets, and assets and receivables due for payment within one year are classified as current assets. Equivalent policies have been applied to liability items.

PROFIT AND LOSS ACCOUNT AND STATEMENT OF FINANCIAL POSITION

Storebrand ASA is a holding company with subsidiaries in the fields of insurance, banking and asset management. The layout plan in the Regulations relating to annual financial statements for nonlife insurance companies has not been used, a custom layout plan has been used.

INVESTMENTS IN SUBSIDIARIES, DIVIDENDS AND GROUP CONTRIBUTIONS

In the company's accounts, investments in subsidiaries and associated companies are valued at the acquisition cost less any write-downs. The need to write down is assessed at the end of each accounting period. Storebrand ASA's primary income is the return on capital invested in subsidiaries. Group contributions and dividends received in respect of these investments are therefore recorded as ordinary operating income. Proposed and approved dividends and group contributions from subsidiaries at the end of the year are recognised in the financial statements of Storebrand ASA as income in that financial year.

A prerequisite for recognition is that this is earned equity by a subsidiary. Otherwise, this is recognised as an equity transaction, which means that the ownership interest in the subsidiary is reduced by dividends or group contributions.

TANGIBLE FIXED ASSETS

Tangible fixed assets for own use are recognised at acquisition cost less accumulated depreciation. Write-downs are made if the book value exceeds the recoverable amount of the asset.

PENSION LIABILITIES FOR COMPANY'S OWN EMPLOYEES

Pension costs and pension obligations for defined-benefit pension schemes are determined using a linear accrual formula and expected final salary as the basis for the entitlements, based on assumptions about the discount rate, future salary increases, pensions and National Insurance benefits, future returns on pension plan assets as well as actuarial estimates of mortality, disability and voluntary early leavers.

The net pension cost for the period comprises the total of the accrued future pension entitlements during the period, the interest cost on the calculated pension liability and the expected return on pension plan assets.

Actuarial gains or losses and the effect of changes in assumptions are recognised in other comprehensive income. The effects of changes in the pension scheme are recognised on an ongoing basis, unless the changes are conditional upon accrued future pension entitlements, The effects are apportioned on a straight line basis until the entitlement has been fully earned. The employer's National Insurance contributions are included as part of the pension liability and are included in the actuarial gains/losses shown in total comprehensive income.

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

TAX

The tax cost in the profit and loss account consists of tax payable and changes in deferred tax. Deferred tax and deferred tax assets are calculated on the differences between accounting and tax values of assets and liabilities. Deferred tax assets are recorded on the balance sheet to the extent it is considered likely that the company will have sufficient taxable profit in the future to make use of the tax asset. Deferred tax is applied directly against equity to the extent that it relates to items that are themselves directly applied against equity.

CURRENCY

Current assets and liabilities are translated at the exchange rate on the balance sheet date. Shares held as fixed assets are translated at the exchange rate on the date of acquisition.

FINANCIAL INSTRUMENTS

Equities and units

Equities and units are valued at fair value. For securities listed on an exchange or other regulated market, fair value is determined as the bid price on the last trading day immediately prior to or on the balance sheet date.

Any repurchase of own shares is dealt with as an equity transaction, and own shares (treasury stock) are presented as a reduction in equity.

BONDS AND OTHER FIXED INCOME SECURITIES

Bonds and other fixed income securities are included in the statement of financial position from such time the company becomes party to the instrument's contractual terms and conditions. Ordinary purchases and sales of financial instruments are recognised on the transaction date. When a financial asset or a financial liability is initially recognised in the financial statements, it is valued at fair value. Initial recognition includes transaction costs directly related to the acquisition or issue of the financial asset/liability.

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

Bonds and other fixed income securities are recognised at fair value.

Fair value is the amount for which an asset could be sold for, or a liability settled with, between knowledgeable, willing parties in an arm's length transaction. For financial assets that are listed on an exchange or other regulated market place, fair value is determined as the bid price on the last trading day up to and including the balance sheet date, and in the case of an asset that is to be acquired or a liability that is held, the offer price.

FINANCIAL DERIVATIVES

Financial derivatives are recognised at fair value. The fair value of such derivatives is classified as either an asset or a liability with changes in fair value through profit or loss.

BOND FUNDING

Bond loans are recorded at amortised cost using the effective interest rate method. The amortised cost includes the transaction costs on the date of issue.

ACCOUNTING TREATMENT OF DERIVATIVES AS HEDGING

Fair value hedging

Storebrand uses fair value hedging, and the hedged items are fixed rate funding measured at amortised cost. Derivatives that fall within this category are recognised at fair value through profit or loss. Changes in the value of the hedged item that relate to the hedged risk are applied to the book value of the item and recognised through profit or loss.

Note 2 – Income from investments in subsidiaries

NOK million	2017	2016
Storebrand Livsforsikring AS	1,300	
Storebrand Bank ASA	192	369
Storebrand Asset Management AS	535	464
Storebrand Forsikring AS	81	54
Storebrand Baltic UAB	10	
Storebrand Helseforsikring AS	36	12
Total	**2,154**	**899**

Note 3 – Net income for various classes of financial instruments

NOK mill.	Dividend/ interest income	Net gain/ loss on realisation	Net unrealised gain/loss	2017	2016
Net income from bonds and other fixed income securities	42	-8	2	36	48
Net income from financial derivatives			-4	-4	-7
Net income and gains from financial assets at fair value	**42**	**-8**	**-1**	**33**	**41**
– of which FVO (Fair Value Option)	7	-8	2	1	48
– of which trading			-4	-4	-7

Note 4 – Personnel costs

NOK million	2017	2016
Ordinary wages and salaries	-19	-16
Employer's social security contributions	-5	-4
Personnel costs [1]	-7	3
Other benefits	-10	-10
Total	**-41**	**-27**

Note 5 – Pensions costs and pension liabilities

Storebrand Group has country-specific pension schemes.

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

The premiums and content of the defined-contribution pension scheme are as follows:

- Saving starts from the first krone of salary
- Savings rate of 7 per cent of salary from 0 to 12 G (the National Insurance basic amount "G" was NOK 93,634 as at 31 December 2017)
- In addition, 13 per cent of salary between 7.1 and 12 G is saved
- Savings rate for salary over 12 G is 20 per cent

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

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

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

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

NOK million	**2017**	2016
Present value of insured pension benefit liabilities	2	3
Pension assets at fair value	-7	-8
Net pension liabilities/assets for the insured schemes	-5	-4
Present value of the uninsured pension liabilities	181	163
Net pension liabilities in the statement of financial position	**176**	**159**

CHANGES IN THE NET DEFINED BENEFITS PENSION LIABILITIES IN THE PERIOD:

NOK million	**2017**	2016
Net pension liabilities 01.01	167	170
Net pension cost recognised in the period		1
Interest on pension liabilities	4	4
Gain/loss on insurance reductions		-10
Pension experience adjustments	33	42
Pensions paid	-21	-34
Changes to pension scheme		-5
Net pension liabilities 31.12	**183**	**167**

CHANGES IN THE FAIR VALUE OF PENSION ASSETS

NOK million	2017	2016
Pension assets at fair value 01.01.	8	13
Pension experience adjustments	-1	
Premium paid		1
Pensions paid		-1
Changes to pension scheme		-5
Net pension assets 31.12	**7**	**8**

Expected premium payments are estimated to be NOK 1 million and the payments from operations are estimated to be NOK 14 million in 2018.

PENSION ASSETS ARE BASED ON THE FINANCIAL ASSETS HELD BY STOREBRAND LIFE INSURANCE, WHICH ARE COMPOSED OF AS PER 31.12.:

NOK million	2017	2016
Properties and real estate	12%	15%
Bonds at amortised cost	32%	40%
Loan	12%	6%
Equities and units	15%	12%
Bonds	27%	27%
Total	**100%**	**100%**

Booked returns on assets managed by Storebrand Life Insurance were:	4,9%	6,4%

NET PENSION COST BOOKED TO PROFIT AND LOSS ACCOUNTS IN THE PERIOD

NOK million	2017	2016
Net pension cost recognised in the period		1
Net interest/expected return	3	4
Changes to pension scheme		-10
Total for defined benefit schemes	**3**	**-5**
The period’s payment to contribution scheme	4	2
Net pension cost booked to profit and loss accounts in the period	**7**	**-3**

OTHER COMPREHENSIVE INCOME (OCI) IN THE PERIOD

NOK million	2017	2016
Actuarial loss (gain) – experience DBO	33	42
Loss (gain) – experience Assets	1	
Remeasurements loss (gain) in the period	**34**	**42**

MAIN ASSUMPTIONS USED WHEN CALCULATING NET PENSION LIABILITY AS PER 31.12.

	2017	2016
Economic assumptions:		
Discount rate	2.6%	2.3%
Expected earnings growth	2.25%	2.00%
Expected annual increase in social security pension	2.25%	2.00%
Expected annual increase in pensions in payment	0.0%	0.0%
Disability table	KU	KU
Mortality table	K2013BE	K2013BE

FINANCIAL ASSUMPTIONS:

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

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

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

ACTUARIAL ASSUMPTIONS:

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

Note 6 – Remuneration of the CEO and elected officers of the company

NOK thousand	**2017**	2016
Chief Executive Officer [2]		
Salery [3]	6,881	5,924
Other taxable benefits	199	192
Total remuneration	**7,080**	**6,116**
Pension costs [4]	1,107	1,099
Chairman of the Board	660	688
Board of Directors including the Chairman	4,372	4,623
Remuneration paid to auditors		
Statutory audit	1,754	1,682
Other reporting duties	239	214

For further information on senior employees, the Board of Directors, the Control Committee and the Board’s statement on fixing the salary and other remuneration of senior employees, see note 24 in the Storebrand Group.

Note 7 – Tax

THE DIFFERENCE BETWEEN THE FINANCIAL RESULTS AND THE TAX BASIS FOR THE YEAR IS PROVIDED BELOW

NOK million	**2017**	2016
Pre-tax profit	1,934	829
Dividend	-1,446	-117
Gain/loss equities		-54
Tax-free group contribution	-122	-302
Group contribution toward balance		
Permanent differences	40	-41
Change in temporary differences	7	-20
Tax base for the year	**414**	**295**
– Use of losses carried forward	-414	-295
Payable tax		

TAX COST

NOK million	2017	2016
Payable tax	–	–
Change in deferred tax	-110	-91
Tax cost	**-110**	**-91**

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

NOK million	2017	2016
Tax increasing temporary differences		
Other	1	1
Total tax increasing temporary differences	**1**	**1**
Tax reducing temporary differences		
Securities	-2	-4
Operating assets	-1	-1
Provisions	-12	-19
Accrued pension liabilities	-176	-159
Gains/losses account	-3	-4
Total tax reducing temporary differences	**-193**	**-186**
Net tax increasing/(reducing) temporary differences	**-192**	**-185**
Losses carried forward	-346	-760
Net tax increasing/(reducing) temporary differences	**-538**	**-945**
Net deferred tax asset/liability in the statement of financial position	**135**	**236**

RECONCILIATION OF TAX COST AND ORDINARY PROFIT

NOK million	2017	2016
Pre-tax profit	1,934	829
Expected tax at nominal rate (27 %)	-484	-207
Tax effect of:		
dividends received	361	29
gains on equities		14
permanent differences	12	75
changes from previous year		-2
Tax cost	**-110**	**-91**
Effective tax rate	6%	11%

Note 8 – Parent company's shares in subsidiaries and associated companies

	Business office	Interest /votes in	Carrying amount	
NOK million			2017	2016
Subsidiaries				
Storebrand Livsforsikring AS	Oslo	100 %	13,703	13,703
Storebrand Bank ASA [5]	Oslo	100 %	2,239	2,339
Storebrand Asset Management AS [6]	Oslo	100 %	2,335	613
Storebrand Forsikring AS	Oslo	100 %	359	359
Sum			**18,724**	**17,102**

NOK million	Business office	Interest /votes in	Carrying amount 2017	2016
Jointly controlled/associated companies				
Storebrand Helseforsikring AS	Oslo	50 %	78	78
Cognizant Technologi Solutions Lithyanua UAB	Vilnius	34 %	6	6
AS Værdalsbruket [7]	Værdal	25 %	4	4
Sum			**18,724**	**17,102**

Note 9 – Equities

NOK million	Fair value 2017	2016
Equities	3	
Total Equities	**3**	

Note 10 – Bonds and other fixed-income securities

NOK million	2017 Fair value	2016 Fair value
State and state guaranteed	277	595
Company bonds	646	774
Covered bonds	457	754
Total bonds and other fixed-income securities	**1,380**	**2,123**
Modified duration	0,6	0.5
Average effective yield	1.1%	1.6%

Note 11 – Financial derivatives

NOK million	Gross nominal volume [8]	Gross booked value fin. assets	Net amount
Interest rate swaps [9]	300	16	16
Total derivatives 2017	**300**	**16**	**16**
Total derivatives 2016	300	20	20

Note 12 – Financial risks

CREDIT RISK BY RATING

Short-term holdings of interest-bearing securities Category of issuer or guarantor NOK million	AAA Fair value	AA Fair value	A Fair value	BBB Fair value	Total Fair value
State and state guaranteed		277			277
Company bonds			581	65	646
Supranational organisations	457				457
Total 2017	**457**	**277**	**581**	**65**	**1,380**
Total 2016	754	618	701	51	2,123

COUNTERPARTIES

NOK million	AA Fair value	Total Fair value
Derivatives	16	16
Bank deposits	53	53

The rating classes are based on Standard & Poors's.
NIG = Non-investment grade.

INTEREST RATE RISK

Storebrand ASA has both interest-bearing securities and interest-bearing debt. A change in interest rates will have a limited effect on the company's equity.

LIQUIDITY RISK

Undiscounted cash flows for financial liabilities NOK million	0-6 months	6-12 months	1-3 years	3-5 years	Total value	Carrying amount
Securities issued/bank loans	22	487	1,377	518	2,404	2,270
Total financial liabilities 2017	22	**487**	**1,377**	**518**	**2,404**	**2,270**
Derivatives related to funding 2017	**4**	**-11**	**-13**		**-19**	**-16**
Total financial liabilities 2016	658	38	1,833	315	2,844	2,698
Derivatives related to funding 2016	5	-10	-11	-6	-22	-20

Storebrand ASA had as per 31 December 2017 liquid assets of NOK 1.4 billion.

CURRENCY RISK

Storebrand ASA has low currency risk.

Note 13 – Tangible fixed assets

EQUIPMENT, FIXTURES & FITTINGS

NOK million	**2017**	2016
Carrying amount 31.12	**28**	**29**

NOK million	2017	2016
Acquisition cost 01.01	36	35
Accumulated depreciation	-7	-6
Carrying amount 01.01	29	29
Depreciation/write-downs for the year	-1	-1
Carrying amount 31.12	**28**	**29**

STRAIGHT LINE DEPRECIATION PERIODS FOR TANGIBLE FIXED ASSETS ARE AS FOLLOWS

Equipment. fixtures and fittings	4-8 years
IT systems	3 years

Note 14 – Bond and bank loans

NOK million	Interest rate	Currency	Net nominal value	2017	2016
Bond loan 2014/2020 [11]	Fixed	NOK	300	317	321
Bond loan 2012/2017	Variable	NOK	625		627
Bond loan 2014/2018	Variable	NOK	450	452	452
Bond loan 2014/2019	Variable	NOK	500	500	499
Bond loan 2017/2020	Variable	NOK	500	501	
Bank loan 2017/2022	Variable	NOK	500	500	
Bank loan 2016/2018	Variable	NOK	800		799
Total bond and bank loans [10]				**2,270**	**2,698**

Signed loan agreements and drawing facility have covenant requirements.
Storebrand ASA has an unused drawing facility of EUR 240 million, expiration December 2019.

Note 15 – Hedge accounting

The company uses fair value hedging to hedge interest rate risk. The effectiveness of hedging is monitored at the individual security level.

HEDGING INSTRUMENT/HEDGED ITEM – FAIR VALUE HEDGING

	2017				2016			
		Carrying amount [12]				Carrying amount [13]		
NOK million	Contract/nominal value	Assets	Liabilities	Booked	Contract/nominal value	Assets	Liabilities	Booked
Interest rate swaps	300	16		-4	300	20		-7
Securities issued	300		317	4	300		321	7

Note 16 – Shareholders

THE 20 LARGEST SHAREHOLDERS [14]

	Ownership interest in %
Folketrygdfondet	12,32
Artemis Investment Management	5,21
T Rowe Price Global Investments	3,92
DNB Asset Management	3,11
Varma	2,82
Handelsbanken Asset Management	2,79
M&G Investment Management	2,70
KLP	2,54
Vanguard Group	2,27
Nordea Asset Management	2,23
BlackRock	1,76
Storebrand Asset Management	1,74
Wellington Management	1,70
Nansen Capital Partners	1,68
DNB Bank as principal	1,27
Magni Partners Grouped	1,19
Catella Fondforvaltning	1,16
BMO Global Asset Management (UK)	1,03
Allianz Global Investors	0,98
Solbakken AS	0,96
Foreign ownership of total shares	**56%**

Note 17 – Information about close associates

	Number of shares [15]
Senior employees	
Odd Arild Grefstad	114,486
Lars Aa. Løddesøl	70,144
Geir Holmgren	93,283
Heidi Skaaret	38,014
Staffan Hansén	37,788
Jan Erik Saugestad	32,882
Jostein Chr. Dalland	9,959
Karin Greve-Isdahl	2,267
Wenche Annie Martinussen	7,227
Board of Directors	
Didrik Munch	
Gyrid Skalleberg Ingerø	5,000
Laila S. Dahlen	10,500
Martin Skancke	16,414
Håkon Reistad Fure	18,500
Karin Bing Ogland	15,000
Jan Chr. Opsahl	1,100,000
Heidi Storruste	3,365
Arne Fredrik Håstein	4,144
Ingvild Pedersen	1,684

TRANSACTIONS BETWEEN GROUP COMPANIES

NOK million	2017	2016
Profit and loss account items:		
Group contributions and dividends from subsidiaries	2,154	899
Purchase and sale of services (net)	-30	-32
Statement of financial position items:		
Due from group companies	2,207	891
Payable to group companies	3	7

Note 18 – Number of employees/person-years

	2017	2016
Number of employees	8	8
Number of full time equivalent positions	8	8
Average number of employees	8	7

[1] See the spesification in note 5.

[2] Odd Arild Grefstad is the CEO of Storebrand ASA and the amount stated in the note is the total remuneration from the Group. He has a guaranteed salary for 24 months after the ordinary period of notice. All work-related income including consulting assignments will be deducted.

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

[4] Pension costs include accrual for the year. See also the description of the pension scheme in Note 5.

[5] Group contribution received of NOK 100 million, capitalised as repayment of capital.

[6] Storebrand ASA has expensed NOK 51 million in earnout linked to the shares in Skagen, which is a subsidiary of Storebrand Asset Management AS.

[7] 74.9 per cent owned by Storebrand Livsforsikring AS.

[8] Used for hedge accounting, also see note 14

[9] Used for hedge accounting, also see note 14

[10] Loans are booked at amortised cost and include earned not due interest.

[11] Loans with fixed rates are hedged by interest swaps, which are booked at fair value through profit and loss. Changes in values of loans that can be related to the hedged risk are included in the carrying amount and included in the result.

[12] Carrying amount 31.12.

[13] Carrying amount 31.12.

[14] The summary includes Nominee (client account).

[15] The summary shows the number of shares owned by the individual, as well as his or her immediate family and companies where the individual exercises significant influence, confer the Accounting Act, Section 7-26.

Declaration of the Board and the CEO

On this date, the Board of Directors and the Chief Executive Officer have considered and approved the annual report and annual financial statements for Storebrand ASA and the Storebrand Group for the 2017 financial year and as at 31 December 2017 (2017 Annual Report).

The consolidated financial statements have been prepared in accordance with the EU-approved International Financial Reporting Standards (IFRS) and the associated interpretations, as well as the other disclosure obligations stipulated in the Norwegian Accounting Act that must be applied as at 31 December 2017. The annual financial statements for the parent company have been prepared in accordance with the Norwegian Accounting Act, Norwegian Regulations relating to annual accounts, etc. for insurance companies and the additional requirements in the Norwegian Securities Trading Act. The annual report for the Group and parent company complies with the requirements of the Norwegian Accounting Act and Norwegian Accounting Standard no. 16 as at 31 December 2017.

In the best judgment of the Board and the CEO, the annual financial statements for 2016 have been prepared in accordance with applicable accounting standards, and the information in the financial statements provides a fair and true picture of the parent company's and Group's assets, liabilities, financial standing and results as a whole as at 31 December 2017. In the best judgment of the Board and the CEO, the annual report provides a fair and true overview of important events during the accounting period and their effects on the annual financial statements for Storebrand ASA and the Storebrand Group. In the best judgement of the Board and the CEO, the descriptions of the most important elements of risk and uncertainty that the group faces in the next accounting period, and a description of related parties' material transactions, also provide a true and fair view.

LYSAKER, 6. FEBRARY 2018
BOARD OF DIRECTORS OF STOREBRAND ASA

Didrik Munch
Chairman of the Board

Karin Bing Orgland	Laila S. Dahlen	Gyrid Skalleberg Ingerø
Martin Skancke	Håkon Reistad Fure	Jan Chr. Opsahl
Arne Fredrik Håstein	Heidi Storruste	Ingvild Pedersen

Odd Arild Grefstad
Chief Executive Officer

Auditor's report

Deloitte.

Deloitte AS
Dronning Eufemias gate 14
Postboks 221 Sentrum
NO-0103 Oslo
Norway

Tel.: +47 23 27 90 00
Fax: +47 23 27 90 01
www.deloitte.no

Translation from the original Norwegian version

To the General Meeting of Storebrand ASA

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

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

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

In our opinion:

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

Basis for Opinion

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

Key Audit Matters

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

IT-systems and control activities relevant to financial reporting

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

Measurement of insurance liabilities

Key audit matter	How the matter was addressed in the audit
Measurement of the Group's insurance liabilities is based on various methods and models and on complex calculations and many assumptions related to future development and estimates which are uncertain. Note 1 includes a description of the relevant accounting policies, note 2 describes important accounting estimates and judgement, note 7 describes insurance risk and note 39 and 40 specifies the insurance liabilities. The calculation models, assumptions and estimates will be of particular significance for the measurement of the IBNS reserves related to property and casualty (p&c) insurance and risk products in life insurance. The calculation models and assumptions used to estimate future expected payments	Storebrand has established various control activities related to the measurement of IBNS reserves for p&c insurance and risk products in life insurance ("IBNS reserves"), and for insurance liabilities related to insurance contracts with guaranteed interest in the Swedish operations. For IBNS reserves we assessed and tested the design of selected control activities related to parts of the input data and some calculations. For a sample of these control activities, we tested if they operated effectively in the reporting period. For the measurement of the insurance liabilities related to insurance contracts with guaranteed interest in the Swedish operations, we assessed and tested the design of selected control activities related to determination of the yield curve used in the discounting. For a sample of these control activities, we tested if they operated effectively in the reporting period.

Measurement of insurance liabilities, cont.

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

Valuation of financial instruments and investment property (level 3)

Key audit matter	How the matter was addressed in the audit
The value of financial instruments and investment property classified as level 3 investments according to IFRS («investments») amount to NOK mill 43.098 as of 31 December 2017, of which NOK mill 28.861 in investment property. Note 2 and 12 describes important accounting estimates and judgement related to valuation of level 3 investments. The valuation of investments not traded in active markets, level 3 investments, are uncertain and the valuations are based on several assumptions and estimates. The assumptions and estimates are crucial to the valuation, and the valuation of level 3 investments are therefore a key audit matter.	Storebrand has established various control activities related to the valuation of investments classified as Level 3 in IFRS. We assessed and tested the design of selected control activities related to the determination of fair value of investment properties. For a sample of investment properties, we tested if these control activities operated effectively in the reporting period. We assessed whether the valuation methods applied for investment properties and financial instruments were in accordance with industry valuation standards and practice. For a sample of investment properties and financial instruments, we compared the reported fair value to the valuations. For a sample of investment properties we assessed the changes in fair value throughout the year. We obtained and assessed Storebrand's reasoning for the changes. We also assessed whether the notes related to the financial instruments and investment properties classified as Level 3 investments were adequate.

Other information

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 6 February 2018
Deloitte AS

Henrik Woxholt
State Authorised Public Accountant (Norway)

Note: This translation from Norwegian has been prepared for information purposes only.

Auditor's report on corporate sustainibility

Deloitte.

Deloitte AS
Dronning Eufemias gate 14
Postboks 221 Sentrum
NO-0103 Oslo
Norway

Tel: +47 23 27 90 00
Fax: +47 23 27 90 01
www.deloitte.no

Translation from the original Norwegian version

To the management of Storebrand ASA

AUDITOR'S REPORT ON STOREBRAND'S SUSTAINABILITY REPORTING 2017

We have reviewed certain aspects of Storebrand's sustainability reporting for 2017 (the Report). The Report includes the chapter "Sustainability in the Storebrand Group" in the Board of Directors report and the chapters "A sustainable strategy", "Financial capital and our investment universe", "Customers and community relations" and "Our people and systems" presented in the Storebrand Annual Report 2017, as well as Internet page "A sustainable strategy". The Report is the responsibility of and has been approved by the management of the Company. Our responsibility is to draw a conclusion based on our review.

We have based our work on the international standard ISAE 3000 "Assurance Engagements other than Audits or Reviews of Historical Financial Information", issued by the International Auditing and Assurance Standards Board. The objective and scope of the engagement were agreed with the management of the Company and included those subject matters on which we have concluded below.

Based on an assessment of materiality and risks, our work included analytical procedures and interviews of employees responsible for the subject matters, as well as a review on a sample basis of supporting evidence.

We believe that our work provides an appropriate basis for us to conclude with a limited level of assurance on the subject matters. In such an engagement, less assurance is obtained than would be the case had an audit-level engagement been performed.

Conclusion

Based on our review, nothing has come to our attention causing us not to believe that:

- Storebrand ASA has applied procedures, as described in the Report, for the purpose of collecting, compiling and validating information for 2017 to be included in the Report.
- The information accumulated as a result of the procedures referred to above is consistent with the source documentation presented to us and appropriately reflected in the Report.
- Storebrand ASA applies a reporting practice for its reporting on sustainability aligned with the Global Reporting Initiative (GRI) Standards reporting principles and the reporting fulfils application level Core according to the GRI Standards. The GRI Index reflects where relevant information on each of the reported standard and specific disclosure indicators in the GRI Standards is presented in the Storebrand Annual Report 2017.

Oslo, 12 March 2018
Deloitte AS

Henrik Woxholt
State Authorized Public Accountant (Norway)

Frank Dahl
Deloitte Sustainability

Audit Committee Statement

storebrand

From:	Audit Committee
To:	Board of Directors - Storebrand ASA (the "Board")
Regarding:	The Audit Committee's statement concerning election of new external auditor

OFFICE TRANSLATION

Introduction

Deloitte has consecutively been the Storebrand Group's external auditor in Norway for 13 years and Sweden for 10 years. Each and every company within the Storebrand Group have had the same auditor due to regulatory requirements, cf. the Financial Undertakings Act section 8-17, third paragraph, which states that a financial undertaking being part of a financial undertaking group structure shall have the same auditor as the parent company if exceptions are not set out by law.

The Storebrand Group needs to change the external auditor in 2018 due to regulatory requirements in Sweden prohibiting use of the same auditor for a duration of more than 10 years, which has effect on the Storebrand Groups companies in Sweden (SPP)

Process

The Storebrand Group has performed a tender process to obtain and evaluate offers and make a recommendation as to the election of the Storebrand Groups new auditor. The Storebrand Group has received offers from KPMG and PwC. Other relevant auditing companies have been prevented from participation in the process due to the regulatory requirements concerning auditor rotation, and the Norwegian Financial Supervisory Authority's regulations prohibiting an audit company to the assignment as external auditor directly following an assignment as internal auditor for the company in question.

According to the Financial Undertakings Act section 8-19, second paragraph, the Audit Committee shall provide a statement to the Board of Directors concerning the election of external auditor. Hence, the Audit Committee has reviewed the offers and has had meetings with the audit companies that have given an offer.

The Audit Committee finds that good offers have been presented. The evaluation has been performed according to the following main criterias:

- Commercial considerations
- Responsible partners and audit teams
- Processes and digitization
- Sustainability

PwC

Based on an assessment in accordance with the above mentioned criterias and overall considerations, the Audit Committee has concluded to recommend the Board of Directors to recommend to the General Meeting 11 April 2018 to elect PwC as the new external auditor for the Storebrand Group.

PwC offers an auditing team and partners enabling good cross border and intra group co-operation. Through the resources made available by PwC, use of digital tools and a good auditing standard, it may be expected that PwC will audit effectively audit the Storebrand Group with a high standard.
PwC has presented Magne Sem as the responsible partner for the Norwegian Group companies and Morgan Sandström in the same role for the Swedish Group companies. Beyond this the PwC team will be comprised by auditors, actuaries, sustainability experts, IT-experts and other relevant subject matter expertise.

Conclusion and statement

Based on the above mentioned factors, the Audit Committee has concluded that PwCs offer presents itself as the best for the Storebrand Group. Therefore, the Audit Committee has concluded to recommend the Board of Directors to recommend to the General Meeting 11 April 2018 to elect PwC as the new external auditor for the Storebrand Group with effect from and including the fiscal year 2018.

Lysaker, 13 February 2018

On behalf of the Audit Committe

Karin Bing Orgland
Chair of the Audit Committee

Terms and expressions

GENERAL

SUBORDINATED LOAN CAPITAL
Subordinated loan capital is loan capital that ranks after all other debt. Subordinated loan capital forms part of the tier 2 capital for capital adequacy calculations.

DURATION
Average remaining term to maturity of the cash flow from interest-bearing securities. The modified duration is calculated based on the duration and expresses the sensitivity to the underlying interest rate changes.

EQUITY
Equity consists of paid-in capital, retained earnings and minority interests. Paid-in capital includes share capital, share premium reserve and other paid-in capital. Retained earnings include other equity and reserves.

EARNINGS PER ORDINARY SHARE
The earnings per share are calculated as the majority interest's share of the profit after tax divided by the number of shares. The number of shares included in the calculation is the average number of shares outstanding over the course of the year. If new shares are issued, the shares will be included from the date of payment.

CAPITAL ADEQUACY

PRIMARY CAPITAL
Primary capital is capital eligible to satisfy the capital requirements under the authorities' regulations. Primary capital may consist of core (tier 1) capital and tier 2 capital.

CAPITAL REQUIREMENTS
A capital requirement is calculated for credit risk, market risk and operational risk. The individual asset items and off-balance-sheet items are a assigned a risk weight based on the estimated risk they represent. The capital requirement is 8 per cent of the calculation basis for credit risk, market risk and operational risk.

CAPITAL ADEQUACY RATIO
Primary capital must at least equal the calculated capital requirement. The capital adequacy ratio is calculated by measuring the total primary capital in relation to the capital requirement of 8 per cent.

CORE (TIER 1) CAPITAL
Core (tier 1) capital is part of the primary capital and consists of the equity less the minimum requirement for reinsurance provisions in P&C insurance, goodwill, other intangible assets, net prepaid pensions, 50 per cent of any capital adequacy reserve, and cross-ownership deductions in other financial institutions. The core (tier 1) capital will be adjusted for the valuations that are used as the basis for credit calculations at a national level for foreign companies. For Storebrand Holding AB this will entail an adjustment of SPP AB's estimated insurance liabilities for which a different yield curve is used for credit assessment than is used in the financial accounts. Issued hybrid tier 1 capital may account for 15 per cent of the core (tier 1) capital, while any amount exceeding 15 per cent may be included in the tier 2 capital.

TIER 2 CAPITAL
Tier 2 capital is part of the primary capital and consists of subordinated loan capital and the portion of the hybrid tier 1 capital that is not counted as core (tier 1) capital. There is a 50 per cent deduction for any capital adequacy reserve and deduction for cross-ownership in other financial institutions. In order to be eligible as primary capital, tier 2 capital cannot exceed core (tier 1) capital. Perpetual subordinated loan

capital, together with other tier 2 capital, cannot exceed 100 per cent of core (tier 1) capital, while dated subordinated loan capital cannot exceed 50 per cent of core (tier 1) capital. To be fully eligible as primary capital, the remaining term must be at least five years. If the remaining term is less, the eligible portion is reduced by 20 per cent per annum.

SOLVENCY II
Solvency II is a common set of European regulatory requirements for the insurance industry. Under Solvency II, the size of the capital requirement will be determined by the amount of risk the company is exposed to.

INSURANCE

REINSURANCE (REASSURANCE)
The transfer of part of the risk to another insurance company.

IBNR-AVSETNINGER (INCURED BUT NOT REPORTED)
Reserves for the compensation of insured events that have occurred, but not yet been reported to the insurance company.

RBNS RESERVES (REPORTED BUT NOT SETTLED)
Reserves for the compensation of reported, but not yet settled claims.

LIFE INSURANCE

RETURN ON CAPITAL
The booked return on capital shows net realized income from financial assets and changes in the value of real estate and exchange rate changes for financial assets, expressed as a percentage of the year's average capital in customer funds with guarantees and in the company portfolio, respectively. The market return shows the total income realised from financial assets, changes in the value of real estate and the year's change in unrealised gains or losses, expressed as a percentage of the year's average total capital in customer funds with guarantees and in the company portfolio, respectively, at market value.

GROUP CONTRACTS
Group defined benefit pensions (DB)
Guaranteed pension payments from a specified age for as long as the insured person lives. Alternatively, it can be agreed that the pension will end at a specified age. The product is offered in both the private and public sectors. The cover includes retirement, disability and survivor pensions.

Group defined contribution pensions (defined contribution – DC)
In group defined contribution pensions the premium is stated as a percentage of pay, while the payments are unknown. The customer bears all the financial risk during the saving period.

Group one-year risk cover
These products involve guaranteed payments upon death or disability, and a waiver of premiums in the event of disability.

Paid-up policies (benefit) and pension capital certificate (contribution)
These are contracts with earned rights that are issued upon withdrawal from or the termination of pension contracts.

Group life insurance
Group life insurance in which an insured sum is payable on the death of a member of the group. Such insurance can be extended to cover disability insurance.

Unit Linked
Life insurance offering an investment choice, whereby the customer can influence the level of risk and return by selecting in which funds assets are to be invested. Applies to both individual policies and group defined contribution pensions.

INDIVIDUAL CONTRACTS
Individual allocated annuity or pension insurance
Contracts with guaranteed payments for as long as the insured person lives. Alternatively, it can be agreed that the pension will end at a specified age.

Individual endowment insurance
Contracts involving a single payment in the event of attaining a specified age, death or disability.

Individual Unit Linked insurance
Endowment insurance or allocated annuity in which the customer bears the financial risk.

Contractual liabilities
Allocations to premium reserves for contractual liabilities shall, as a minimum, equal the difference between the capital value of the company's future liabilities and the capital value of future net premiums (prospective calculation method). Additional benefits due to an added surplus are included.

RESULT

Administration result
The administration result is the difference between the premiums paid by customers pursuant to the tariff and the company's actual operating costs.

The income consists of fees based on the size of customer assets, premium volumes or numbers in the form of unit prices. Operating costs consist of, among other things, personnel costs, marketing, commissions and IT costs.

Financial result
The financial result consists of the net financial income from financial assets or the group portfolio (group and individual products without investment choice) less the guaranteed return. In addition, there is the net return on the company capital, which consists of equity and subordinated loans. Any returns-based fees for asset management are included in the financial result.

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

Profit sharing
See note 4.

OTHER TERMS

Insurance reserves – life insurance
For a more detailed description of the technical insurance reserves and accrual accounting for premiums and compensation, see note 1 – accounting for the insurance business, page 70.

Solidity capital
The term solidity capital includes equity, subordinated loan capital, market value adjustment reserve, additional statutory reserves, conditional bonuses, surplus/deficit related to bonds at amortised cost, risk equalization fund and retained earnings. The solvency capital is also calculated as a percentage of total customer funds, excluding additional statutory reserves and conditional bonuses.

Solvency margin requirements
An expression of the risk associated with the insurance-related liabilities. Calculated on the basis of the insurance fund and the risk insurance sum for each insurance sector.

Solvency margin capital
Primary capital as in capital adequacy plus 50 per cent of additional statutory reserves and risk equalization fund, plus 55 per cent of the lower limit for the contingency funds in P&C insurance.

Buffer capital
Buffer capital consists of the market value adjustment reserve, additional statutory reserves and conditional bonuses.

P&C INSURANCE

F.O.A.
Abbreviation for the term "for own account", i.e. before additions/deductions for reinsurance.

INSURANCE RESERVES – P&C INSURANCE
For a more detailed description of the technical insurance reserves and accrual accounting for premiums and compensation, see note 1 – accounting for the insurance business, pages 69.

INSURANCE (TECHNICAL) PROFIT/LOSS
Premium income less claims and operating costs.

COST RATIO
Operating expenses as a percentage of premiums earned.

CLAIMS RATIO
Claims incurred as a percentage of premiums earned.

COMBINED RATIO
The sum of the cost ratio and the claims ratio.

BANKING

LEVEL REPAYMENT LOAN
Periodic payments (representing both capital and interest) on a levelrepayment loan remain constant throughout the life of the loan.

ANNUAL PERCENTAGE RATE (APR)
The true interest rate calculated when all borrowing costs are expressed as an annual payment of interest in arrears. In calculating the APR, allowance must be made for whether interest is paid in advance or arrears, the number of interest periods per annum, and all the fees and commissions.

REAL RATE OF INTEREST
The return produced after allowing for actual or expected inflation. Preferably expressed as a nominal rate less the rate of inflation.

NET INTEREST INCOME
Total interest income less total interest expense. Often expressed as a percentage of average total assets.

INSTALMENT LOAN
An instalment loan is a loan on which the borrower makes regular partial repayments of principal in equal amounts throughout the repayment period. The borrower pays the sum of a fixed instalment amount and a reducing interest amount at each instalment date. Payments accordingly reduce over the life of the loan assuming a fixed interest rate.

FINANCIAL DERIVATIVES

The term “financial derivatives” embraces a wide range of financial instruments for which the current value and future price movements are determined by equities, bonds, foreign currencies or other traditional financial instruments.

Derivatives require less capital than is the case for traditional financial instruments, such as equities and bonds, and are used as a flexible and cost-effective supplement to traditional instruments in portfolio management. Financial derivatives can be used to hedge against unwanted financial risks, or to create a desired risk exposure in place of using traditional financial instruments.

SHARE OPTIONS
The purchase of share options confers a right (but not an obligation) to buy or sell shares at a pre-determined price. Share options may be related to stock market indices as well as to specific individual stocks. The sale of share options implies the equivalent one-sided obligation. In general, exchange traded and cleared options are used.

STOCK FUTURES (STOCK INDEX FUTURES)
Stock futures contracts can be related to individual shares, but are normally related to stock market indices. Stock futures contracts are standardized futures contracts, which are exchange traded, and are subject to established clearing arrangements. Profits and losses on futures contracts are recognized daily, and are settled on the following day.

CROSS CURRENCY SWAPS

A cross currency swap is an agreement to exchange principal and interest rate terms in different currencies. At the maturity of the contract, the principal and interest rate terms are exchanged back to the original currency. Cross currency swaps are used, for example, to hedge returns in a specific currency or to hedge foreign currency exposure.

FORWARD RATE AGREEMENTS (FRA)

FRAs are agreements to pay or receive the difference between an agreed fixed rate of interest and the actual rate for a fixed amount and period of time. This difference is settled at the start of the future interest period. FRA contracts are particularly appropriate for the management of short-term interest rate exposure.

INTEREST RATE FUTURES

Interest rate futures contracts are related to government bond rates or short-term benchmark interest rates. Interest rate futures are standardized contracts which are exchange traded and are subject to established clearing arrangements. Profits and losses on futures contracts are recognized daily and settled on the following day.

INTEREST RATE SWAPS/ASSET SWAPS

Interest rate swaps/asset swaps are agreements between two-parties to exchange interest rate terms for a specified period. This is normally an agreement to exchange fixed rate payments for floating rate. This instrument is used to manage or change the interest rate risk.

INTEREST RATE OPTIONS

Interest rate options can be related to either bond yields or money market rates. The purchase of interest rate options related to bonds (also known as bond options) confers a right (but not an obligation) to buy or sell bonds at a pre-determined price. Interest rate options can be used as a flexible instrument for the management of both long and short-term interest rate exposure.

FORWARD FOREIGN EXCHANGE CONTRACTS/FOREIGN EXCHANGE SWAPS

Forward foreign exchange contracts/ swaps relate to the purchase or sale of a currency for an agreed price at a future date. These contracts are principally used to hedge the currency exposure arising from securities, bank deposits, subordinated loans and insurance reserves. These contracts also include spot foreign exchange transactions.

Storebrand Group companies

	Org. number	Interest
STOREBRAND ASA	**916 300 484**	
STOREBRAND LIVSFORSIKRING AS	**958 995 369**	100,0 %
Storebrand Holding AB	556734-9815	100,0 %
SPP Konsult AB	556045-7581	100,0 %
SPP Spar AB	556892-4830	100,0 %
SPP Pension & Försäkring AB	556401-8599	100,0 %
SPP Fastigheter AB	556745-7428	100,0 %
SPP Hyresförvaltning	556883-1340	100,0 %
Storebrand & SPP Business Services AB	556594-9517	100,0 %
Storebrand Eiendomsfond Invest AS	995 871 424	21,24%
Storebrand Eiendom Trygg AS	876 734 702	100,0%
Storebrand Eiendom Vekst AS	916 268 416	100,0%
Storebrand Eiendom Utvikling AS	990 653 402	100,0%
Storebrand Finansiell Rådgivning AS	989 150 200	100,0 %
Aktuar Systemer AS	968 345 540	100,0 %
Storebrand Pensjonstjenester AS	931 936 492	100,0 %
Foran Real Estate, SIA **[1]**		99,4 %
AS Værdalsbruket **[2]**	920 082 165	74,9 %
Norsk Pensjon AS	890 050 212	25,0 %
Benco Insurance Holding BV	34331716	89,96 %
Euroben Life & Pension Ltd		100,0 %
Nordben Life & Pension Insurance Co. Ltd		100,0 %
Interben Trustees Limited		100,0 %
STOREBRAND BANK ASA	**953 299 216**	100,0 %
Storebrand Boligkreditt AS	990 645 515	100,0 %
Ring Eiendomsmegling AS	987 227 575	100,0 %
STOREBRAND ASSET MANAGEMENT AS	**930 208 868**	100,0 %
Storebrand Luxembourg S.A		99,8 %
SPP Fonder AB	556397-8922	100,0 %
Storebrand Fastigheter AB	556801-1802	100,0%
Skagen AS	867462732	90,95 %
COGNIZANT TECHNOLOGY SOLUTIONS LITHUANIA UAB	**330 661 912**	34.0%
STOREBRAND FORSIKRING AS	**930 553 506**	100,0 %
STOREBRAND HELSEFORSIKRING AS	**980 126 196**	50,0 %

[1] SPP Pension & Försäkring AB eier 29,4 prosent og Storebrand Livsforsikring AS eier 70,0 prosent av Foran Real Estate IA.

[2] Storebrand ASA eier 25,1 prosent og total eierandel for Storebrand er 100 prosent av AS Værdalsbruket.

Main office:
Professor Kohts vei 9
Postboks 500, 1327 Lysaker, Norway
Phone: +47 08880
storebrand.no