storebrand

Solvency and Financial Condition Report 2016
Storebrand Livsforsikring AS

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Summary

Dear Storebrand Livsforsikring customer

Solvency II was introduced from 01/01/2016 . The main purpose of Solvency II is to ensure that all insurance companies are able to meet the claims of their customers. The regulations therefore specify how much capital the companies must have. The regulations also provide guidelines for good corporate governance in order to understand the risk and promote a sound and adequate risk culture. The regulations apply across all countries in the EU/EEA area. The aim is to ensure equal treatment of customers, and a level playing field for the insurance companies.

Solvency II sets requirements for the publication of information in the form of an annual "Solvency and Financial Condition Report". This is the first edition. The report provides information about Storebrand Livsforsikring's lines of business and the performance in 2016 (A. Business and Performance), the system of governance, risk management and internal control (B. System of Governance), Storebrand Livsforsikring's risk exposure (C. Risk Profile), the value of assets, liability and solvency capital (own funds) as of 31/12/2016 (D. Valuation for Solvency Purposes), and finally the size and composition of the solvency capital in relation to the risks it is intended to cover in the form of capital requirements (E. Capital management).

Storebrand Livsforsikring's main products are private occupational pensions and individual pension accounts. For retirement savings, two major uncertainties give risk: Uncertainty associated with the return on paid-in premiums, and uncertainty related to life expectancy after retirement. The risk is increased by the fact that more than 50 years may pass from the premium is paid in until it is paid out as pension. For traditional, guaranteed pensions (defined benefit pensions), Storebrand Livsforsikring bears most of this risk. Storebrand Livsforsikring guarantees a minimum return, and that the pension will be payd out for life. Most companies no longer offer defined benefit plans, or have ceased to offer them to new employees; however, Storebrand Livsforsikring has a large portfolio of pension plans that have been paid for in full (paid-up policies). A significant amount of capital has been set aside to cover the uncertainty from investment returns and longevity for these paid-up policies. This is essential to secure that the guarantees have real value.

Most new premiums for occupational pensions are in defined contribution plans. For these products, the financial risk is borne by you as a customer. The same applies to private pension savings within unit-linked insurance, such as the Ekstrapensjon (Extra Pension) savings product. Storebrand Livsforsikring nonetheless plays an important role by offering a broad, high-quality range of funds and providing investment advisory services, and is responsible for managing assets in a sustainable and responsible manner, including keeping fees within reasonable levels. The Lifecycle Portfolio (Anbefalt Pensjon) scheme offers a simple and comprehensive solution for this. For defined contribution and unit-linked insurance, pensions are usually temporary, meaning that you as a customer are responsible for ensuring that your pension will be sufficient in a lifelong perspective. Storebrand Livsforsikring's role is to give you a good and comprehensive overview of all your pension rights, and to give you advise on how to achieve the pension you want.

Storebrand Livsforsikring also offers insurance in the case of unexpected events. You can receive a lump-sum compensation or annual payouts if you get in an accident, become ill or disabled or wish to secure your next of kin in the event that you are deceased. The risk for Storebrand Livsforsikring is also calculated for these products, and the risk is covered by setting aside the required capital.

Under Solvency II, all assets and liabilities are valued at market value. These data are summarized in Table 1. The total value of assets amounts to NOK 292.3 billion, while the total value of liabilities is NOK 260.5 billion. Storebrand Livsforsikring thus has assets worth NOK 31.8 billion more than the liabilities the company is obliged to cover. Storebrand Livsforsikring has also taken up NOK 7.2 billion worth of subordinated loans. This gives a total solvency capital of NOK 39.0 billion.

The principles for valuation, and the difference between the valuations in the solvency accounts and the financial statements, are described in more detail in Chapter D. A fundamental difference from the financial statements is that the valuation of the insurance liability (technical provisions), is based on the current interest rate level.

[1] In Norway, Solvency II has been implemented through the Norwegian Financial Institution Act (Finansforetaksloven) and its regulations.

TABLE 1 THE SOLVENCY II BALANCE SHEET FOR STOREBRAND LIVSFORSIKRING AS, AS PER 12/31/2016

(NOK million)			
Assets		**Liabilities**	
Investments (other than assets held for index-linked and unit-linked contracts)	221,047	Technical provisions*	245,456
Assets held for index-linked and unit-linked contracts	64,292	-Life insurance	185,399
Other assets	6,962	-Non-life insurance	725
		-Index-linked and unit-linked insurance	59,332
		Subordinated liabilities	7,198
		Other liabilities	7,884
Total assets	**292,302**	**Total liabilities**	**260,538**
		Net assets	**31,764**

*Including transitional rules

Solvency II sets requirements for own funds under normal operating conditions. This is called the solvency capital requirement, and amounts to a total of NOK 19.5 billion; see Table 2. The solvency capital requirement ensures that you as a customer get the insurance settlement or pension you are entitled to with 99.5% certainty.

There are capital requirements for all material risks that Storebrand Livsforsikring is exposed to. 75% of the solvency capital requirement[2] is linked to the fact that financial markets, especially in terms of interest rates, equity, real estate, credit spreads and currencies, may develop differently than expected. 18% of the capital requirement is linked to life insurance risk, such as the possibility that pension customers may live longer than expected. Storebrand Livsforsikring is also subject to operational risk, non-life insurance risk and risk of losses from counterparties not fulfilling their obligations. The overall risk is less than the sum of the individual stresses, because diversification is assumed; that is, it is unlikely that all the risks will hit simultaneously; and also due to the fact that reduced taxes may compensate for some of the losses.

When the own funds of NOK 39.0 billion is compared against the solvency capital requirement of NOK 19.5 billion, Storebrand Livsforsikring has a solvency margin of 200 %. The minimum regulatory requirement is 100% solvency margin under normal operating conditions. Storebrand Livsforsikring's own goal is for solvency margin to exceed 150%.

Solvency II includes transitional measures, and Storebrand Livsforsikring applies transitional rules for valuing the technical provisions and for calculating capital requirements for equities. Without these transitionals, the solvency capital is NOK 36.7 billion, the solvency capital requirement is NOK 19.9 billion and the solvency margin is 184%.

TABLE 2 SOLVENCY CAPITAL REQUIREMENT AS OF 12/31/201

(NOK million)	
Market risk	21,791
Counterparty default risk	423
Life underwriting risk	5,180
Non-life and health underwriting risk	524
Operational risk	953
Loss-absorbing capacity of deferred taxes	-5,401
Total Solvency capital requirement	**19,457**

TABLE 3 SOLVENCY POSITION AS OF 12/31/2016

(NOK million)	
Own funds	38,962
Solvency capital requirement	19,457
Solvency margin	**200.2 %**

[2] Prior to diversification between risk modules.

A. BUSINESS AND PERFORMANCE

A.1 BUSINESS

Storebrand Livsforsikring AS has its main business in Norway with its head office located at Lysaker in Bærum municipality. Storebrand Livsforsikring is supervised by Finanstilsynet (The Financial Supervisory Authority of Norway)[3]. Storebrand Livsforsikring's accounts are audited by Deloitte AS[4].

Storebrand Livsforsikring is the largest company in the Storebrand Group[5]. The company is a wholly owned subsidiary of Storebrand ASA, which is the parent company of the Storebrand group. Being the ultimate parent company, Storebrand ASA is subject to group supervision by Finanstilsynet (The Norwegian Supervisory Authority of Norway). Storebrand ASA prepares and publishes the Group Solvency and Financial Condition Report for the Storebrand Group.

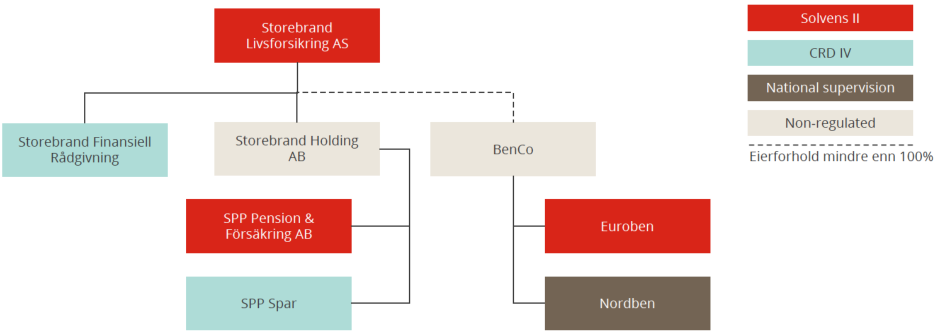

Figure 1 Corporate structure

Storebrand Livsforsikring AS owns 100 % of Storebrand Holding AB, which in turn owns 100% of SPP Pension & Försäkring AB, SPP Spar AB, SPP Konsult AB, and Storebrand & SPP Business Services AB. SPP is a leading Swedish provider of life insurance and occupational pension schemes. SPP is headquartered in Stockholm. In 2005, Storebrand Livsforsikring AS set up a branch in Sweden. The branch manages pensions and unit-linked contracts in the Swedish market written under the Norwegian Insurance Act. The branch is closed for new business. In 2008, the branch's operations were integrated with SPP.

Storebrand Livsforsikring AS owns 89,6% of Benco Insurance Holding BV, which in turn owns 100% of Nordben Life and Pension Insurance Company Ltd. in Guernsey and Euroben Life and Pension Ltd with head office in Dublin. The companies offer pension products to multinational companies.

Through the wholly owned subsidiaries Aktuar Systemer AS and Storebrand Pensjonstjenester AS, Storebrand Livsforsikring offers actuarial services, system solutions and all types of services associated with the operation of pension funds. Storebrand Finansiell Rådgivning AS was established as a wholly owned subsidiary by Storebrand Livsforsikring AS in order to satisfy legal changes affecting financial advice (the MiFid directive) which entered into force on 1 November 2007.

Pursuant to the Solvency II regulations, Storebrand Livsforsikring shall report on a solo [JO1] basis. This implies that subsidiaries are consolidated based on the value of own funds. These principles are described in more detail in Chapter D1. Assets. The data referred to in chapters A. Business and performance, D. Valuation for solvency purposes of assets and liabilities, and E. Capital management, are based on these principles for solo reporting. In chapters B. System of Governance and C. Risk Profile, the descriptions provided are mainly based on Storebrand Livsforsikring as a whole, including subsidiaries.

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[4] Deloitte AS: Dronning Eufemias gate 14; P.O. box 221 Sentrum, 0103 Oslo, Norway; Phone: +47 23 27 90 00
[5] A complete overview of the companies in the Storebrand Group can be found in the Storebrand ASA 2016 Annual Report, p. 196.

Storebrand's core business is split into the following segments: Savings, Insurance and Guaranteed Pension[6].

- Savings consists of long-term saving for retirement without guarantees. The main products are unit-linked insurance and defined contribution pensions for companies and individuals in Norway and Sweden.
- Insurance consists of the Group's risk products. Storebrand Livsforsikring provides personal risk products in the Norwegian retail markets and employee-related and pension-related insurance in the Norwegian and Swedish corporate markets.
- Guaranteed Pension comprises of long-term pension savings with a guaranteed rate of return or guaranteed benefits. The area includes defined benefit pensions in Norway and Sweden, paid-up policies and individual capital and pension insurance.

Storebrand Livsforsikring provides better pensions – simply and sustainably. Retirement is the total of many minor and major financial decisions and the Group therefore offers products within savings, insurance and banking to private individuals, companies and public sector entities. Savings and Insurance are the Group's growth areas, while Guaranteed Pension is in long-term decline.

The strategy of Storebrand Livsforsikring is to provide profitable growth 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 with occupational pension in Storebrand, are also offered attractive retail market solutions

A.2 UNDERWRITING PERFORMANCE

The results presented in this chapter correspond to the technical accounts in the financial reporting for Storebrand Livsforsikring, ref. Note 14 in the 2016 Annual Report; but are grouped according to the segmentation used for Solvency II reporting. Information about the risk result for Storebrand Livsforsikring can be found in Note 8 in the Annual Report for 2016.

Life insurance

The majority of the premium income, payments and expenses for Storebrand Livsforsikring are associated with life insurance products. For 2016, the total premiums from life insurance products amounted to NOK 16,250 million, distributed across guaranteed products with profit sharing, unit-linked insurance and other life insurance. The total expenses associated with life insurance products amounted to NOK 1,727 million, of which NOK 15 million has not been distributed across the various products.

TABLE 4 PREMIUMS, CLAIMS AND EXPENSES PER SEGMENT FOR 2016 (LIFE INSURANCE)

(NOK million)	Guaranteed products with profit sharing	Unit linked insurance	Other life insurance	Sum life insurance
Gross premiums	4,482	9,588	2,180	16,250
Reinsurers' share	3	0	16	19
Net premiums	**4,479**	**9,588**	**2,164**	**16,231**
Gross claims	7,855	1,307	916	10,077
Reinsurers' share	0	0	5	5
Net claims	**7,855**	**1,307**	**910**	**10,072**
Expenses	**1,013**	**376**	**323**	**1,727**

Guaranteed products with profit sharing

This segment comprises of collective occupational and individual pension schemes with guaranteed benefits and profit sharing. It includes insurance that pays out compensation in the event of disability or to survivors in the event of death when the insurance is linked to a guaranteed retirement pension.

For 2016, premium payments amounted to NOK 4,482 million. The premiums for own account amounted to NOK 4,479 million after ceding reinsurance premiums of NOK 3 million. Total claims amounted to NOK 7,855 million. Insurance claim payments for own account amounted to NOK 7,855. The total pay-outs are greater than the premium payments, which must be seen in connection with the fact that the portfolio is mainly comprised of paid-up policies. Paid-up policies are fully paid pension entitlements to which no further premiums are paid in. Premium payments from previous years have been set aside to cover pay-outs from these. Expenses associated with this segment amounted to NOK 1,013 million.

[6] The overview of what is included in the various segments is here limited to Storebrand Livsforsikring AS and its subsidiaries. These segments are described in more detail in Note 5. Segments in the 2016 Annual Report for Storebrand Livsforsikring.
[7] Including paid-up policies with investment choice and hybrid occupational pensions, which may have a 0% guarantee.

Unit-linked insurance

This segment comprises of collective occupational pensions (defined contribution pensions, hybrid pensions and paid-up policies with investment choice) and individual pensions without guaranteed returns or guaranteed benefits.

For 2016, the total premium payments amounted to NOK 9,588 million with no reinsurance ceded. The total insurance claims amounted to NOK 1,307 million. The fact that premium payments vastly exceed insurance claim payments must be seen in connection with the fact that few of the policy holders have reached retirement age. Most of the contributed premium is therefore set aside to cover future pension pay-outs. Expenses associated with this segment amounted to NOK 376 million.

Other life insurance

This segment mainly consists of insurance against disability, illness, accidents or death. Group disability insurance provides annual pay-outs in the event that the insured party becomes incapacitated for work. Group life insurance provides one-off payments for incapacity caused by accident or illness, or to the survivors in the event of death.

For 2016, the total premium amounted to NOK 2,180 million. After ceding NOK 16 million in reinsurance, the premium for own account amounted to NOK 2,164 million. The total claims amounted to NOK 916 million. The insurance claim for own account amounted to NOK 910 million. Expenses associated with this segment amounted to NOK 323 million.

Non-life insurance

Storebrand Livsforsikring AS also offers certain products defined as non-life insurance. For 2016, the total premiums from non-life insurance amounted to NOK 339 million for disability insurance and worker's compensation insurance. Expenses associated with non-life insurance products amounted to NOK 67 million.

TABLE 5 PREMIUMS, CLAIMS AND EXPENSES PER SEGMENT FOR 2016 (NON-LIFE INSURANCE)

(NOK million)	Income protection insurance	Workers' compensation insurance	Total for non-life insurance
Gross premiums	261	78	339
Reinsurers' share	7	4	10
Net premiums	**254**	**74**	**328**
Gross claims	171	59	230
Reinsurers' share	5	2	7
Net claims	**166**	**56**	**223**
Expenses	**55**	**12**	**67**

Appendix 2 to this report includes a table with further details about the accrual of insurance claims over time for the past 10 years (S.19.01.21)

Income protection insurance

This segment includes insurance contracts that offer a lump-sum compensation in the event of an accident[8].

For 2016, the total premium payments amounted to NOK 261 million. After ceding NOK 7 million in reinsurance, the premium for own account amounted to NOK 254 million. The total claims amounted to NOK 171 million. The insurance claim payments for own account amounted to NOK 166 million. Expenses associated with this segment amounted to NOK 55 million.

Workers' compensation insurance

This segment comprises of premiums that cover compensation for work related injuries.

For 2016, the total premium payments amounted to NOK 78 million. After ceding NOK 4 million in reinsurance, the premium for own account amounted to NOK 74 million. The total claims amounted to NOK 59 million. The insurance claim payments for own account amounted to NOK 56 million. Expenses associated with this segment amounted to NOK 12 million.

[8] Does not include Group life, which is included in Other life insurance.

Geographical distribution of premiums, insurance claims and expenses

Virtually all of Storebrand Livsforsikring AS's premiums, claims and expenses occur in Norway. The geographical distribution of premiums, insurance claims and expenses for the Storebrand Group are described in Section A.2 in the Solvency and Financial Condition Report for Storebrand ASA.

The subsidiaries SPP Pension & Försäkring and Euroben have the main share of income and expenses in Sweden. See section A.2 in the Solvency and Financial Conditions Report for these companies.

A.3 INVESTMENT PERFORMANCE

In 2016, the average investment return for guaranteed customer portfolios was 6.0% (booked) and 4.8% (based on market value). There was a 4.7% return on capital for the company portfolio. Further details on the return for sub-portfolios can be found in Note 47 in the Storebrand Livsforsikring Annual Report.

Incomes from investments are also described in Note 18 Net Financial Income and Note 19 Net income from real estate in the Storebrand Livsforsikring 2016 Annual Report. The investment results in this report are based on the principles that apply for the solvency balance sheet. For this reason, the figures deviate somewhat from the financial statements, particularly due to the fact that amortised cost are not used for the solvency balance sheet.

For 2016, Storebrand Livsforsikring's realised income from investments amounted to NOK 11,765 million. Of this, NOK 6,642 million was interest income, NOK 467 equity dividends and NOK 4,656 million net capital gains on the sale of securities. Unrealised capital gains increased by NOK 1,198 million.

Storebrand Livsforsikring's investments are divided into three main portfolio groups; the collective portfolio (guaranteed customer portfolios), the index-linked and unit-linked insurance portfolio (non-guaranteed customer portfolios) and the corporate portfolio. Market risk affects Storebrand's income and profit differently in the different sub-portfolios, as described in more detail in Chapter B.2 Market Risk.

TABLE 6 REVENUES AND EXPENSES ASSOCIATED WITH INVESTMENTS DISTRIBUTED BY MAIN PORTFOLIOS

(NOK million)	Dividends	Interest incomes	Net capital gains	Change in unrealized gains and losses
Collective portfolio	108	5,874	2,665	-144
Index-linked and unit-linked insurance portfolio	258	361	1,584	1,699
The corporate portfolio	101	408	407	-357
Total	**467**	**6,642**	**4,656**	**1,198**

Details on how income is distributed in terms of asset classes, can be found in the Appendix to this report (Appendix 1).

Storebrand Livsforsikring has not recognised investment revenues or investment costs directly against equity. Storebrand Livsforsikring has not invested in securitisations.

A.4 PERFORMANCE OF OTHER ACTIVITIES

Storebrand Livsforsikring is funded by a combination of equity and subordinated loans. Based on the interest rate levels at the end of 2016, quarterly interest expenses of approximately NOK 100 million are expected. Beyond this, Storebrand Livsforsikring has little income or expenses that are not linked to its insurance and investment activities. Other income is also specified in Note 21 and other expenses in Note 27 in the Storebrand Livsforsikring 2016 Annual Report.

A.5 ANY OTHER INFORMATION

The business activities and performance in 2016 are described in detail in the Storebrand Livsforsikring 2016 Annual Report.

B. SYSTEM OF GOVERNANCE

B.1 GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE

The Board of Directors and its advisory subcommittees
The Board of Directors of Storebrand Livsforsikring consists of seven members, three of whom are external and two of whom are elected by the company's employees. The CEO is Chairman of the Board.

The Board is responsible for ensuring that the company is properly organized, for establishing risk frameworks, strategies, plans and budgets for the business, as well as ensuring that business activities, accounting and asset management are subject to adequate control measures, including ensuring compliance with applicable law. The Board shall also supervise the day-to-day management and the company's business activities at large.

The Board of Directors of Storebrand ASA has established the following sub-committees: The Audit Committee, the Risk Committee, and the Compensation Committee. The committees consist of three to four board members each. The mandates of the advisory sub-committees are reviewed annually.

The Audit Committee assists the Board in reviewing, evaluating and, where necessary, proposing appropriate measures with respect to the business' overall controls, financial and operational reporting, risk management and internal control, as well as external and internal auditing. The Committee assists the Board in the preparation of items for consideration. Decisions are made, however, by the full Board.

The Risk Committee's main task is to prepare matters to be considered by the Board in the area of risk, with a special focus on the Group's risk appetite, 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 risk reporting.

The Compensation Committee acts as the Group's joint remuneration committee in accordance with Norwegian and Swedish regulations. The Compensation Committee shall advise the boards of the Group's companies in Norway and Sweden that are obliged to have remuneration committees. They will advise the boards in any matters concerning the individual companies' remuneration schemes for executive personnel, employees that influences the company's risk exposure and employees with control functions. The committee cannot make decisions on behalf of individual boards.

Day-to-day management
The Managing Director is responsible for the day-to-day management of Storebrand Livsforsikring's operations and activities, and shall act in accordance with the guidelines and orders issued by the Board. The Managing Director reports to the Board. The duties and responsibilities of the Managing Director are outlined in instructions laid down by the Board.

The Group's executive management team is the top management level for the management of the Group. Areas of responsibility include customers in Norway and Sweden, asset management and duties related to digital business development, customer service and products, economy and finance, as well as HR and IT.

Independent control functions
Storebrand Livsforsikring's Board of Directors has established independent control functions in accordance with relevant legal requirements: The Risk Management Function; Compliance function; Actuary Function; Internal Audit Function. The organization of, and areas of responsibility for each of these independent control functions, are described in more detail in Chapters B.3-B.6.
Remuneration

Storebrand Livsforsikring complies with the Group's common guidelines for remuneration. Storebrand aims to base remuneration on competitive and stimulating principles that help to attract, develop and retain highly qualified staff. Storebrand shall have an incentive model to support this strategy, focusing on the best interests of its customers, an ambitious cooperation model and transparency that strengthens the Group's reputation. The company will therefore mainly offer fixed salaries and use variable remuneration only to a limited extent. The Group's executive management team and senior executives that have a significant influence on the company's risk exposure are only eligible for fixed salaries. Other employees may be eligible for receiving a discretionary bonus of 5-15% of their fixed salary.

The Company shall provide and pay for a pension insurance for all employees in accordance with the applicable pension agreements at any given time. As of 2015 onwards, the company offers defined contribution plans for all employees, including employees with a salary exceeding 12G (G=the National Insurance basic amount).

When converting from a defined benefit to a defined contribution scheme, employees who were assessed to be at a disadvantage due to this change, were offered compensation in the form of monthly additional contributions for a maximum of 36 months. The compensation is treated as taxable income. For the Group's executive management team, the estimated present value of pension rights for income exceeding 12G, which was earned prior to the conversion, will be paid out over a five-year period.

The Chief Executive Officer and executive vice presidents are entitled to severance pay if their contracts are terminated by the company. The entitlement to a severance package is also available if the person decides to leave the company due to substantial changes in the organisation, or equivalent conditions which result in the person's not being able to naturally continue in his or her position. If the employment relationship is brought to an end due to a gross breach of duty or other material non-performance of the employment contract, the person in question is no longer entitled to severance pay. Deductions are made to the severance pay for all work-related income. The termination pay corresponds to the salary at the end of the employment relationship, excluding any bonus schemes. The Managing Director of Storebrand Livsforsikring is entitled to 12 months severance pay. The CEO is entitled to 24 months severance pay. Other Group directors are eligible for a maximum of 18 months of severance pay.

For further details on remuneration, including the remuneration of senior employees and elected officers, see Note 24 in the Storebrand Livsforsikring 2016 Annual Report.

Transactions with related parties

Storebrand Livsforsikring has transactions with other companies in the Storebrand Group, senior employees and shareholders in Storebrand ASA. These are transactions that are a part of the products and services offered by the companies in the group to their customers. The transactions are entered into on commercial terms, and include occupational pensions, private pension savings, non-life insurance, leasing of premises, loans and deposits, asset management and mutual fund investments.

See Note 45 in the Storebrand Livsforsikring 2016 Annual Report for further details.

B.2 FIT AND PROPER REQUIREMENTS

Storebrand Livsforsikring's Board of Directors has established processes to ensure that the Company's Board, the Managing Director/de facto management, as well as officers responsible for independent control functions or key functions, satisfy all fit and proper requirements. Individuals with leadership responsibilities or other key functions shall have sufficient qualifications for the responsibilities and tasks assigned to the respective roles, sufficient experience and expertise to execute their duties, as well as behaviour and integrity that meet the requirements for suitability and good conduct. The Board as a whole must represent a wide range of qualifications, experience and expertise related to the nature of the Group's business operations.

The implementation and documentation of the fit and proper assessment are carried out in connection with board appointments, annual board reviews, recruitment including background checks, annual succession planning and -processes and employee appraisals.

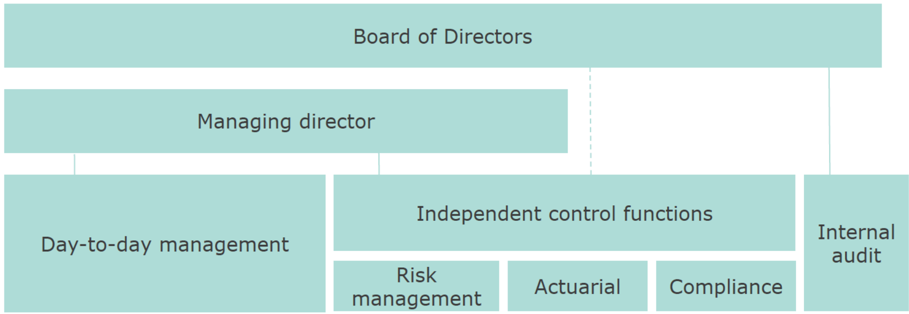
Management functions and other key functions provided by external service providers shall be assessed in the same way as the corresponding roles internally. Storebrand Livsforsikring has outsourced internal auditing to Ernst & Young (EY). An employee of Storebrand Livsforsikring is responsible for following up this contract. The employee must meet fit and proper requirements in terms of having the necessary skills and experience to assess the performance of and deliverables from EY.

The fit and proper assessment is performed at least once per year or in cases of significant strategic or organizational changes, when persons in management or other key functions are replaced, and in cases of outsourcing of such functions. The Financial Supervisory Authority of Norway, is continuously informed about the list of people who are subject to the fit and proper assessment.

B.3 RISK MANAGEMENT SYSTEM INCLUDING THE OWN RISK AND SOLVENCY ASSESSMENT

The risk management system

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 Storebrand Livsforsikring AS and of their subsidiaries [JO3] have the overall responsibility for limiting and following up the risks associated with their business activities. The boards sets limits and guidelines for the risk-taking in the company, receive reports on the actual risk levels, and perform a forward-looking assessment of the risk situation at least twice a year.

The Group Management, being the first line of defence, has the overall responsibility for the company's risk management. The Group Management's risk owners shall support the Managing Director in the task of safeguarding the their total responsibility for all risks assumed within Storebrand Livsforsikring. The Managing Director is responsible for ensuring that the company's internal risk management is adequate, including establishing independent control functions, and ensuring that the risk-taking are in compliance with regulatory requirements and guidelines from the Board.

Managers at all levels are responsible for the risk management within their own area of responsibility. All employees should know that awareness concerning risks and risk management are integral elements of the company culture.

Independent control functions (the second line of defence) have been established for risk management (Risk Management Function/ Chief Risk Officer), for compliance with regulations (the Compliance Function) and for actuarial tasks (the Actuarial Function). These independent control functions are report directly to the Managing Director of Storebrand Livsforsikring, and report independently to the Board of Directors. Their tasks and responsibilities are described in instructions from the Board. Functionally, the independent control functions are affiliated with the Group Chief Risk Officer (CRO), which reports directly to the CEO.

The CRO shall ensure that all significant risks are identified, measured and appropriately reported. The CRO function shall be actively involved in the development of Storebrand Livsforsikring's risk appetite and -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 company' operations.

The internal audit function report directly to the Board and shall provide the boards of the relevant group companies with confirmation concerning the appropriateness and effectiveness of the company's risk management system, including the functioning of the independent control functions.

The risk management process

The risk management process includes identifying, measuring, limiting, managing, monitoring, reporting, documenting and communicating risk.

The risk identification process shall ensure awareness of all material risks. A group-wide risk universe, which groups risks into appropriate risk categories has been established, providing a common, comprehensive risk language based on the risk universe in Solvency II.

The total risk is measured by capital requirements according to the Solvency II standard model; ref. chapter E.2 Solvency Capital Requirements and Minimum Capital Requirements. Additional stress testing measures and scenario analyses are also used in order to quantify risks. All risks have a designated risk owner. The risk owner is responsible for risk assessment, including the use of relevant stress testing and scenarios. This assessment shall facilitate the Board's supervision of targets and limits defined in the risk appetite and/or risk strategies.

The risk appetite is the overall risk level and risk types Storebrand Livsforsikring is willing to accept in order to achieve its business goals. In the risk strategy, guidelines from the risk appetite are specified into goals and limits for the company's risk-taking, in total and for individual risk types. Storebrand Livsforsikring's Board of Directors discusses and determines the risk appetite and risk strategy at least once per year. The Chief Risk Officer is responsible for preparing proposals. The risk appetite and risk strategy for the Group provide guidelines and set limits for Storebrand Livsforsikring's risk-taking. The risk appetite and risk strategy provide guidelines and set limits for more detailed strategies related to (inter alia) market risk (investment strategies), insurance risk, credit risk and liquidity risk.

Managers at all levels are responsible for risk management within their area of responsibility. The risk management shall ensure that risk levels are consistent with the appetite for risk and complies with internal and regulatory frameworks at all times. If the risk exceeds the limits, the risk owner shall immediately ensure that necessary measures are taken.

Risk owners shall have a continuous monitoring of the risk exposure, and are responsible for establishing reporting procedures that ensure that information about material risks are analysed and reported. On a general level, the Board of Directors receives information about risks during board meetings and in the form of monthly business reports. Procedures and systems have been established which allow all employees to report quickly and systematically to their managers if they discover discrepancies, new risks or defunct control systems.

The risk reporting from the risk owners, is supplemented by independent reporting from the Chief Risk Officer. The CRO prepares a monthly risk report for the Group, which goes to the Group Management and the boards of Storebrand ASA and Storebrand Livsforsikring. The CRO also prepares a risk review for the Group Management and the Boards of Directors at least twice per year.

Risk management is an integral part of the business and shall serve as support when making business decisions. The Board and the management will take any relevant risk information into account in all decision making processes.

Own risk and solvency assessment (ORSA)

The Board will conduct a self-assessment of risk and solvency (ORSA) at least once per year. The regular ORSA is linked to the Group's strategy and planning process, and is prepared concurrently with the financial and capital plans. The Board is responsible for the ORSA process and prepares an ORSA report for Storebrand Livsforsikring which summarizes the results from the risk and solvency assessments.

A non-regular ORSA shall be conducted, in full or in part, in the event that changes occur that may have a significant impact on risks and/or capital. Such changes may be driven by internal decisions or external circumstances.

Through the ORSA process, the Board shall assess whether the risk-taking is in line with the determined risk appetite and within the applicable risk limits, including whether the risk-taking serves to fulfil the company's profitability goals; whether developments in the risk situation are within the risk appetite statement; and whether the risk of fluctuations in the solvency position is within acceptable limits.

Targets for solvency and consistency with the capital plan

The Storebrand Group has overall financial targets related to solvency and financial strength, profitability and dividends. These are described in more detail in the "Financial Targets" chapter of the Storebrand ASA 2016 Annual Report.

The solvency target is for Storebrand ASA (the Group)'s solvency margin to exceed 150% including transitional rules. The Board of Directors wants to minimize the probability of fluctuations, particularly in the financial market, triggering the need to take extraordinary measures to strengthen the solvency position. The target is therefore set at a substantially higher level than the regulatory requirement of 100%.

The profitability target is that the return on equity should exceed 10%. Risk-taking should contribute to Storebrand achieving this target.

In a normal operational situation, dividends to shareholders should amount to more than 35% of the total result[9], provided that the Group's financial strength is adequately secured. In the event that Storebrand ASA's solvency margin is less than 150%, a reduction in dividend should be considered. No dividend will be paid in the event that the solvency margin is less than 130%, or if the solvency margin without transitional rules is below 110%.

The target for Storebrand Livsforsikring (solo) is a solvency margin of over 150%, which corresponds to the target for Storebrand ASA (Group). The corresponding targets reflect the fact that Storebrand Livsforsikring carries most of the Storebrand Group's risks. Storebrand Livsforsikring's solvency goal should also be consistent with the aim of an A-level credit rating.

The holding company Storebrand ASA aims for a net debt ratio of near zero. The group's capital plan is based on the principle that surplus capital, above the target solvency level in subsidiaries, should be placed in Storebrand ASA. This is to ensure flexibility and

[9] After tax, but before amortisation costs

to provide flexibility for strengthening the capital in the Group's operating companies. Due to the fact that the build-up of reserves for a new longevity tariff (K2013) is still in process, no dividends or group contributions were paid out from Storebrand Livsforsikring to Storebrand ASA for 2016.

Assessment of the system of governance

The Board reviews the system of governance, risk management and internal control at least once per year as part of the ORSA process. The Board finds that the organization hereof is appropriate in terms of the nature, scope and complexity of the risks associated with Storebrand Livsforsikring's business.

B.4 INTERNAL CONTROL SYSTEM

The foundation for adequate risk management and internal control is to ensure a sound and proper control environment represented by the attitudes, integrity, values and ethics of the Board, management and employees, as well as the formal and operational organization of the business.

The term "internal control" encompasses all the measures the company takes to achieve its goals and limit unwanted events in order to secure and create values for its customers, owners, employees and the society in general. Internal control involves more than simply implementing control measures. It also involves facilitating targeted and cost-effective business operations, reliable reporting and compliance with external and internal regulations. Internal control is a continuous process conducted by the Board, executive management and employees, as it is integrated in to the business' day-to-day management and operation.

Being the first line of defence, managers at all levels of the business are responsible for fulfilling internal control requirements within their own area of responsibility, and shall continuously evaluate the implementation of internal control procedures. The control functions shall be organized in a way that enables them to exercise their duties objectively and independently. It is essential to emphasise sufficient independence for the control functions in order to prevent possible conflicts of interest. Situations in which individuals are responsible for a decision-making process for which they also act as control function must be avoided.

The Compliance Function

Storebrand Livsforsikring's Compliance Function reports to the Board and the Managing Director. The compliance functions of the licensed companies in the Storebrand Group are functionally organized under the Group Compliance Officer.

The responsibilities, duties and rights of the Compliance Officer are described in an instruction from the Board. The Compliance Officer shall support the management and the Board in their responsibility to ensure compliance with external and internal regulations. The Compliance Officer shall provide the Managing Director and the Board with independent reporting and a comprehensive overview of the most important activities related to advising, monitoring and securing compliance with internal and external regulations, in addition to providing an overall plan for priorities in the coming year.

The Compliance Officer will provide the Managing Director and the Board with independent monthly/quarterly reports that show the current status for implemented controls, in addition to preparing an annual report with plans for activities in the coming year. Regulatory changes are reported to the boards annually or as needed.

B.5 INTERNAL AUDIT FUNCTION

On 1/1/2013, Storebrand entered into an agreement with Ernst & Young (EY) to provide the internal audit function for all companies in the Group. EY's responsible partner reports directly to Storebrand Livsforsikring's Board of Directors, which determines the internal audit function's instructions and annual plan.

The internal audit function assists the Board and the executive management in exercising good corporate governance by providing an independent and neutral assessment of whether the companies' most significant risks are adequately managed and controlled.

The internal audit function is direct responsible to the Board and the tasks shall be carried out independently of the areas and persons under audit. The internal audit function shall be allowed to conduct inquiries independently of the executive management. At the request of the company or on its own initiative, the internal audit function may conduct independent investigations in cases of suspected fraud.

B.6 ACTUARIAL FUNCTION

The Actuarial Function of Storebrand Livsforsikring reports to the Managing Director and the Board. In order to ensure an efficient and consistent actuarial function for the Storebrand group, a Group actuary responsible for the function's total deliverables has been appointed. The actuarial function for Storebrand Livsforsikring is affiliated with the Group's actuarial function, reporting to the Group actuary.

The responsibilities, duties and rights of the actuary function are outlined in an instruction from the Board. The actuary function's main task is to ensure that the technical provisions/insurance liability calculations are reliable and correct. The function will also provide feedback on the guidelines for underwriting and the suitability and effectiveness of the company's reinsurance program. The function will also support the Chief Risk Officer's work, particularly with regards to insurance risk.

The actuarial function shall provide Storebrand Livsforsikring's Board of Directors with an annual report assessing whether the calculation of technical provisions is reliable and appropriate.

Storebrand Livsforsikring's actuarial function should operate independently from the company's operations. This implies that the function should not make decisions for, take responsibility for, or participate in the activities and services that are being reviewed in such a way as to raise questions about the actuarial function's independence or impartiality. The actuarial function will assess the advisability of decisions that affect the company's technical provisions in the solvency balance sheet.

B.7 OUTSOURCING

Outsourcing refers to the cases where Storebrand Livsforsikring chooses to use contractors to carry out tasks that could alternatively have been carried out by the company's own employees. Storebrand Livsforsikring's Board of Directors has adopted guidelines for outsourcing that apply both to outsourcing internally within the Storebrand group and outsourcing to external companies. Exceptions include simple procurement agreements and service agreements with little impact on the company's operational activities.

A fundamental principle is that Storebrand Livsforsikring continues to be responsible for the outsourced tasks and assignments. Storebrand Livsforsikring must therefore be able to fulfil its obligations, as well as review the contractors' risk management and internal control measures, including ensuring compliance with the laws and regulations applicable to the outsourced tasks and assignments.

A risk assessment should always be performed before deciding that operations will be outsourced. The assessment shall be based on the assumption that outsourcing should be appropriate in terms of commercial considerations, as well as in terms of reasonable assurance that management and control, safeguarding of ongoing business operations, effective monitoring and supervision and a good relationship with our clients will be maintained.

Storebrand entered into a long-term strategic partnership agreement with Cognizant in November 2015. At the same time, Storebrand sold 66% of its shares in Storebrand Baltic UAB, which functioned as the Group's service centre in Vilnius, Lithuania, to Cognizant. This agreement initially included business processes and IT development activities that were already carried out by Storebrand Baltic. Furthermore, Storebrand sees a significant potential in this collaboration agreement in terms of innovation and digitalization of the Group's services, with subsequent streamlining of processes and IT solutions. This will provide better and more innovative solutions for the Group's clients, as well as contribute to reduced expenses.

Storebrand Livsforsikring has outsourced services related to, inter alia, business processes, IT infrastructure, operations and development, asset management and distribution (see Table 7 for more details). Storebrand Livsforsikring's Board of Directors receives an annual report on outsourced activities. The report provides an overview of outsourced tasks and how they are followed up. Relevant supervisory authorities have been informed of outsourced activities in accordance with the rules applicable to the business in question.

TABLE 7 OVERVIEW OF THE COMPANY'S MAIN OUTSOURCED ACTIVITIES

Contracting Partner	Activity	Jurisdiction
Cognizant Technology Solutions UK Ltd.	Business processes IT,operations and development	Great Britain (Lithuania, India)
Storebrand and SPP Business Services AB (intragroup)	Processes outsourced to Cognizant	Sweden
Evry AB	IT infrastructure	Sweden
Evry Norge AS	Operation of the accounting system	Norway
Oracle Norge AS	Cloud services	Norway
Microsoft Ireland Operations	IT support Cloud services	Ireland
Tieto Corporation	IT system solutions	Norway
OpusCapita IT solution AS	System management	Norway
Touch Technology AS	Customer conversation recordings	Norway
Zalaris HR Services AS	Wage system for own employees	Norway
Ernst & Young AS	Internal audits	Norway
Storebrand Asset Management AS (intragroup)	Asset management	Norway
Storebrand Bank ASA (intragroup)	Loans management Distribution	Norway
Storebrand Finansiell Rådgivning AS (intragroup)	Distribution	Norway
Formuesforvaltning Aktiv Forvaltning AS	Distribution	Norway
Private Barnehagers Landsforbund	Distribution of collective products	Norway
Virke Forsikring AS	Distribution of collective products	Norway
Boligbyggelagenes Partner AS	Distribution of collective products	Norway
RIF Forsikringsservice AS	Distribution of collective products	Norway
Connector Forsikring Service AS	Distribution of collective products	Norway
Nordic Insurance Services AS	Distribution of collective products	Norway

B.8 ANY OTHER INFORMATION

The system for risk management and internal control is also described in the Storebrand Livsforsikring 2016 Annual Report, especially in the chapter "Capital situation and risks" and Note 6. Risk management and internal control.

C. RISK PROFILE

C.1 UNDERWRITING RISK

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. The largest insurance risks for Storebrand Livsforsikring are longevity, disability, customer lapses and expenses developments.

Customers with traditional pension products in Norway and Sweden are usually entitled to minimum annual pay-outs for as long as they live. If the average life expectancy increases more than what was expected when calculating premiums and provisions, Storebrand Livsforsikring must cover the difference. Storebrand Livsforsikring is also subject to the risk of increased longevity for people receiving survivor pensions. The main way of controlling the risk is to base pricing and provisions on the assumption of a continued longevity trend. Actual developments with regards to longevity are monitored and provide a basis for assessing whether pricing and provisions are adequate. Storebrand Livsforsikring also provides insurance with death benefits for survivors, which gives risk from an increase in early deaths. This risk is small compared to the risk associated with increased longevity.

Storebrand Livsforsikring provides disability insurance, mainly in the form of group insurance for companies. Disability coverage can be linked to both traditional guaranteed pension products and defined contribution pensions. Storebrand Livsforsikring is exposed to risk if a higher number of people than expected become incapacitated, or if fewer people with disabilities return to working life. Storebrand Livsforsikring also offers insurance related to illness, accidents or occupational injury, but the associated risk is limited as they comprise only a small part of the total premiums.

For disability and other risk products, the risks are limited through obtaining health information before entering into insurance agreements with individuals or companies with few employees. For larger companies, the type of industry and statistics on illness are taken into account when calculating the premium. This risk is mitigated by monitoring risk results and, if necessary, adjusting the premium annually.

In order to limit the risk associated with major risk-events or catastrophes, Storebrand Livsforsikring has entered into reinsurance contracts. Reinsurance covers risks (beyond a lower limit[10]) where a single event causes more than two deaths or disability cases. The company's maximum risk amount for own account is relatively high, and the risk reinsured is therefore relatively modest.

Because future margins have an effect on the technical provisions, there is risk from profitable customers leaving the company (lapse risk) or from unexpected expense-increases. Defined contribution and unit-linked insurance is particularly exposed to lapse risk. For occupational defined contribution pensions in Norway, Storebrand Livsforsikring has entered into a reinsurance agreement covering losses from lapses beyond a threshold.

C.2 MARKET RISK

Market risk is changes in the value of assets from volatility or unexpected changes in prices on the financial markets, including that the value of the technical provisions may develop differently from 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.

[10] This cover is also subject to an upper limit

TABLE 8 INVESTMENTS BY MAIN PORTFOLIO GROUPS AS OF 12/31/2016

	Guaranteed customer portfolios	Non-guaranteed customer portfolios	Company portfolios
Real estate at fair value	10%	2%	0%
Bonds at amortised cost	37%	0%	11%
Money market	1%	3%	37%
Bonds at fair value	39%	17%	51%
Shares at fair value	5%	77%	0%
Loans at amortised cost	6%	0%	0%
Miscellaneous	1%	0%	0%
Total	**100%**	**100%**	**100%**

Guaranteed customer portfolios

For customer portfolios with a guarantee, the net risk for Storebrand Livsforsikring will be lower than the gross market risk The extent of risk-reduction depends on several factors, the most important being the size and flexibility of the customer buffers and the level and duration of the guaranteed return. If the investment return is not sufficient to meet the guarantee, the shortfall may be met by using customer buffers built up from previous years' surpluses. Storebrand Livsforsikring is responsible for covering a shortfall under the guarantee.

83% of the funds are invested in interest-bearing securities and loans. In Norway, most of the credit risk is from securities held at amortised cost, which significantly reduces the risk to the company's profit. 10% of the assets are invested in properties and 5% in equity. Most of the assets that are in foreign currency are currency hedged. This limits the currency risk.

The market risk is managed by segmenting the portfolios based on their risk-bearing capacity. For customers who have large customer buffers, assets are invested with higher market risk in order to give higher expected returns. Equity risk is also managed dynamically with the aim of maintain good risk-bearing capacity by adjusting the financial risk to the buffer situation and the company's financial strength. By exercising this type of risk management, Storebrand Livsforsikring expects to create good returns both for individual years and over time.

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. Paid-up policies have a particularly high risk in a low interest rate scenario, because there are very limited opportunities for changing pricing or other terms. In Norway, the effect of low interest rates are mitigated by a large allocation to amortised cost portfolios with amortization yield higher than the current interest rate levels. In Sweden, the interest rate risk is managed by matching the duration of the assets to the insurance liabilities.

Non-guaranteed customer portfolios (Unit-linked insurance)

For defined contribution and unit-linked insurance, customers can determine how their funds are invested. The most significant market risks are equity risk and currency risk.

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

Company portfolios

The market risk in the company portfolios has full impact on the profit. Storebrand Livsforsikring aims to take low financial risk for the company portfolios, and most of the assets are invested in short and medium-term fixed income securities with low credit risk. Storebrand Livsforsikring has hedged part of the value of its shareholding in SPP[11].

[11] Owned through Storebrand Holding AB

Sensitivity analyses

Storebrand Livsforsikring monitors market risk in the form of stress tests and sensitivity analyses, among other measures. Market risk is a key part of the ORSA assessment.

As a basis for continuous risk monitoring, a stress test has been defined based on a 12% fall in equities, a 7% 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. An 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 as for Solvency II.

The table shows the fall in value for Storebrand Livsforsikring and SPP's investment portfolios as a result of immediate value changes from to financial market risk The stresses have been applied to the company portfolio and guaranteed customer portfolios as at 31 December 2016.

TABLE 9

	Storebrand Livsforsikring		SPP Pension & Försäkring	
Risk to the company's profit	NOK million	Portfolio share	SEK million	Portfolio share
Interest rate risk	1,225	0.6 %	356	0.4 %
Equity price risk	1,150	0.6 %	792	0.9 %
Property price risk	1,507	0.8 %	474	0.5 %
Credit risk	981	0.5 %	763	0.8 %
Diversification	-735	-0.4 %	-357	-0.4 %
Result	**4,128**	**2.1 %**	**2,028**	**2.2 %**

Because effect from immediate market changes are calculated, dynamic risk management will not affect the outcome. If market changes occur over a period of time, dynamic risk management will reduce the effect of the negative outcomes. As a result of customer buffers, the effect of the stresses on the result will be lower than the change in value in the table. As of 31 December 2016, the customer buffers are sufficient to dampen the negative result effect significantly.

Based on the stress test, Storebrand Livsforsikring has an overall market risk of NOK 4.1 billion, which is equivalent to 2.1 per cent of the investment portfolio. If the stress causes the return to fall below the guarantee, it will have a negative impact on the result if the customer buffer is not sufficient. Other negative effects on the result are a lower return from the company portfolio and loss of profit sharing from paid-up policies and individual contracts.

Based on the stress test, SPP has an overall market risk of SEK 2.0 billion, which is equivalent to 2.2 per cent of the investment portfolio. The buffer situation for the individual contracts will determine if all or portions of the fall in value will affect the financial result. Only the portion of the fall in value that cannot be settled against the customer buffer will be charged to the result. In addition, reduced profit sharing or loss of indexing fees may affect the financial result.

Defined contribution and unit-linked insurance without guarantees are 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 other companies in the Storebrand Livsforsikring Group are not included in the sensitivity analysis, as there is little market risk in these areas.

Prudent person principles

The management of Storebrand's guaranteed portfolios is seen in connection with the obligation to deliver a minimum return. In order to ensure sound management, portfolios are segmented based on guaranteed rates, duration, and customer buffer size. Market risk exposure is seen in relation to customer buffer sizes. When buffers are sufficient, investment risk is increased in order to achieve competitive returns for customers. If customer buffers are limited or contracts are under-reserved, the risk that Storebrand Livsforsikring might have to cover the guaranteed return is limited by investing in interest-bearing securities that correspond to the liability. A dynamic equity allocation model is used to adjust the investment risk to changes in the risk-bearing capacity of the portfolios.

For defined contribution and unit-linked insurance, the customer manages their own assets. Storebrand Livsforsikring's role is to offer a good, broad range of funds, to assemble profiles adapted to different risk preferences, and to offer systematic reduction of risk towards retirement age.

The corporate portfolios serve as a buffer for the insurance customers in the case that the customer portfolios have insufficient funds to cover the pay-outs. In addition, the portfolios are to cover operating expenses and serve as a liquidity buffer. The asset management shall ensure sufficiently liquid portfolios with low correlation with the customer portfolios, combined with good returns relative to the risk level.

For all portfolios, the investment strategy limits the investable types of assets. Derivatives are utilised in order to reduce risk only. The investment strategy has requirements for the tradability of assets and for adequate distribution of risk between e.g. different asset classes, countries, industries and individual issuers.

Credit risk assessment irrespective of ratings
For interest-bearing securities, the risk is managed by establishing requirements for the maximum risk exposure per rating class, both collectively and for individual issuers. Storebrand also assesses credit risks and the correct rating level for investments, independent of the official ratings.

Management of the interest rate risk linked to the yield curve
The yield curve that Storebrand Livsforsikring uses when determining the insurance liability is based on extrapolation against a long-term Ultimate Forward Rate (UFR) and a supplement in the form of volatility adjustment. Both elements are part of the standard model for Solvency II. However, the Solvency II regulations[12] stipulate that these risks are to be assessed.

Storebrand follows this risk both as part of the ORSA process and as part of the ongoing risk management of the investment portfolio. Storebrand calculates what the solvency position would have been without VA and with alternative UFR levels, at least quarterly.

C.3 CREDIT RISK

Credit risk is the risk of losses as a result of counterparties not fulfilling their debt obligations. This includes losses on loans and losses related to current accounts, as well as reinsurance claims and losses related to the failure of counterparties to fulfil their financial derivative contracts. Credit losses from the securities portfolio are categorized as market risk.

The maximum limits for credit exposure to individual counterparties and for overall credit exposure to rating categories are set by the Board of Storebrand Livsforsikring as part of the investment strategy. Particular attention is paid to avoid concentration towards particular debtors or sectors. Changes in the credit quality of debtors are monitored and followed up. Storebrand use official credit ratings wherever possible, supplemented by our own credit evaluation.

Counterparty risk from derivatives
Storebrand has entered into framework agreements with all counterparties to reduce the risk from outstanding derivative transactions. These regulate, inter alia, how collateral is to be pledged against changes in market values which are calculated on a daily basis.

Collateral pledged in connection with futures and options are regulated daily, based on the change in margin for the individual contracts. As of 12/31/2016, Storebrand Livsforsikring AS had pledged collateral of NOK 1,102 million and received collateral of NOK 763 million. The net pledged collateral totalled NOK 339 million. Collateral is received and paid in the form of cash and securities.

Further details on collateral can be found in Note 43 Collateral and Note 11 Credit Exposure in the Storebrand Livsforsikring 2016 Annual Report.

Loans and mortgages
The corporate market portfolio consists of loans to income-generating real estate and development real estate with few customers and few defaults, which is generally secured in commercial property. In the retail market, most of the loans are secured by means of home mortgages. Customers are evaluated according to their capacity and intent to repay the loan. In addition to their capacity to service debt, the customers are checked regarding policy rules; and the customers are credit scored using a model.

[12] The Solvency II regulation to the Financial Institutions Act, §25

As of 31.12.2016, Storebrand Livsforsikring has provided loans and mortgages to customers, including unused credit limits, for a total of NOK 16.8 billion, 58% of which is comprised of loans and mortgages to retail market customers, mainly by means of low-risk home mortgages. Loans and mortgages are described in more detail in Note 11 in the Storebrand Livsforsikring 2016 Annual Report.

C.4 LIQUIDITY RISK

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

For Storebrand Livsforsikring, insurance liabilities are long-term and the cash flows are generally known long before they fall due. In addition, sufficient liquidity is required to be able to handle payments in daily business operations as well as for 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.

In addition, the Group's parent company, Storebrand ASA, has established a liquidity buffer. The development of the liquid holdings is continuously monitored at the Group level in relation to internal limits.

The value of profits from future premiums that are within the contract boundary is included in the solvency capital. This is further described in Chapter E.1 Own Funds. The margin from future premiums is a capital element that may have less liquidity than other capital. Liquidity planning is based on data from the financial statements. The margin from future premiums is not included in the financial statements. Therefore, the size of the margin from future premiums is of limited relevance in terms of liquidity risk or liquidity management strategies.

C.5 OPERATIONAL RISK

Operational risk is the risk of financial loss, impaired reputation or sanctions because of violations of internal or external regulations due to ineffective, inadequate or failing internal processes or systems, human error, external events or failure to comply with applicable rules and regulations.

The risk is assessed in terms of a combination of how often it can happen (probability) and consequences. In addition to direct financial loss, consequences for customers, compliance and additional work are assessed and measured. In cases where the risk assessment concludes that the risk exceeds acceptable levels, steps should be taken to reduce the risk (in terms of probability or consequences).

Unwanted operational risk is sought to be reduced by implementing efficient internal control systems. Risks are followed up through the management's risk reviews, with documentation of risks, risk reducing measures and the follow-up of incidents. Storebrand's control functions also includes employees with particular responsibility for controlling operational risk. In addition, Internal Audit carries out an independent control in accordance with audit projects adopted by the Board.

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

C.6 OTHER MATERIAL RISKS

Concentration of risks

Most of the risk for Storebrand Livsforsikring is linked to the guaranteed pension products, which are largely the same for Norway and Sweden. The equity, property and bond portfolios are diversified in order to ensure a low concentration of risks in terms of geography, industries and individual companies. The market risk will depend significantly on global circumstances that influence the investment portfolios in all businesses. The insurance risk may be different for the various companies, but longevity in particular can be influenced by universal trends.

Each company's investment strategy applies limits for the concentration of risks in terms of maximum exposure against individual companies and rating classes. The insurance risk strategy limits the allowed maximum exposure towards disasters (reinsurance).

C.7 ANY OTHER INFORMATION

Information regarding the risk situation can also be found in the Storebrand Livsforsikring 2016 Annual Report, particularly the risk chapters and Notes 6–12.

D. VALUATION FOR SOLVENCY PURPOSES

D.1 ASSETS

Overview of assets in the solvency balance sheet

The total assets in the solvency balance sheet amount to NOK 292.3 billion. NOK 221.0 billion hereof is investments and loans linked to guaranteed customer portfolios or the corporate portfolio. Index-linked and unit-linked insurance assets total NOK 64.3 billion, while other assets total NOK 7.0 billion.

TABLE 10 ASSETS IN THE SOLVENCY BALANCE SHEET AS OF 12/31/2016)

(NOK million)	
Investments (other than assets held for index-linked and unit-linked contracts)	204,422
Holdings in related undertakings, including participations	*34,113*
Equities	*5,082*
Equities - listed	*4,473*
Equities - unlisted	*609*
Bonds	*134,465*
Government bonds	*41,640*
Corporate bonds	*92,245*
Structured bonds	*580*
Collective Investments Undertakings	*29,692*
Derivatives	*1,060*
Deposits other than cash equivalents	*10*
Assets held for index-linked and unit-linked contracts	64,292
Loans and mortgages	16,626
Reinsurance recoverables	104
Cash	3,910
Other assets	2,948
Total assets	**292,302**

Principles for valuation of assets

For Solvency II, assets are to be measured at fair value. The valuation principles largely coincide with the principles for fair value valuation for International Financial Reporting Standards (IFRS). The accounts for Storebrand Livsforsikring AS have been prepared in accordance with the Norwegian GAAP, which largely coincides with IFRS, with the exception that bonds at amortised cost and bonds classified as loans and receivables are recorded at amortised cost.

Storebrand Livsforsikring conducts a comprehensive process to ensure that financial instruments are valued as closely as possible to their market value. This is described in more detail in Note 1. Company information and accounting policies and Note 13. Valuation of financial instruments and real estate in the 2016 Annual Report for Storebrand Livsforsikring.

Differences in valuation between Solvency II and the financial statements

The main differences from the financial statements are linked to intangible assets, bonds, loans and mortgages, subsidiaries, as well as deferred tax assets.

TABLE 11 DIFFERENCES BETWEEN SOLVENCY II AND THE FINANCIAL STATEMENT (NGAAP)

(NOK million)	Solvency II	Financial statement	Difference
Intangible assets		133	-133
Deferred tax assets		175	-175
Holdings in related undertakings, including participations	34,113	34,318	-204
Added value – bonds and loans at amortised costs	8,785		8,785
Miscellaneous	249,404	247,852	1,551
Total	**292,302**	**282,478**	**9,823**

Intangible assets

Intangible assets shall, according to the Solvency II principles, be valued at zero in the solvency balance sheet. The difference gives a 0.1 billion lower valuation for the solvency balance sheet.

Deferred tax liabilities / assets

Changes in value when transitioning from NGAAP to Solvency II also affects the company's tax situation. This applies to all changes in value except for changes in value for subsidiaries and holdings in related undertakings, including participations. The tax effect must be seen in connection with changes in the valuations of the liabilities described in Chapter D.2 Technical Provisions and D.3 Other Liabilities. The total tax effect is described in chapter D.3 Other Liabilities,"Deferred tax liabilities".

Subsidiaries & holdings in related undertakings, including participations

For Solvency II, insurance subsidiaries subject to Solvency II shall be valued at their respective solvency capital/own funds. This applies to BenCo Insurance Holding BV (owner of Euroben and Nordben) and Storebrand Holding AB (owner of SPP). Other regulated subsidiaries are valued by CRD IV captial. This applies to Storebrand Finansiell Rådgivning AS. For non-regulated subsidiaries, the equity value from the financial statement is used as a reference for assuming the approximate fair value (excluding goodwill and intangible assets). All subsidiaries are recognised at historic cost in the financial statement. See Table 12.

TABLE 12 SUBSIDIARIES & HOLDINGS IN RELATED UNDERTAKINGS, INCLUDING PARTICIPATIONS

(NOK million)	Solvency II		Financial statement		
Subsidiaries & holdings in related undertakings, including participations	**Valuation principle**	**Value**	**Valuation principle**	**Value**	**Difference**
Storebrand Holding AB	Solvency capital/Own funds	12,532	Historic cost	12,644	-112
Benco Insurance Holding BV	Solvency capital/Own funds	414	Historic cost	493	-79
Storebrand Finansiell Rådgivning AS	CRD IV capital	43	Historic cost	97	-54
Non-regulated subsidiaries[13]	Equity method excluding any goodwill and intangible assets	21,123	Historic cost	21,083	40
Total for subsidiaries & holdings in related undertakings, including participations		**34,113**		**34,318**	**-204**

The non-regulated subsidiaries are mainly wholly-owned investment companies with sole purpose to own property. The valuation in the solvency balance sheet is the same as in the financial statement. In the Group calculations for Storebrand ASA, a look-through approach[JO5] has been applied so that they are in the same way as if the properties and real estate were directly owned. A look-through approach has not been applied in the calculations for Storebrand Livsforsikring (solo)[14]. Overall, subsidiaries and holdings in related undertakings, including participations, are valued at NOK 0.2 billion less in the solvency balance sheet.

Bonds, loans and mortgages

Financial assets that are valued at amortised cost in the financial statements shall be valued at fair value in the solvency balance sheet. This applies to bonds at amortised cost and bonds classified as loans. Valuation at fair value in the solvency balance sheet is NOK 8.8 billion higher than the valuation at amortised cost, ref. Note 33 in the Annual Report for 2016 for Storebrand Livsforsikring.

[13] Storebrand Eiendom Trygg AS, Storebrand Eiendom Vekst AS, Storebrand Eiendom Utvikling AS, Storebrand Eiendom Invest AS, Værdalsbruket
[14] Pursuant to the Commission Regulation, Article 84, Paragraph 2.

Other
Other differences between the valuation of assets for Solvency II and the financial statements must be seen in the context of changes in the liabilities. The main difference is that Storebrand Livsforsikring has assumed liabilities relating to unpaid capital, mainly related to private equity funds. In the solvency balance sheet, this shall be recorded as a liability, with a corresponding contra entry on the assets side. This increases the assets side in the solvency balance sheet by NOK 2.0 billion compared to the financial statements. This is included in the "other assets" entry in Table 10. The own funds is not affected by this difference in assessment.

D.2 TECHNICAL PROVISIONS

Under Solvency II, the insurance liabilities (technical provisions) shall be valued at fair value (market value). In principle, the technical provisions are to be valued at what they would realistically be traded for in a free market. Since there is no active secondary market for the purchase and sale of technical provisions, and hence no observable market price, the fair value must be calculated based on a model. This deviates from the valuation in the financial statements described in Note 1, Paragraph 2 of the Annual Report for 2016 for Storebrand Livsforsikring.

The valuation in the solvency balance sheet is based on a best estimate of net cash flow from the insurance company to the customer. The cash flow is discounted by risk-free market interest rates. The best estimate is distributed between a guaranteed benefit and discretionary benefits. As a result of uncertainty, the provisions should include a risk margin in addition to the best estimate.

See Figure 2 for details on the solvency balance composition and calculation of technical provisions.

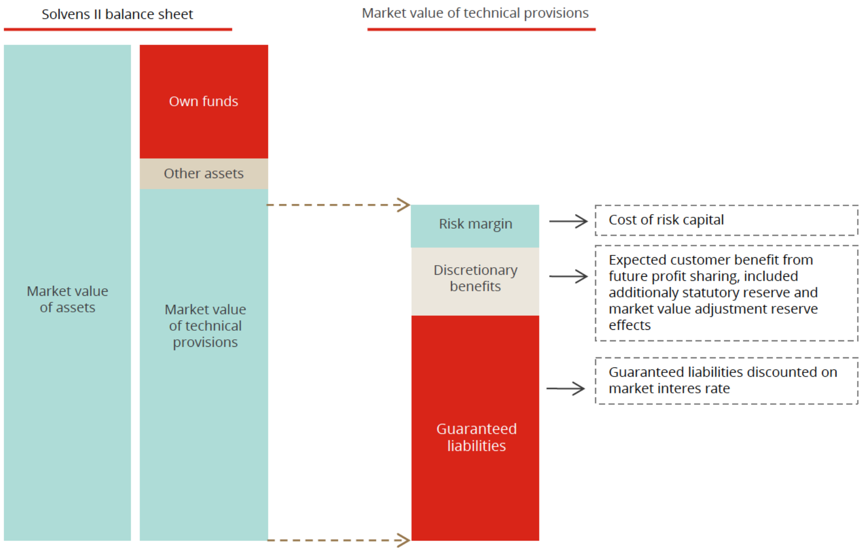


FIGURE 2 ELEMENTS IN THE SOLVENCY II BALANCE SHEET

Method for valuation of the technical provisions / insurance liabilities

Best estimate
The model calculates the net cash flow from the insurance company to the customer. All contributions and payments are estimated, including future premiums that are part of the contract, expenses, insurance events, investment returns, pension pay-outs, lapses and conversions to other schemes. For guaranteed portfolios with profit-sharing, the uncertainty is modelled using the ESG as described below. The probability-weighted cash flow is discounted using risk-free market interest rates to find the best estimate. For the calculation as of 12/31/2016, Storebrand Livsforsikring calculated cash flows for the next 60 years, as well as a residual value for the 60th year.

The best estimate of the value of the insurance liability / technical provisions is divided into guaranteed and discretionary benefits. The discretionary benefit is the part of the best estimate which results from future profit sharing; that is, added returns to the customer beyond the guaranteed amount. For the cash flows, differences in profit sharing between the products and the various buffer elements permitted by the Norwegian product legislation have been taken into account. This includes additional statutory reserves, risk equalisation reserves and market value adjustment reserves.

Risk margin

Since the best estimate is associated with uncertainties, a risk margin is calculated that covers the costs of holding risk capital. Only capital requirements that cannot be hedged should be included in the risk margin. In practice, this means insurance risk, counterparty risk and operational risk, because it is assumed that the market risk can be hedged.

Storebrand Livsforsikring has calculated the risk margin pursuant to method 2 in the Solvency II Directive. Product-specific parameters are used to calculate the underlying capital requirement. The simulated future capital requirements are diversified, and the present value of a capital cost of 6% for these capital requirements is calculated.

Table 13 shows the value of technical provisions split by the best estimate and risk margin for Storebrand Livsforsikring's product areas as of 31 December 2016.

TABLE 13 TECHNICAL PROVISIONS AS OF 12/31/2016

(NOK million)	Technical provisions	Best estimate	Risk margin
Defined-benefit pension	46,403	46,162	241
Paid-up policies	122,302	120,902	1,400
Traditional individual capital and pension	15,239	14,997	242
Other life insurance*	3,215	2,871	344
Sum traditional life insurance	**187,159**	**184,932**	**2,227**
Private Unit Link	12,862	12,549	313
Defined contribution, including pension capital certificates	46,470	44,454	2,016
Sum index-linked and unit-linked insurance	**59,332**	**57,003**	**2,329**
Group life (health similar to life)	1,313	1,273	41
Non-life (health similar to non-life)**	725	703	21
Total	**248,529**	**243,911**	**4,618**

*ITP risk and LKB saving

**Worker's compensaition, critical illness and disability/accident insurance

The total technical provisions for Storebrand Livsforsikring amounted to NOK 248.5 billion, based on a best estimate of NOK 243.9 billion and a risk margin of NOK 4.6 billion. Guaranteed products account for 75% of the provisions, defined contribution and unit-linked insurance for 24%, and other products for 1%.

Transitional rules for valuation of the technical provisions

Storebrand Livsforsikring uses transitional rules for calculating the technical provisions pursuant to §56 of the Norwegian Solvency II regulation. The effect is calculated as the difference between the Solvency II liabilities and the corresponding liability under Solvency I (minus the claims reserve) for the portfolios that are covered by the transitional on technical provisions. This applies to all guaranteed products. In addition, a valuation floor has been defined which limits the effect of transitional rule to the maximum difference between the total technical provisions under Solvency II and the total provisions under Solvency I.

TABLE 14 THE EFFECT OF TRANSITIONAL RULES ON TECHNICAL PROVISIONS AS OF 12/31/2016

(NOK million)	
Defined-benefit pension	-169
Paid-up policies	-6,978
Traditional individual capital and pension	-735
Floor effect	4,808
Total effect	**-3,073**

[15] Storebrand Livsforsikring does not apply the transitional rule on interest rate.

For portfolios that are part of the scheme, the transitional gives a total of NOK 7.9 billion lower value of the technical provision. The floor rule implies that the effect is limited to NOK 3.1 billion. The effect on solvency capital and solvency margin is quantified in Chapter E. 2. The Solvency Capital Requirement and Minimum capital requirement.

Phasing out the transitional rule

The transitional on technical provisions will be scaled down annually over a 16-year period, starting on 1/1/2017. This will have an impact on the reported solvency margin as of 31/03/2017. Due to the floor rule, a 1/16 downscaling would have had no effect on the size of the overall transitional rule if this was to be calculated by 01/01/2017. Table 15 shows the transitional on technical provisions as of 1/1/2017 (tentative):

TABLE 15 DOWNSCALING OF THE TRANSITIONAL ON TECHNICAL PROVISIONS

(NOK million)	Reported as of 12/31/2016	Tentative as of 1/1/2017
Effect on liabilities subject to transitional on technical provisions	-7,882	-7,389
Maximum transitional rule (floor limitation)	-3,073	-3,073
Transitional on technical provisions*	**-3,073**	**-3,073**

* Before tax

The size of the transitional rule depends on the interest rate level, where a lower/higher interest rate level will increase/decrease the transitional on technical provisions. This counteracts changes in value for the insurance liabilities without transitional rules; i.e. the value of the insurance liabilities with transitional rules is significantly less sensitive to changes in interest rates. Storebrand has received permission by the Financial Supervisory Authority in Norway to recalculate the transitional rule on a quarterly basis.

The effect of the transitional rule will also affected by portfolio developments. As the share of non-guaranteed reserves grow the size of the transitional will decrease as the effect of the floor limitation increase.

Difference between Solvency II and the financial statements

Table 16 shows the value of insurance liabilities in the financial statements and under Solvency II with and without transitional rules.

TABLE 16 TECHNICAL PROVISIONS UNDER SOLVENCY II AND IN THE FINANCIAL STATEMENT

(NOK million)	Solvency II with transitional rules	Solvency II without transitional rules	Financial statement
Traditional life insurance	184,085	187,159	179,691
Unit linked insurance	59,332	59,332	65,144
Group life (health similar to life)	1,313	1,313	1,341
Non-life (health similar to non-life)	725	725	684
Total	**245,456**	**248,529**	**246,860**

Overall, the technical provisions are valued at NOK 245.5 billion in the solvency balance sheet, which is NOK 1.4 billion less than in the financial statements. Without transitional rules, the technical provisions are valued at NOK 248.5 billion in the solvency balance sheet, which is NOK 1.7 billion more than in the financial statements. Behind the relatively small differences in valuation for the overall technical provisions, there are significantly greater valuation differences for product segments.

Traditional life insurance

The valuation in the solvency balance sheet is significantly higher than in the financial statements. The main difference is associated with paid-up policies. Main reasons for this include:

- The valuation in the solvency balance sheet is based on risk-free market interest rates, whereas the valuation in the financial statements is based on the guaranteed rate.
- The valuation in the solvency balance sheet includes both guaranteed benefits and discretionary benefits (future profit sharing). The valuation in the financial statements only includes the guaranteed benefits (the premium reserve).
- The valuation in the solvency balance sheet includes the market value of the interest rate guarantee.
- The valuation in the solvency balance sheet includes the cost of holding capital in the form of a risk margin.

The transitional rule reduces the technical provisions for traditional life insurance by NOK 3.1 billion.

Index-linked and unit-linked insurance
The valuation in the solvency balance sheet is significantly lower than in the financial statements. The main reason is that future margins for Storebrand reduce the liabilities.

Group life and non-life
For group life insurance, the valuation in the solvency balance sheet is somewhat lower than for the financial statements. The main reason is that future margins for Storebrand reduce the liabilities.[JO9] For non-life insurance, the valuation in the solvency balance sheet is somewhat higher than in the financial statements. This is mainly due to the effect of the risk margin.

BASIS FOR CALCULATIONS

Data sources
The data are retrieved from the various insurance systems. To reduce computation time, similar portfolio data are grouped into model points.

Overview of main assumptions

Contract boundary
The Solvency II regulations stipulate that future premiums should be included in the calculation of the technical provisions if these are considered to be part of an existing liability; i.e. that the insurance company is exposed to the risk associated with their future premiums. In cases where premiums are within the contract boundary, premium developments are modelled based on historical premium payment patterns.

Future premiums shall not be included in cases where Storebrand can unilaterally terminate the contract, or the contract can be re-priced to reflect current risk evaluations. In this perspective, the majority of Storebrand's future premiums fall beyond the contract boundary, and are not included in the model. Exceptions:

- The first-year premium for risk products.
- Premiums for traditional, individual pensions where the customer is allowed to pay future premiums, and Storebrand Livsforsikring may not re-price or terminate the contract. The total annual premium for this segment is approx. NOK 300 million at the start of the projection. The annual premiums from these contracts are in rapid decline, as the portfolio is largely closed for new sales, and many contracts are reaching the payout phase.
- Premiums paid in by companies for occupational pension contracts to cover costs on existing reserves. Companies are required by Norwegian law to cover all expenses linked to occupational pension schemes, so that the existing reserve cannot be used to cover expenses. For defined benefit pension contracts, a margin for the cost of the interest rate guarantee, risk and administration is included. For defined contribution pensions, management and administration fees are included.

Income and revenues
Generally, projections of revenues and income are based on actual income levels that correspond to the income in the financial statements. The income is projected based on the price structure and expected developments of the various products, usually in terms of a share of the total reserve or G-regulated per contract (G=National Insurance basic amount).

Costs
The cost projection is based on actual costs per product area based on the cost allocation model used for the financial statements. A distinction is made between portfolio costs, acquisition costs and non-recurring costs. Non-recurring or one-off costs and most of the acquisition costs are excluded from projections, in order to ensure consistency between the cost projection and the contract boundary. For products with future premiums within the contract boundary, the relevant portion of the acquisition cost is included. Costs are projected partly on the basis of reserve developments and partly based on a unit cost for individual contracts. The unit costs are adjusted for inflation.

Biometric factors
Biometric risks include longevity, mortality, disability and reactivation (people who are incapacitated for work who regain their ability to work). These factors correspond to the observed portfolio developments. They are assessed annually, and updated when needed.

A dynamic model is used for assessing longevity; that is, life expectancy is assumed to be longer the younger the person is. This model is based on similar principles as for K2013.

Guaranteed contracts are subject to a reserve strengthening escalation plan for the deficit in reserves linked to the introduction of the new longevity tariff from 2014 (K2013). In the Solvency II calculations, these contracts are valued on the assumption that they are fully reserved based on the best estimate for future longevity. Cash flows take into account that customer returns exceeding the guarantee can contribute to reserve strengthening up until 2020, in line with the escalation plan. Due to the fact that the return is modelled on the basis of a risk-free interest rate curve, Storebrand Livsforsikring's estimated cost linked to reserve strengthening will be higher in the solvency balance sheet than in the forecast which serves as the basis for the financial statements.

Lapses and product conversion

Assumptions are determined for individual products, and are updated annually. As a rule, historical observations from the past 3-5 years are used. Exceptions can be made in cases where the historical data is not considered relevant for the future, e.g. due to changing prices or new regulations. This applies to developments in the defined benefit pension market in particular.

Tax

Taxes are not taken into account when projecting cash flows. However, changes in the valuation of technical provisions will affect the Group's estimated tax situation; see the section on deferred tax liabilities in Chapter D.3.

Financial assumptions

The risk-free yield curve is used both for discounting cash flows and to serve as a basis for estimating future returns. The yield curve is published by EIOPA. Storebrand uses the risk-free yield curve, including the volatility adjustment (VA). [JO13] The volatility adjustment was 29 bp.[JO14] as of 12/31/2016

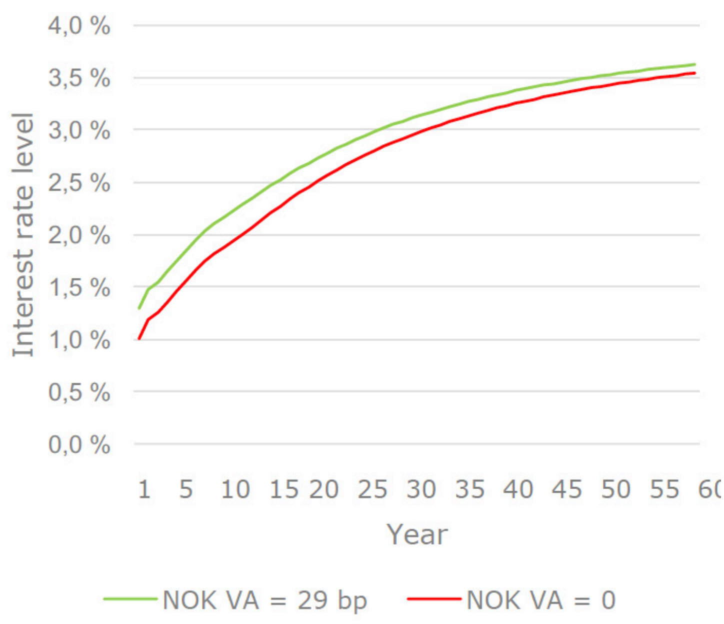


FIGURE 3 SPOT RATES INCLUDING/EXCLUDING VA AS OF 12/31/2016

Without the volatility adjustment, the value of technical provisions before the transitional rule increases by NOK 3.5 billion. The transitional rule fully compensates for this. The effect on the solvency capital and solvency margin is described in Chapter E.2 Solvency Capital Requirement and Minimum Requirement.

Storebrand does not apply matching adjustment of the yield curve.

In Norway, there is no active market for inflation-linked bonds, and the inflation assumption is set at 50% of the risk-free interest rate. Collective wage growth (G adjustment) is set at the rate of inflation plus 1.9 percentage points.

Economic Scenario Generator (ESG)
In order to calculate the time value of options and guarantees, a Monte Carlo simulation based on 1000 risk-neutral stochastic scenarios generated in an economic scenario generator (ESG) has been used. Scenarios are created based on the risk-free interest rate curve and take into account market pricing of the volatility for interest, equity and property. The asset allocation is set to match the actual allocation at the time of calculation, and is assumed to be constant throughout the projection.

Management actions
In order to provide a realistic picture, it is necessary to implement management actions in the calculations. These management actions correspond to business practises and is documented.[JO15]

Uncertainty associated with the valuation of the technical provisions
The degree of uncertainty in the calculation of technical provisions is linked to the uncertainty associated with the underlying assumptions. The greatest uncertainty is linked to situations where no relevant historical data or market data exists or can be used for generating assumptions. Storebrand Livsforsikring finds that there is uncertainty linked to:

- The interest rate curve is provided by EIOPA, but is based on a number of uncertain assumptions, including the method used for extrapolation, the time period for reaching the ultimate forward rate (UFR), the UFR level and the volatility adjustment (VA) level.
- Conversions to defined benefit schemes The value of the technical provisions (liabilities) will increase if the rate of conversions from active defined benefit schemes to paid-up policies increases faster than assumed. If the rate of conversions is lower than assumed, the provisions will be reduced.
- Paid-up policy assumptions The liabilities will decrease if the rate of conversions from paid-up policies to paid-up policies with investment choice (FMI) is higher than assumed, whereas lower conversion rates will increase the liabilities.
- Revenues from defined contribution Lower revenues than assumed in the calculations will increase the liabilities. This effect will be lower for the solvency margin due to lowered capital requirements.
- Expenses, especially expense allocation between acquisition expenses and operating expenses. Reduced expenses will reduce the insurance liability, whereas increased expenses will increase the insurance liability. The effect will be counteracted by changes in capital requirements, especially for defined contribution insurance.

As part of the ORSA process, sensitivity analyses are performed to estimate the value of the solvency capital and the capital requirements for alternative levels of interest rates, customer behaviour, revenues and expenses, among other things. The purpose is to increase understanding of the sensitivity of the calculations, among other things.

D.3 OTHER LIABILITIES

Liabilities that are not included in the technical provision liabilities amount to NOK 15.1 billion under Solvency II.

TABLE 17 OTHER LIABILITIES

(NOK million)	
Contingent liabilities	2,025
Pension benefit obligations	59
Deferred tax liabilities	2,337
Derivatives	576
Insurance & intermediaries payables	2,888
Subordinated liabilities	7,198
Sum other liabilities	**15,082**

Contingent liabilities
Storebrand Livsforsikring has undertaken liabilities linked to unpaid capital, primarily related to private equity funds. This is a liability in the Solvency II balance sheet, with a corresponding entry on the assets side; see also "Other differences" in Chapter D.1. This increases the liabilities in the Solvency II balance sheet by NOK 2.0 billion compared to the financial statements.

Pension liabilities own employees
Pension benefit obligations for own employees are calculated in accordance with the Norwegian GAAP, ref. in the Storebrand Livsforsikring 2016 Annual Report. The valuation in the solvency balance sheet corresponds to the valuation in the financial statements.

Deferred tax liabilities

The difference in deferred tax liabilities is the net tax effect of the change in value upon transitioning to Solvency II, including transitional on technical provisions, based on a tax rate of 25%. As a result, Storebrand Livsforsikring goes from having deferred tax assets under NGAAP of NOK 175 million to a deferred tax under Solvency II of NOK 2,337 million. This is mainly due to the difference in the valuation of the technical provisions described above and the added value of bonds and loans at amortised cost, see chapter D.1 Assets.

Derivatives

The principle for valuation of derivatives is consistent with the principle applied in the financial statements; however, deviations occur due to the fact that derivatives in unit-linked insurance are booked net under Solvency II, as opposed to gross under NGAAP. Insurance & intermediaries payables

The principle for valuation of insurance and intermediaries payables is consistent with the principle applied in the financial statements.

Subordinated liabilities

Subordinated liabilities are valued at fair value under Solvency II, but valued at amortised cost in the financial statements, which results in a NOK 7 million higher valuation in the solvency balance sheet. See also Chapter E.1 Own Funds.

D.4 ALTERNATIVE METHODS FOR VALUATION

Storebrand's valuation principles for assets that cannot be valued on the basis of quoted prices are described in detail in Note 13 of Storebrand Livsforsikring's 2016 Annual Report.

D.5 ANY OTHER INFORMATION

The description of valuation for solvency purposes is considered to be covered by the descriptions given in the preceding sections.

E. CAPITAL MANAGEMENT

Storebrand strives to adjust the level of equity and loans in the Group to secure an optimal structure. The level is adapted to changes in financial risk and capital requirements. The growth and composition of business segments are important drivers for the need for capital. The goal of the capital management is to ensure an efficient capital structure and an appropriate balance between internal goals and regulatory requirements.

Storebrand Livsforsikring's Board of Directors reviews the capital plan, financial plan and ORSA to ensure consistency between business objectives, risk exposure and capital. The financial and capital plans covers at least a three-year horizon.

E.1 OWN FUNDS

Storebrand Livsforsikring's own funds (solvency capital) amount to NOK 39.0 billion. The own funds is segmented into groups depending on quality and availability. Table 18 shows the composition of Storebrand Livsforsikring's own funds and their distribution in Tier 1 (restricted and unrestricted), Tier 2 and Tier 3 capital.

TABLE 18 OWN FUNDS (SOLVENCY CAPITAL)

(NOK million)	Total	Tier 1	Tier 1	Tier 2	Tier 3
Ordinary share capital	3,540	3,540			
Share premium account related to ordinary share capital	9,711	9,711			
Reconciliation reserve	15,299	15,299			
Transitional on Technical Provisions	3,073	3,073			
Subordinated liabilities	7,198		2,575	4,623	
Deferred tax assets	0				0
Risk equalisation reserve	140			140	
Total eligible own funds to meet the solvency capital requirement	**38,962**	31,624	2,575	4,764	**0**
Total eligible own funds to meet the minimum capital requirement	**35,521**	31,624	2,575	1,323	

Tier 1 capital represents the capital with the highest loss-bearing capacity, and shall be available to cover any loss at any time. It consists of paid-in capital and a reconciliation reserve including transitionals on technical provisions. In addition, perpetual subordinated loans are included, which amount to up to 20% of the Tier 1 capital. Storebrand Livsforsikring's Tier 1 capital amounts to NOK 34.2 billion, which accounts for 88% of the company's total own funds (solvency capital). NOK 31.6 billion hereof is unrestricted.

Other subordinated liabilities (time-limited) and risk equalisation reserves are categorised as Tier 2 capital. Tier 2 capital can account for up to 50% of the solvency capital requirement. Storebrand Livsforsikring's Tier 2 capital amounts to NOK 4.8 billion, which accounts for 12% of the company's total own funds (solvency capital). The Tier 2 capital covers 24% of the solvency capital requirement.

Storebrand Livsforsikring has a minimum capital of NOK 35.5 billion, of which 34.2 billion is categorised as Tier 1 capital. Tier 1 capital accounts for 96 % of the total eligible own funds to meet the minimum capital requirement. Tier 2 capital can cover up to 20% of the minimum capital requirement, and is therefore limited to NOK 1.3 billion.

Solvency capital and minimum capital without volatility adjustment

Without volatility adjustment (VA), the solvency capital is reduced to NOK 36,343 million and the minimum capital to NOK 32,902 million, due to the increased value of technical provisions adjusted for tax. The transitional on technical provisions fully compensates for the change in technical provisions. The own funds and the minimum capital, including transitional rule, remains unchanged.

Expected profits in future premiums

The value of expected profits in future premiums (EPIFP) amounts to NOK 5,251 million. This is part of the reconciliation reserve, and counts as Tier 1 capital. Only profits from future premiums that fall within the contract boundary are included. This is described in more detail in the section on contract boundaries in Chapter D.2 Technical Provisions.

Subordinated loans

TABLE 19 SUBORDINATED LOANS

Nominell verdi (NOK million)	Currency	Solvency II (NOK million)	Financial statement excluding OIF interest (NOK million)	Right of repurchase	Transitional rules (grandfathering)
1,100	NOK	1,066	1,098	2024	Yes
1,500	NOK	1,508	1,497	2018	Yes
1,000	NOK	1,003	998	2020	No
750	SEK	722	711	2021	No
300	EUR	2,898	2,888	2023	Yes

Subordinated liabilities amount to NOK 7.2 billion under Solvency II. Four of the loans have a variable rate of interest, while the remaining loan is a fixed-rate loan which is subject to an interest rate swap at a variable rate. This means that Storebrand Livsforsikring's interest expenses are affected by the variable money market rates. Storebrand Livsforsikring has one loan in EUR and one in Swedish Kroner; both of which are hedged against Norwegian Kroner until the first date for right of repurchase. The company's debt therefore has limited exposure towards currency fluctuations.

For all loans except the NOK 1,500 million (nominal) in subordinated bonds, interest payments will cease in the event where the solvency capital requirement (SCR) is not met. Any unpaid interest will accumulate, but no compound interest will be accrued. Interest payments on the subordinated bonds must be seen in the context of the fact that this loan was issued before the Solvency II Directive was launched.

Transitional rules (grandfathering) for subordinated loans

Subordinated loans issued prior to 1/17/2015 are subject to a transitional rule (often called grandfathering) that applies until 2026. In this period, eligible loans will not be limited despite the fact that they do not fully meet the requirements for eligible capital under Solvency II. Perpetual subordinated loans issued prior to 1/17/2015 qualify as Tier 1 capital, and time-limited subordinated liabilities qualify as Tier 2 capital. After 2026, these loans will cease to qualify as solvency capital.

Grandfathering applies for three of the loans: All of the loans fulfilled the Solvency I capital requirements at the time of issuance, and were approved by the authorities. In line with Solvency II regulations, loans that can cover up to 50% of the Solvency Capital Requirement are classified as Tier 1, and loans that can cover up to 25% of the Solvency Capital Requirement are classified as Tier 2. All loans covered by grandfathering have early repurchase rights before the transitional period expires. After the first repurchase right, all loans are eligible for repurchase at each payment of interest. Repurchased loans are expected to be replaced by new loans that meet the requirements for eligible capital under Solvency II.

Difference between Solvency II and the financial statements

TABLE 20 SOLVENCY OWN FUNDS VS. IFRS OWN FUNDS

(NOK million)	Solvency II	Financial statement
Paid-in capital	13,251	13,251
Retained earnings excluding deferred tax assets		10,867
Risk equalisation reserve	140	140
Deferred tax assets	0	175
Reconciliation reserve excluding transitionals on technical provisions	15,299	
Transitional on technical provisions	3,073	
Net assets	**31,764**	**24,433**
Subordinated liabilities excluding interest	7,198	7,192
Total own funds / IFRS capital	**38,962**	**31,625**

[16] Expected profit in future premiums

The main difference between Solvency II and the financial statements is that earned profits that in the IFRS own funds are included as equity in the financial statements are replaced by the reconciliation reserve in the solvency balance sheet. The reconciliation reserve also includes earned profits, although here it is based on the valuation of assets and liabilities in the solvency balance sheet. The reconciliation reserve will also include the present value of future profits. The value of future profits is implicitly included in the calculation as a consequence of the valuation of the technical provisions.

TABLE 21 TRANSITION FROM NET ASSETS IN THE FINANCIAL STATEMENTS TO NET ASSETS IN SOLVENCY II

(NOK million)	
Subsidiaries	-204
Intangible assets	-133
Added value – bonds at amortised costs	8,785
Technical provisions	-1,671
Impact from transitional on technical provisions	3,073
Subordinated liabilities	-7
Net change in deferred tax liabilities*	-2,512
Total change	**7,331**

*25% of tax related changes, i.e. value changes in the solvency balance sheet except for holdings in related undertakings, including participations.

Table 21 shows the transition from net assets according to NGAAP principles to net assets according to Solvency II. The total difference is NOK 7.3 billion. The main difference is that bonds are valued at NOK 8.8 billion more, and that the transitional on technical provisions, including transitional, is valued at NOK 1.4 billion less in the solvency accounts. Tax liabilities increases by NOK 2.5 billion as a result of the other value changes.

E.2 SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

Both a Solvency Capital Requirement and a Minimum Capital Requirement must be calculated. The Solvency Capital Requirement must be met under normal operating conditions, while the minimum capital requirement is an absolute requirement which must be met at all times. The Solvency Capital Requirement is risk dependent, while the minimum capital requirement is not risk sensitive.

Solvency Capital Requirement

The Solvency Capital Requirement for Storebrand Livsforsikring is calculated according to the standard method, without applying simplifications or company-specific parameters. The solvency capital requirement shall be calculated as loss of Solvency Capital (Value at Risk), with a probability of 0.5% over a one-year period. There are capital requirements for market risk, insurance risk, counterparty risk and operational risk.

For each individual stress, a new solvency balance sheet is calculated based on the same principles and methods as described in Chapter D.2 Technical Provisions. The capital requirement is determined by the difference in solvency capital before and after stresses have been applied. The capital requirement for the various stresses is aggregated to the total capital requirement based on given correlation matrices.

The net capital requirement is Storebrand Livsforsikring's risk after risk sharing with customers and the risk-reducing effect of taxes. For guaranteed pension schemes, risk sharing with customers occurs when stress results in a reduction in customer buffers or a reduction in future upward adjustment of pensions. Gross capital requirements include the risk borne by the customers. Reduced taxes as a result of the stress, also reduce the risk. A prerequisite for including deferred tax assets in the calculations is that profits of at least equivalent value are expected in the future.

TABLE 22 CAPITAL REQUIREMENTS INCLUDING TRANSITIONAL RULES ON EQUITIES AS OF 12/31/2016

(NOK million)	Net	Gross
Market risk	21,791	28,320
Counterparty default risk	423	760
Life underwriting risk	5,180	9,259
Other underwriting risks[17]	524	524
Operational risk	953	
Loss-absorbing capacity of deferred taxes	-5,401	
Total Solvency capital requirement	**19,457**	

Storebrand Livsforsikring has a total solvency capital requirement of NOK 19.5 billion. Market risk represents 75% of the capital requirement, life insurance risk accounts for 18% of the capital requirement before diversification

Transitional rule – equities

Storebrand Livsforsikring applies the transitional rule for equity risk. The transitional rule implies that equities owned as per 1/1/2016 are stressed by 22%. The ordinary stress is 39/49 %+symmetric adjustment for equity type 1/2. The transitional rule reduces the total Solvency Capital Requirement by NOK 422 million.

The transitional rule is to be scaled down over 7 years, starting 1/1/2017. This will affect the reported solvency margin as of 31/3//2017. Tentatively by 1/1/2017, total capital requirements would increase by NOK 60 million as a result of the downscaling process (the effect of the transitional rule is reduced to NOK 362 million).

Minimum capital requirement

The minimum capital requirement is calculated as a linear function of technical provisions, premiums, uncovered risk, deferred taxes and administrative expenses (with different functions for life insurance and non-life insurance respectively); with a 25% floor and a 45% cap relative to the Solvency Capital Requirement. Storebrand is a life insurance company with non-life insurance liabilities in license classes 1 and 2, cf. regulation of 18 September 1995 no. 797. The minimum capital requirement will therefore be the sum of the non-life insurance claims and life insurance claims.

TABLE 23 MINIMUM CAPITAL REQUIREMENT AS OF 12/31/2016

(NOK million)	
Linear minimum capital requirement, non-life insurance	97
Linear minimum capital requirement, life insurance	6,516
Total linear minimum capital requirement	6,613
Minimum capital requirement cap	8,756
Minimum capital requirement floor	4,864
Combined minimum capital requirement	6,613
Absolute floor for the minimum capital requirement	56
Total minimum capital requirement	**6,613**

Solvency margin and minimum capital margin

When the solvency capital of NOK 39.0 billion is compared against the solvency capital requirement of NOK 19.5 billion, Storebrand Livsforsikring has a solvency margin of 200 %. Without transitional rules, the solvency capital is NOK 36.7 billion; the solvency capital requirement NOK 19.9 billion, and the solvency margin 184%. Table 24 shows the solvency position including and excluding transitional rules on technical provisions and on capital requirements for equities.

[17] Health insurance similar to non-life insurance and health insurance similar to life insurance

TABLE 24 SOLVENCY POSITION AS OF 12/31/2016

(NOK million)	Including transitional rules	Excluding transitional rules
Own funds	38,962	36,657
Eligible own funds to meet the minimum capital requirement	35,521	33,216
Solvency capital requirement	19,457	19,879
Minimum capital requirement	6,613	6,613
Solvency margin without transitional rules		184.4 %
Solvency margin with transitional rules on technical provisions	196.0 %	
Solvency margin with transitional rules on technical provisions and capital requirements for equities	**200.2 %**	
Minimum margin without transitional rules		502.3 %
Minimum margin with transitional rules on technical provisions	537.2 %	
Minimum margin with transitional rules on technical provisions and capital requirements for equities	**537.2 %**	

Storebrand Livsforsikring has a minimum capital requirement of NOK 6,613 million, resulting in a minimum capital margin of 537% including transitional rules and 502% excluding transitional rules.

Solvency margin and minimum capital margin excluding volatility adjustment

The Solvency margin excluding volatility adjustment (VA) is 189 %. The transitional rules compensates for the increased valuation of the technical provisions, leaving own funds unchanged, but the solvency capital requirement increases. Without transitional rules, the solvency margin excluding VA is 162 %. See table 25 for details.

TABLE 25 SOLVENCY MARGIN EXCLUDING VA (12/31/2016)

	Including transitional rules		Exluding transitional rules	
	Including volatility adjustment	Excluding volatility adjustment	Including volatility adjustment	Excluding volatility adjustment
Own funds	38,962	38,962	36,657	34,038
Solvency Capital Requirement	19,457	20,617	19,879	21,039
Solvency margin	200 %	189 %	184 %	162 %

Minimum margin excluding VA is 520 % (482 % exluding transitional rules).

Pro forma solvency margin and minimum capital margin as of 01/01/201

The use of transitional rules for technical provisions and stresses shall be reduced annually, starting 1/1/2017. Tentative calculations show the following solvency position as of 1/1/2017, including reduced transitional rules:

TABLE 26 SOLVENCY POSITION AS OF 1/1/2017 (TENTATIVE)

(NOK million)	
Own funds	38,962
Solvency capital requirement	19,517
Solvency margin	**199.6 %**

The effect of the first year's downscaling of transitional rules is to marginally reduce the solvency margin from 200.2% to 199.6%.

The scaling down of the transitional rules does not affect the minimum capital margin, because the eligible capital remains unchanged, and the minimum capital requirement is unaffected by the transitional rule for equity.

E.3 USE OF THE DURATION-BASED EQUITY RISK SUB-MODULE IN THE CALCULATION OF THE SCR

N/A because Storebrand Livsforsikring does not use the duration-based equity risk sub-module in the calculation of the solvency capital requirement.

E.4 DIFFERENCES BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODEL USED

N/A because Storebrand Livsforsikring applies the standard formula for calculating the solvency capital requirement.

E.5 NON-COMPLIANCE WITH THE MCR AND NON-COMPLIANCE WITH THE SCR

N/A because Storebrand Livsforsikring fulfils both the minimum capital requirement and the solvency capital requirement.

E.6 ANY OTHER INFORMATION

The capital management is also described in the Storebrand Livsforsikring 2016 Annual Report.

Appendix 1 - Detailed investment results

(NOK million)	Dividends	Interest revenues	Net capital gains	Change in unrealized gains and losses
Government bonds	-	1,347	102	-49
Corporate bonds	-	3,340	238	-56
Equity	457	-	345	-7
Collective Investments Undertakings	10	1,690	3,025	-1,231
Structured bonds	-	18	1	-1
Cash	-	-141	-	-
Borrowed loans	-	301	2	-26
Property	-	0	-	2,197
Futures	-	-	6	-
Swaps	-	85	-80	-438
Forwards	-	-	1,017	809
Total	**467**	**6,642**	**4,656**	**1,198**

(NOK million)	Dividends	Interest incomes	Net capital gains	Change in unrealized gains and losses
Collective portfolio investments				
Government bonds	-	1,289	104	-80
Corporate bonds	-	3,086	248	-191
Equity	98	-	357	-957
Collective Investments Undertakings	10	1,071	1,744	-880
Structured bonds	-	18	1	-1
Cash	-	48	-	-
Borrowed loans	-	301	2	-26
Property	-	-	-	1,948
Futures	-	-	6	-
Swaps	-	60	-69	-263
Forwards	-	-	273	307
Total group portfolio investments	**108**	**5,874**	**2,665**	**-144**
Unit-linked insurance investments				
Government bonds	-	0	0	-0
Corporate bonds	-	1	0	-1
Equity	258	-	-12	1,571
Collective Investments Undertakings	-	619	1,279	-350
Cash	-	-260	-	-
Borrowed loans	-	0	-	-
Property	-	-	-	249
Forwards	-	-	316	231
Total unit linked insurance investments	**258**	**361**	**1,584**	**1,699**
Corporate portfolio investments				
Government bonds	-	58	-2	31
Corporate bonds	-	253	-10	136
Equity	101	-	1	-620
Collective Investments Undertakings	-	-	1	-0
Cash	-	72	-	-
Property	-	0	-	-
Swaps	-	25	-10	-175
Forwards	-	-	428	271
Total corporate portfolio investments	**101**	**408**	**407**	**-357**

Appendix 2 - Mandatory tables

S.02.01.02 – Balance sheet

(NOK million)		**Solvens II value** C0010
Intangible assets	R0030	
Deferred tax assets	R0040	
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	10.95
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	204,421.61
Property (other than for own use)	R0080	
Holdings in related undertakings, including participations	R0090	34,113.04
Equities	R0100	5,081.90
Equities – listed	R0110	*4,472.72*
Equities - unlisted	R0120	*609.18*
Bonds	R0130	134,464.55
Government Bonds	R0140	*41,639.83*
Corporate Bonds	R0150	*92,244.99*
Structured notes	R0160	*579.73*
Collateralised securities	R0170	
Collective Investments Undertakings	R0180	29,692.27
Derivatives	R0190	1,059.77
Deposits other than cash equivalents	R0200	10.08
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	R0220	64,292.00
Loans and mortgages	R0230	16,625.84
Loans on policies	R0240	*1.03*
Loans and mortgages to individuals	R0250	*9,623.35*
Other loans and mortgages	R0260	*7,001.46*
Reinsurance recoverables from:	R0270	104.34
Non-life and health similar to non-life	R0280	104.34
Non-life excluding health	R0290	
Health similar to non-life	R0300	*104.34*
Life and health similar to life, excluding index-linked and unit-linked	R0310	
Health similar to life	R0320	
Life excluding health and index-linked and unit-linked	R0330	
Life index-linked and unit-linked	R0340	
Deposits to cedants	R0350	
Insurance and intermediaries receivables	R0360	480.00
Reinsurance receivables	R0370	9.15
Receivables (trade, not insurance)	R0380	423.55
Own shares (held directly)	R0390	
Amounts due in respect of own fund items or initial fund called up but not yet paid	R0400	
Cash and cash equivalents	R0410	3,909.73
Any other assets, not elsewhere shown	R0420	2,024.50
Total assets	R0500	**292,301.68**

(NOK million)		Solvens II value
Liabilities		*C0010*
Technical provisions - non-life	*R0510*	724.69
Technical provisions - non-life (excluding health)	*R0520*	
TP calculated as a whole	*R0530*	
Best Estimate	*R0540*	
Risk margin	*R0550*	
Technical provisions - health (similar to non-life)	*R0560*	724.69
TP calculated as a whole	*R0570*	
Best Estimate	*R0580*	*703.22*
Risk margin	*R0590*	*21.47*
Technical provisions - life (excluding index-linked and unit-linked)	*R0600*	185,398.70
Technical provisions - health (similar to life)	*R0610*	*1,313.35*
TP calculated as a whole	*R0620*	
Best Estimate	*R0630*	*1,272.79*
Risk margin	*R0640*	*40.57*
Technical provisions - life (excluding health and index-linked and unit-linked)	*R0650*	184,085.35
TP calculated as a whole	*R0660*	
Best Estimate	*R0670*	*181,890.21*
Risk margin	*R0680*	*2,195.14*
Technical provisions - index-linked and unit-linked	*R0690*	59,332.20
TP calculated as a whole	*R0700*	0.00
Best Estimate	*R0710*	57,003.26
Risk margin	*R0720*	2,328.94
Contingent liabilities	*R0740*	2,024.48
Provisions other than technical provisions	*R0750*	
Pension benefit obligations	*R0760*	58.51
Deposits from reinsurers	*R0770*	
Deferred tax liabilities	*R0780*	2,336.90
Derivatives	*R0790*	575.67
Debts owed to credit institutions	*R0800*	
Financial liabilities other than debts owed to credit institutions	*R0810*	
Insurance & intermediaries payables	*R0820*	959.04
Reinsurance payables	*R0830*	
Payables (trade, not insurance)	*R0840*	1,929.22
Subordinated liabilities	*R0850*	7,198.19
Subordinated liabilities not in BOF	*R0860*	
Subordinated liabilities in BOF	*R0870*	*7,198.19*
Any other liabilities, not elsewhere shown	*R0880*	
Total liabilities	*R0900*	**260,537.61**
Excess of assets over liabilities	*R1000*	**31,764.07**

S.05.01.02 - Premiums, claims and expenses by line of business – non-life (kun for relevante bransjer for Storebrand Livsforsikring)

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)		
(NOK million)		Income protection insurance	Workers' compensation insurance	Total
Premiums written		*C0020*	*C0030*	*C0200*
Gross	*R0110*	260.70	77.88	338.58
Reinsurers' share	*R0140*	6.53	3.96	10.49
Net	*R0200*	254.16	73.92	**328.09**
Premiums earned				
Gross	*R0210*	260.70	77.88	338.58
Reinsurers' share	*R0240*	6.53	3.96	10.49
Net	*R0300*	254.16	73.92	**328.09**
Claims incurred				
Gross	*R0310*	170.89	58.73	229.62
Reinsurers' share	*R0340*	4.63	2.39	7.02
Net	*R0400*	166.26	56.34	**222.60**
Changes in other technical provisions				
Gross	*R0410*			
Reinsurers' share	*R0420*			
Net	*R0500*			
Expenses incurred	*R0550*	55.25	11.73	66.98
Other expenses	*R1200*			
Total expenses	*R1300*			**66.98**

S.05.01.02 - Premiums, claims and expenses by line of business – life (kun for relevante bransjer for Storebrand Livsforsikring)

(NOK million)		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	"Other life	Total
		Line of Business for: life insurance obligations				
Premiums written			*C0220*	*C0230*	*C0240*	*C0300*
Gross	*R1410*	756.72	4,482.33	9,587.63	1 423.31	16,249.99
Reinsurers' share	*R1420*	14.16	3.10	0.00	1.93	19.18
Net	*R1500*	**742.56**	**4,479.23**	**9,587.63**	**1 421.38**	**16,230.80**
Premiums earned						
Gross	*R1510*	756.72	4,482.33	9,587.63	1 423.31	16,249.99
Reinsurers' share	*R1520*	14.16	3.10	0.00	1.93	19.18
Net	*R1600*	**742.56**	**4,479.23**	**9,587.63**	**1 421.38**	**16,230.80**
Claims incurred						
Gross	*R1610*	660.98	7,854.81	1,306.64	254.54	10,076.98
Reinsurers' share	*R1620*	5.31	0.10	0.00		5.41
Net	*R1700*	**655.68**	**7,854.71**	**1,306.64**	**254.54**	**10,071.57**
Changes in other technical provisions						
Gross	*R1710*					
Reinsurers' share	*R1720*					
Net	*R1800*					
Expenses incurred	*R1900*	126.88	1,013.04	376.11	196.09	1,712.12
Other expenses	*R2500*					14.50
Total expenses	*R2600*					**1,726.62**

S.05.02.02 - Premiums, claims and expenses by country ,non-life

Not reported, business written in Norway (home country) amounts to more than 90% calculated on gross premiums written.

S. 12.01.02 - Life and Health SLT Technical Provisions, page 1

(NOK million)		Insurance with profit partici-pation	Index-linked and unit-linked insurance			Other life insurance			Total (Life other than health insurance, incl. Unit-Linked)
				Contracts without options and guarantees	Contracts with options or guarantees				
		C0020	*C0030*	*C0040*	*C0050*	*C0060*	*C0070*	*C0080*	*C0150*
Technical provisions calculated as a whole	*R0010*								
Total Recoverables from reinsurance/ SPV and Finite Re after the adjustment for expected losses due to counterpar-ty default associated to TP as a whole	*R0020*								
Technical provisions calculated as a sum of BE and RM									
Best Estimate									
Gross Best Estimate	*R0030*	182,061.15		56 590.50	412.76		2 871.03		241 935.43
Total Recoverables from reinsurance/ SPV and Finite Re after the adjustment for expected losses due to counterpar-ty default	*R0080*								
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	*R0090*	182,061.15		56 590.50	412.76		2 871.03		241 935.43
Risk Margin	*R0100*	1,883.09	2,328.94			343.51			4,555.54
Amount of the transitional on Technical Provisions									
Technical Provisions calculated as a whole	*R0110*								
Best estimate	*R0120*	-3,041.97							,-3,041,97
Risk margin	*R0130*	-31.46							-31,46,
Technical provisions - total	**R0200**	**180,870.81**	**59 332,20**			**3,214.54**			**243 417,55**

S.12.01.02 - Forsikringstekniske avsetninger - livsforsikring og helseforsikring håndtert som livsforsikring, side 2

(NOK million)			Health insurance (direct business)		Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Total (Health similar to life insurance)
			Contracts without options and guarantees	Contracts with options or guarantees		
		C0160	C0170	C0180	C0190	C0210
Technical provisions calculated as a whole	R0010					
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0020					
Technical provisions calculated as a sum of BE and RM						
Best Estimate						
Gross Best Estimate	R0030		1,272.79			1,272,79
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080					
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090		1,272.79			1,272.79
Risk Margin	R0100	40.57,,				40.57
Amount of the transitional on Technical Provisions						
Technical Provisions calculated as a whole	R0110					
Best estimate	R0120					
Risk margin	R0130					
Technical provisions - total	R0200	1,313.35		,		1,313.35

S.17.01.02 - Non-life Technical Provisions, page 1 (kun for relevante bransjer for Storebrand Livsforsikring)

(NOK million)		Direct business and accepted proportional reinsurance: Forsikring mot inntektstap	Direct business and accepted proportional reinsurance: Yrkesskade-forsikring	Sum skadeforsikrings-forpliktelser
		C0030	*C0040*	*C0180*
Technical provisions calculated as a whole	*R0010*			
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	*R0050*			
Technical provisions calculated as a sum of BE and RM				
Best estimate				
Premium provisions				
Gross	*R0060*	24.85	14.17	39.01
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	*R0140*	0.91	0.65	1.56
Net Best Estimate of Premium Provisions	*R0150*	23.93	13.52	37.46
Claims provisions				
Gross	*R0160*	257.64	406.56	664.20
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	*R0240*	19.27	83.51	102.78
Net Best Estimate of Claims Provisions	*R0250*	238.37	323.05	561.42
Total Best estimate - gross	*R0260*	282.48	420.73	703.22
Total Best estimate - net	*R0270*	262.30	336.57	598.88
Risk margin	*R0280*	8.44	13.03	21.47
Amount of the transitional on Technical Provisions				
Technical Provisions calculated as a whole	*R0290*			
Best estimate	*R0300*			
Risk margin	*R0310*			
Technical provisions - total				
Technical provisions - total	*R0320*	290.92	433.76	724.69
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	*R0330*	20.18	84.16	104.34
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	*R0340*	270.74	349.60	620.35

S.19.01.21 - Non-life Insurance Claims Information

Accident year / Underwriting year	Z0010	Accident year

Gross Claims Paid (non-cumulative)
(absolute amount)

		Development year												In Current year	Sum of years (cumulative)
Year		0	1	2	3	4	5	6	7	8	9	10 & +			
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110		C0170	C0180
Prior	R0100											0.00	R0100	-	-
N-9	R0160	27.53	20.54	7.31	2.97	4.10	2.10	3.53	0.12	0.53	1.18		R0160	1.18	69.90
N-8	R0170	62.43	27.99	11.06	7.94	2.50	6.85	1.87	8.55	11.93			R0170	11.93	141.11
N-7	R0180	62.42	22.75	13.14	6.76	7.45	3.85	1.19	6.51				R0180	6.51	124.07
N-6	R0190	104.47	23.43	8.55	14.00	5.00	9.07	4.46					R0190	4.46	168.99
N-5	R0200	110.71	34.44	15.15	7.92	5.60	12.06						R0200	12.06	185.88
N-4	R0210	92.18	29.59	10.72	19.15	13.89							R0210	13.89	165.54
N-3	R0220	98.26	52.13	16.21	25.58								R0220	25.58	192.19
N-2	R0230	135.60	46.03	21.08									R0230	21.08	202.71
N-1	R0240	119.24	43.55										R0240	43.55	162.79
N	R0250	147.73											R0250	147.73	147.73
												Total	R0260	**287.97**	**1 560.92**

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

		Development year												Year end (discounted data)
Year		0	1	2	3	4	5	6	7	8	9	10 & +		
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110		C0360
Prior	R0100											10.23	R0100	10.23
N-9	R0160										11.80		R0160	22.03
N-8	R0170									15.99			R0170	38.02
N-7	R0180								21.93				R0180	59.95
N-6	R0190							31.48					R0190	91.17
N-5	R0200						38.08						R0200	127.49
N-4	R0210					62.51							R0210	181.80
N-3	R0220				78.86								R0220	248.86
N-2	R0230			98.00									R0230	330.87
N-1	R0240		106.12										R0240	415.06
N	R0250	189.20											R0250	572.77
												Total	R0260	**1 198.89**

S.22.01.21 - Impact of long term guarantees and transitional measures

		Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
		C0010	C0030	C0050	C0070	C0090
Technical provisions	R0010	245 455.59	3 073.43		3 492.78	
Basic own funds	R0020	38 962.27	-2 305.07		-2 619.59	
Eligible own funds to meet Solvency Capital Requirement	R0050	38 962.27	-2 305.07		-2 619.59	
Solvency Capital Requirement	R0090	19 457.02			1 160.15	
Eligible own funds to meet Minimum Capital Requirement	R0100	35 521.16	-2 305.07		-2 619.59	
Minimum Capital Requirement	R0110	6 612.70			214.14	

S .23.01.01 – Own funds, page 1

(NOK million)		Total C0010	Tier 1 - unrestricted C0020	Tier 1 - restricted C0030	Tier 2 C0040	Tier 3 C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35						
Ordinary share capital (gross of own shares)	*R0010*	3,540.42	3,540.42			
Share premium account related to ordinary share capital	*R0030*	9,710.56	9,710.56			
Iinitial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	*R0040*					
Subordinated mutual member accounts	*R0050*					
Surplus funds	*R0070*					
Preference shares	*R0090*					
Share premium account related to preference shares	*R0110*					
Reconciliation reserve	*R0130*	18,372.71	18,372.71			
Subordinated liabilities	*R0140*	7 198.19		2 574.92	4 623.27	
An amount equal to the value of net deferred tax assets	*R0160*					
Other own fund items approved by the supervisory authority as basic own funds not specified above	*R0180*	140.37			140.37	
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	*R0220*					
Deductions						
Deductions for participations in financial and credit institutions	*R0230*					
Total basic own funds after deductions	*R0290*	38 962.27	31 623.70	2 574.92	4 763.65	
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	*R0300*					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	*R0310*					
Unpaid and uncalled preference shares callable on demand	*R0320*					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	*R0330*					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	*R0340*					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	*R0350*					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	*R0360*					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	*R0370*					
Other ancillary own funds	*R0390*					
Total ancillary own funds	*R0400*					

S.23.01.01 – Own funds, page 2

(NOK million)		Total C0010	Tier 1 - unrestricted C0020	Tier 1 - restricted C0030	Tier 2 C0040	Tier 3 C0050
Available and eligible own funds						
Total available own funds to meet the SCR	*R0500*	**38,962.27**	**31,623.70**	**2,574.92**	**4,763.65**	
Total available own funds to meet the MCR	*R0510*	**38,962.27**	**31,623.70**	**2,574.92**	**4,763.65**	
Total eligible own funds to meet the SCR	*R0540*	**38,962.27**	**31,623.70**	**2,574.92**	**4,763.65**	
Total eligible own funds to meet the MCR	*R0550*	**35,521.16**	**31,623.70**	**2,574.92**	**1,322.54**	
SCR	*R0580*	**19 457,02**				
MCR	*R0600*	**6,612.70**				
Ratio of Eligible own funds to SCR	*R0620*	**200.25,%**				
Ratio of Eligible own funds to MCR	*R0640*	**537.17,%**				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	*R0700*	31,764.07
Own shares (held directly and indirectly)	*R0710*	
Foreseeable dividends. distributions and charges	*R0720*	
Other basic own fund items	*R0730*	13,391.37
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	*R0740*	
Reconciliation reserve	*R0760*	18,372.71
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	*R0770*	5,251.39
Expected profits included in future premiums (EPIFP) - Non- life business	*R0780*	
Total Expected profits included in future premiums (EPIFP)	*R0790*	5,251.39

S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula

(NOK million)		Gross solvency capital requirement	USP	Simplifications
		C0110	*C0090*	*C0100*
Market risk	*R0010*	28 309,55		
Counterparty default risk	*R0020*	759,81		
Life underwriting risk	*R0030*	9 259,41		
Health underwriting risk	*R0040*	524,26		
Non-life underwriting risk	*R0050*	0		
Diversification	*R0060*	-6 551,27		
Intangible asset risk	*R0070*			
Basic Solvency Capital Requirement	*R0100*	**32 301.77**		

Calculation of Solvency Capital Requirement		C0100
Operational risk	*R0130*	953,05
Loss-absorbing capacity of technical provisions	*R0140*	-8 396.88
Loss-absorbing capacity of deferred taxes	*R0150*	-5 400,93
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	*R0160*	
Solvency capital requirement excluding capital add-on	*R0200*	19 457.02
Capital add-on already set	*R0210*	
Solvency capital requirement	*R0220*	**19 457.02**
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	*R0400*	
Total amount of Notional Solvency Capital Requirement for remaining part	*R0410*	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	*R0420*	
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	*R0430*	
Diversification effects due to RFF nSCR aggregation for article 304	*R0440*	

S.28.02.01 - Minimum capital Requirement - Both life and non-life insurance activity, page 1

(NOK million)		Non-life activities	Life activities
		MCR(NL,NL) Result	MCR(NL,L) Result
		C0010	C0020
Linear formula component for non-life insurance and reinsurance obligations	R0010	96,73	0.00

		Non-life activities		Life activities	
		Net (of reinsurance/ SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months	Net (of reinsurance/ SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0030	C0040	C0050	C0060
Medical expense insurance and proportional reinsurance	R0020	262.30	238.88		
Income protection insurance and proportional reinsurance	R0030	336.57	80.72		
Workers' compensation insurance and proportional reinsurance	R0040				
Motor vehicle liability insurance and proportional reinsurance	R0050				
Other motor insurance and proportional reinsurance	R0060				
Marine, aviation and transport insurance and proportional reinsurance	R0070				
Fire and other damage to property insurance and proportional reinsurance	R0080				
General liability insurance and proportional reinsurance	R0090				
Credit and suretyship insurance and proportional reinsurance	R0100				
Legal expenses insurance and proportional reinsurance	R0110				
Assistance and proportional reinsurance	R0120				
Miscellaneous financial loss insurance and proportional reinsurance	R0130				
Non-proportional health reinsurance	R0140				
Non-proportional casualty reinsurance	R0150				
Non-proportional marine, aviation and transport reinsurance	R0160				
Non-proportional property reinsurance	R0170				

S.28.02.01 - Minimum capital Requirement - Both life and non-life insurance activity, page 2

(NOK million)		*Non-life activities*	*Life activities*
		$MCR(^{NL,NL})$ Result	*$MCR(^{NL,L})$ Result*
		C0010	*C0020*
Linear formula component for life insurance and reinsurance obligations	*R0010*	0.00	6 515,97

		Non-life activities		Life activities	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0030	*C0040*	*C0050*	*C0060*
Obligations with profit participation - guaranteed benefits	*R0210*			164,758.73	
Obligations with profit participation - future discretionary benefits	*R0220*			17,302.42	
Index-linked and unit-linked insurance obligations				57,003.26	
Other life (re)insurance and health (re)insurance obligations	*R0240*			4,143.82	
Total capital at risk for all life (re)insurance obligations	*R0250*				1,190,825.76

(NOK million)

Overall MCR calculation

		C0130
Linear MCR	*R0300*	6 612.70
SCR	*R0310*	19 457.02
MCR cap	*R0320*	8 755.66
MCR floor	*R0330*	4 864.25
Combined MCR	*R0340*	6 612.70
Absolute floor of the MCR	*R0350*	56,01
		C0130
Minimum Capital Requirement	*R0400*	**6 612.70**

Notional non-life and life MCR calculation

		Non-life activities	Life activities
		C0140	*C0150*
Notional linear MCR	*R0500*	96.73	6 515.97
Notional SCR excluding add-on (annual or latest calculation)	*R0510*	284.63	19 172.39
Notional MCR cap	*R0520*	128.08	8 627.58
Notional MCR floor	*R0530*	71.16	4 793.10
Notional Combined MCR	*R0540*	96.73	6 515.97
Absolute floor of the notional MCR	*R0550*	22.59	33,43
Notional MCR	*R0560*	*96.73*	*6 515,97*

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