



Most people insure
their assets, but forget
themselves and their
families.

Madicken Vadseth
Storebrand



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Report of the board of directors

HIGHLIGHTS

Storebrand Livsforsikring has its main business in Norway with its head office located in Lysaker in Bærum municipality. Storebrand Livsforsikring is the largest business in Storebrand Group.

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

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

Storebrand's goal is to create, through our business activities, a future to look forward to. Our sustainable solutions not only contribute to better pensions, but also to a better world in which to retire. For several decades, we have been trailblazers within sustainable investments and have actively determined the companies in which we invest both our own capital and that of our customers. We believe that companies that integrate environmental, social and good corporate governance considerations in their business activities will be part of creating better returns over time, both through reducing risk and creating new opportunities. In January 2017, Storebrand was named the world's most sustainable company within finance and the world's second most sustainable company overall in Corporate Knights' ranking of the world's 100 most sustainable companies. This focus is further reinforced by more thorough reporting and the integration of sustainability into all parts of the value chain. Storebrand Livsforsikring aims at the same time to manage the part of the business that consists of pension savings with guaranteed interest rates in the Guaranteed Pension segment. This area is in a long-term decline. Companies are requesting products with guaranteed interest rates to a lesser extent, and these products are capital-intensive for the life insurance companies during periods of low interest rates. Storebrand Livsforsikring's first priority in this area is to ensure the accrual of pensions for our customers by means of robust systems for risk-taking in the business. In parallel with this, the Group adapts to the new European solvency regulations, Solvency II, and strengthens the reserves due to the increased longevity of the population.

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

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

GROWTH IN SAVINGS AND INSURANCE

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

MANAGEMENT OF GUARANTEED PENSION - STRENGTHENING OF LONGEVITY RESERVES AHEAD OF SCHEDULE

Storebrand Livsforsikring reported a need to strengthen its reserves by a total of NOK 12.4bn based on the decision by the Financial Supervisory Authority of Norway in March 2013 to introduce a new mortality basis. The reason for the need to strengthen the reserves is the fact that Norwegians are expected to live longer than previously assumed, in combination with the fact that Storebrand has insurance liabilities with lifelong disbursements. This requires increased premiums and higher insurance technical reserves to cover future liabilities. Storebrand has received approval for a seven-year escalation plan, applicable from 2014. At the end of 2016, NOK 352 millions of the reserve strengthening remained. Storebrand expects that the direct impact on results for increased longevity has been completed and that the remaining reserve strengthening will be covered by the surplus return, risk surplus and the elimination of profit sharing. For more information on strengthening of reserves for increased longevity, see Note 3.

FINANCIAL TARGETS

In a period of low interest rates and strengthening of reserves for higher projected life expectancy, lower earnings within group pensions are expected. At the same time, the bulk of the business is being shifted from guaranteed pensions to the Savings and Insurance segments. Storebrand has established a framework for capital management that links dividends to the solvency ratio. The goal is a solvency ratio for Storebrand group of over 150 per cent, including transitional rules. The solvency ratio at the end of the fourth quarter was 157 per cent. The solvency ratio without transitional rules at the end of the fourth quarter was 144 per cent. The solvency level shows that the group is robust for the risks the business faces. A gradual improvement is expected in the underlying solvency margin in the coming years. This is primarily due to the discontinuation of the strengthening of reserves for increased life expectancy, expected result achievement in the group, and reduced capital requirements from guaranteed business.

SUBSIDIARIES AND ASSOCIATED COMPANIES

Storebrand Livsforsikring AS owns 100 per cent of Storebrand Holding AB, which in turn owns 100 per cent of SPP Pension & Försäkring AB, SPP Spar AB, SPP Konsult AB and Storebrand & SPP Business Services AB. SPP is a leading Swedish supplier of life insurance and occupational pensions. SPP supplies unit-linked products, traditional insurance and defined-benefit pension products as well as consultancy services that cover occupational pensions and insurance and administration solutions for municipalities and other organisations. Together, Storebrand and SPP will become the leading life insurance and pension provider in the Nordic region. SPP's head office is located in Stockholm.

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

Through its subsidiaries Aktuar Systemer AS and Storebrand Pensjonstjenester AS, Storebrand offers deliveries within actuarial services, system solutions and all types of services associated with the operation of pension funds.

In 2005 Storebrand Livsforsikring AS set up a branch in Sweden. The branch manages pension insurance policies and unit-linked agreements in the Swedish market in accordance with the Norwegian Insurance Act. New sales no longer take place in the branch. In 2008 the branch was integrated with SPP.

Storebrand Finansiell Rådgivning AS was established as a wholly owned subsidiary by Storebrand Livsforsikring AS in order to satisfy legal changes within financial advice (the MiFid directive) which entered into force on 1 November 2007.

Storebrand Eiendom Trygg AS, Storebrand Eiendoms Vekst AS and Storebrand Eiendom Utvikling AS are holding companies for the Norwegian property operations. The companies are 100 per cent owned by Storebrand Livsforsikring AS. In addition, Storebrand Livsforsikring AS owns 21.2 per cent of Storebrand Eiendom Invest AS.

Foran Real Estate in Latvia is 70 per cent owned by Storebrand Livsforsikring AS and 29 per cent by SPP Pension & Försäkring AB. The company invests in forests in Latvia.

PROFIT

Storebrand Livsforsikring AS is a wholly owned subsidiary of the listed Storebrand ASA. For information about the Storebrand Group's result please refer to the Storebrand Group's annual report for 2016.

The official financial statements of the Storebrand Livsforsikring group are prepared in accordance with the International Financial Reporting Standards (IFRS), while the official financial statements of Storebrand Livsforsikring AS are prepared in accordance with the Annual Accounts Regulations for Lifeinsurance Companies.

STOREBRAND LIVSFORSIKRING GROUP

(NOK million)	2016	2015
Fee and administration income	3,038	3,283
Insurance result	689	604
Operational cost	-2,412	-2,613
Operating profit	1,315	1,274
Financial items and risk result life & pension	779	70
Profit before amortisation and provision longevity	2,093	1,344
Provision longevity		-1,764
Profit before amortisation	2,093	-420

Storebrand Livsforsikring achieved a group profit before amortisation and strengthening of longevity reserves at 2,093 million in 2016, compared with 1,344 million in 2015. For 2016, there is no cost for strengthening of longevity reserves, while in 2015 was recorded 1,764 million to strengthening of longevity reserves. Profit before tax was the result of 1,697 million in 2016, compared with minus NOK 806 million in 2015. Profit after tax was NOK 1,501 million compared to 1,161 million the previous year.

Fee and administration income decreased by 7.5 per cent in 2016. The underlying income performance is marked by higher income from products without guaranteed interest rates and a decline in income from products with guaranteed interest rates.

Operating costs decreased by 7.7 percent adjusted compared with the previous year. Storebrand has introduced an ambitious program to automation and streamline operations. Cost rationalisation is achieved through workforce reductions, increased outsourcing and automation.

Storebrand Livsforsikring Group had a tax expense of NOK 196 million for 2016. The effective tax rate is influenced by the fact that the Group has operations in countries with tax rates that are different from Norway (25 per cent), and it varies from quarter to quarter depending on each legal entity's contribution to the group result.

In December 2016, the Norwegian Parliament (Storting) agreed to reduce the company tax rate from 25 to 24 per cent with effect from 1 January 2017. It was also agreed to introduce a financial tax that would enter into force from the same date. Therefore, for companies subject to the financial tax, the company tax rate will be continued at the 2016 level (25 per cent). The Storebrand Livsforsikring Group includes companies that are both subject to and not subject to the financial tax. Therefore, when capitalising deferred tax/deferred tax assets in the consolidated financial statements, the company tax rate that applies for the individual Group companies is used.

The Storebrand Livsforsikring Group's investment real estate are owned by companies that receive a reduced tax rate from 2017. In isolation, this means lower deferred tax on temporary differences relating to the investment real estate, something that reduces the tax expense in 2016 by NOK 111 m. In addition, sales of real estate have resulted in the reversal of associated taxable temporary differences, which gives a reduction in the tax expense for the year of NOK 179 m.

PROFIT BY BUSINESS AREA

The segments in the reporting are: Savings, Insurance, Guaranteed Pensions and Other.

The presentation of result by area is exclusive internal transactions.

(NOK million)	2016	2015
Savings	418	395
Insurance	429	379
Guaranteed pensions	870	329
Other	377	241
Profit before amortisation and provision longevity	2,093	1,344
Provision longevity		-1,764
Profit before amortisation	2,093	-420

Segment Savings has a growth in fee-and administration incomes of 5 percent from 2015 to 2016, adjusted for currency effects and discontinued operations. Growth was driven by premium payments, returns and net new business.

The Insurance segment shows 2.9 percent growth in premium income. The result is improved due to growth and lower insurance payments as a percentage of premiums.

The fee and administration income in Guaranteed Pension developed in line with the fact that a large part of the portfolio is mature and in long-term decline. Administration income declined 11.9 percent. The result is still improved from the previous year as a result of strong profitsharing results. The contribution from the segment is expected to decrease over time.

Profit in the segment Other were due to good returns in company portfolios due to lower credit spreads.

SAVINGS

The Savings business area encompasses products that offer savings for retirement with no explicit interest rate guarantees. The business area consists of defined contribution pensions and similar unit-linked products in Norway and Sweden

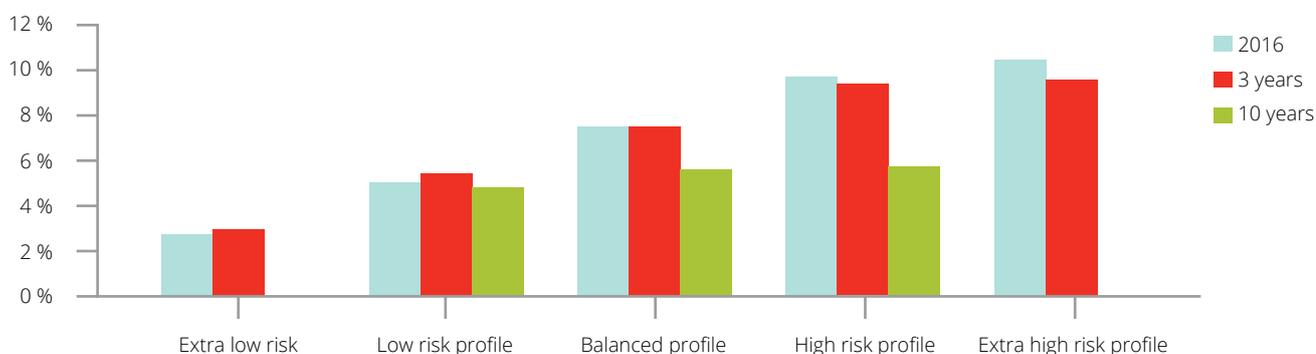
PROFIT

(NOK million)	2016	2015
Fee and administration income	1,378	1,393
Operational cost	-966	-996
Operating profit	412	398
Financial items and risk result life & pension	6	-2
- Risk result life & pensions	6	-3
- Net profit sharing		1
Profit before amortisation	418	395

The Savings segment reported a profit of 418 million in 2016 compared with 395 million the previous year.

Total fee and administration income increased by 5% from 2015 to 2016, adjusted for currency effect and discontinued business. Income growth is driven by the customers' conversion from defined benefit to defined contribution pension schemes in combination with new business and higher savings rates. For the Norwegian Unit Linked products, increased competition contributes to pressure on margins, while there are relatively stable margins in the Swedish business. Defined contribution pensions continue to show strong growth due to a steadily rising number of companies choosing to convert from defined benefit schemes to defined contribution-based schemes. This increases both the number of members and the current premium payments and management volume in the defined contribution-based pension schemes in both Norway and Sweden, in addition to growth through the return on premium reserves. Growth in customer assets was 20 per cent in Norway and 11 per cent in Sweden compared with the previous year.

RETURN ON DEFINED CONTRIBUTION STANDARD PORTFOLIOS IN DC SCHEME



BALANCE SHEET AND MARKET TRENDS

Premium income amounted to NOK 14.1bn in 2016, which is NOK 1.8bn higher than in 2015. Total reserves for non-guaranteed life insurance-related savings have grown by 9 per cent to NOK 140bn since 2015.

In the Norwegian market, Storebrand maintained its position as the market leader for defined contribution schemes, with around 34 per cent of the market. Premium growth for defined contribution occupational pensions was 15 per cent in 2016. The growth is driven by good sales to new customers and sales of higher savings rates, in addition to growth from wage adjustments. There is strong competition in the market for defined contribution pensions, and Storebrand expects that this will continue as a result of the significant dynamics in the market.

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

KEY FIGURES SAVINGS

(NOK million)	2016	2015
Unit Linked Reserveres	139,822	128,117
Unit Linked Premiums	14,143	12,324

INSURANCE

The Insurance business area encompasses personal risk products in the Norwegian and Swedish retail market and employee insurance and pensions-related insurance in the Norwegian and Swedish corporate market.

(NOK million)	2016	2015
Insurance result	689	604
- Insurance premiums f.o.a.	2,759	2,680
- Claims f.o.a.	-2,070	-2,076
Operational cost	-418	-395
Operating profit	271	208
Financial items and risk result life & pension	158	170
- Financial result	158	170
Profit before amortisation	429	379

Profit before amortisation was NOK 429 million compared with 379 million in 2015. The Insurance profit was NOK 689m for the full year with an overall combined ratio of 72% (89% in 2015). The insurance premiums increased by 2,9% in 2016.

The claims ratio has decreased and this is largely due to satisfactory risk development and greater reserve strengthening in 2015. The underlying profitability and efficiency are good and show a satisfactory development.

	2016	2015
Claims ratio	72 %	89 %
Cost ratio	17 %	16 %
Combined ratio	89 %	105 %

The combined risk result gives a claims ratio of 72 per cent (89 per cent in 2015) and the underlying risk development is satisfactory. Group disability pension delivered a satisfactory result for the period, while the reserves were strengthened by NOK 100m in the corresponding period last year. The product is still characterised by low premium income. The market for defined contribution pensions is very competitive and the price for disability pension is a key competition parameter. Efforts are still being made to strengthen the profitability, including repricing for unprofitable customers. A good disability result means a good result for insurance in Sweden.

The cost percentage was 17 per cent for the year (16 per cent in 2015). As planned, increased volumes and ambitions of growth have resulted in higher allocated costs for the insurance area.

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

BALANCE SHEET AND MARKET TRENDS

Profitability in the market is still considered good in general, but competition is increasing. We see this in connection with both employee insurance and risk cover related to defined contribution pensions in Norway, where the competition is strong and price is an important competition parameter. The total annual premium at the end of 2016 amounts to 2.8 billion compared with 2.7 billion the year before.

Storebrand enjoys a well-established position in the retail market for personal insurance and the growth was stable and in line with the general market growth. The corporate market is generally a more mature market. With regard to the employee insurance segment, Storebrand is one of several large companies. For risk cover in connection with defined contribution pensions in Norway, future growth is expected driven by conversions from defined benefit to defined contribution pensions. The new regulations, which entered into force on 1 January 2016, have resulted in a lower premium volume. In Sweden, the disability trend has been downward for a long period of time, which has led to reduced premiums in general.

INSURANCE PREMIUMS (ANNUAL)

(NOK million)	2016	2015
Individual life *	632	617
Group life **	896	943
Pension related disability insurance ***	1,297	1,159
Portfolio premium	2,824	2,719

* Individual life disability insurance

** Group disability, workers compensation insurance

*** DC disability risk premium Norway and disability risk Sweden

GUARANTEED PENSIONS

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

PROFIT

(NOK million)	2016	2015
Fee and administration income	1,566	1,777
Operational cost	-981	-1,156
Operating profit	585	621
Financial items and risk result life & pension	284	-292
- Risk result life & pensions	-37	89
- Net profit sharing	322	-382
Profit before amortisation and provision longevity	870	329
Provision longevity		-1,764
Profit before amortisation	870	-1,435

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

During 2016, fee and administration income developed in line with the fact that a large part of the portfolio is mature and in long-term decline. Income was NOK 1,566m in 2016, compared with NOK 1,777m in the previous year. In 2016, income fell by 11.9 per cent compared with 2015. New subscriptions for guaranteed pensions have been closed for most products, however, premium payments and the accumulation of returns for existing customers are leading to a long-term decline in reserves.

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

The risk result was minus NOK 37m in 2016, compared with NOK 89m in the previous year. The risk result was primarily generated in the Swedish business and was weak due to the weakened long life results. Changes were made to the reserves at the end of 2016 to strengthen the future result.

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

BALANCE SHEET AND MARKET TRENDS

Customer reserves for guaranteed pensions amounted to NOK 259bn at the end of 2016, compared with NOK 267bn at the start of the year. Transfers from guaranteed pensions amounted to NOK 3.3bn in 2016, compared with NOK 7.7bn in the previous year. From the end of 2014, the customers were given an offer to convert from traditional paid-up policies to paid-up policies with investment choice, and insurance reserves for paid-up policies with investment choice amounted to NOK 5.5bn at the end of 2016 and are included in the Savings segment. Paid-up policies are the only guaranteed portfolio that is growing, and it totalled NOK 115bn at the end of 2016, which corresponds to an increase of NOK 12bn during the year.

(NOK million)	2016	2015
Guaranteed reserves	258,723	266,811
Guaranteed reserves in % of total reserves	64.9 %	67.6 %
Transfer out of guaranteed reserves	3,305	7,729
Buffer capital in % of customer reserves Storebrand	5.7 %	5.8 %
Buffer capital in % of customer reserves SPP	6.7 %	7.6 %

The premium income for Guaranteed Pension (excluding transfers) was NOK 6.2bn in 2016. This represents a decline of 17 per cent, compared with 2015. The majority of products are closed for new business and the customers' choices about transferring from guaranteed to non-guaranteed products are in line with the Group's strategy.

PREMIUM INCOME (EXCLUSIVE TRANSFERS)

(NOK million)	2016	2015
Defined Benefit	4,095	5,477
Paid-up policies	119	113
Individual life and pension	265	277
Guaranteed products SPP	1,741	1,597
Total	6,220	7,465

OTHER

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

(NOK million)	2016	2015
Fee and administration income	94	113
Operational cost	-48	-66
Operating profit	46	47
Financial items and risk result life & pension	331	194
- Risk result life & pensions	7	-6
- Financial result	333	207
- Net profit sharing	-9	-7
Profit before amortisation	377	241

The result before amortisation for the Other segment activities was NOK 377m for 2016, compared with NOK 241m for 2015.

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

The financial result includes the return on the company portfolios in Storebrand Livsforsikring and SPP. The financial result increased as a result of good returns in company portfolios, due to reduction in credit spreads.

CAPITAL SITUATION AND RISK

CAPITAL SITUATION

Storebrand pays particular attention to the levels of equity and loans in the Group, which are continually and systematically optimised. The level is adjusted for the financial risk and capital requirements. The growth and composition of business segments are important driving forces behind the need for capital. The purpose of capital management is to ensure an efficient capital structure and ensure an appropriate balance between internal goals and regulatory requirements. The Group's target is to achieve a solvency margin ratio in accordance with Solvency II of at least 150%. Storebrand Livsforsikring AS also aims to achieve an A level rating.

Storebrand ended its involvement with credit rating agency Moody's at the end of the year. This decision was made as part of the cost rationalisation in the group. At the end of 2016 Storebrand Livsforsikring AS had a rating with a stable outlook BBB+ from Standard & Poor's, unchanged from.

The Solvency II regulations were introduced on 1 January 2016. The group's target solvency margin in accordance with the new regulations is a minimum of 150%, including use of the transitional rules. The solvency margin for the Storebrand Group was calculated at 157% at the end of 2016, including the transitional rule. Without transitional rules, the solvency margin is 144 %.

Storebrand uses the standard model for the calculation of Solvency II. The low interest rates in 2016, has meant that Storebrand has changed modeling of interest rates, so that solvency models now also take account of negative interest rates. In 2016, asset allocation in portfolios further adapted to Solvency II, and good return performance have strengthened the company's actual solvency position. The effect of the transitional regime for Solvency II is reduced during the year, due to reduced value of estimated liabilities and the introduction of tax of the transition rule.

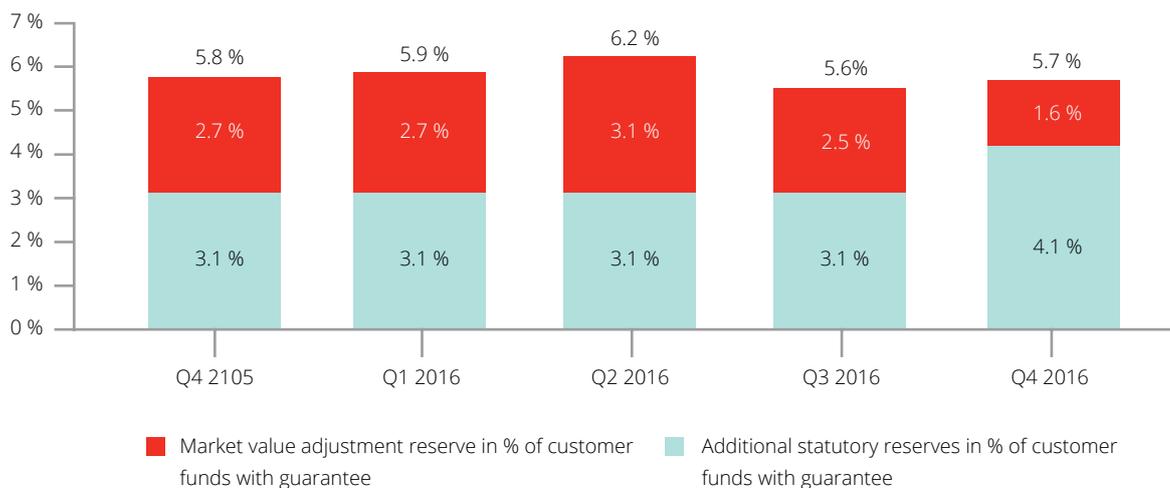
Changes to the regulations, methods and interpretations may occur that can affect the Solvency II margin in the future.

Storebrand Livsforsikring AS had a solvency margin after transitional rules of 201 per cent per 31.12.16 (without transitional rules, the solvency margin is calculated at 183 per cent). The Storebrand Livsforsikring Group is no longer required to report the solvency margin, requirement at consolidated level applies for the Storebrand Group.

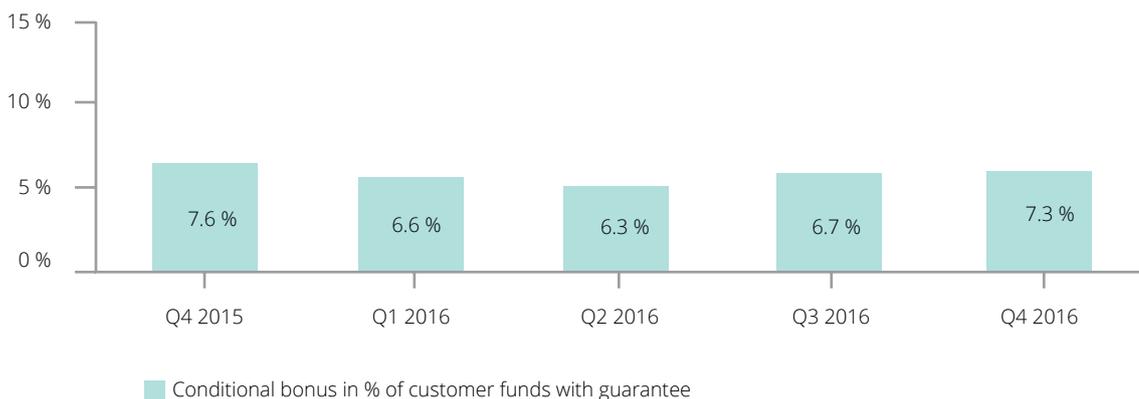
(NOK million)	2012	2013	2014	2015	2016
Equity	15,385	16,467	19,312	22,390	21,959
Subordinated loan capital	6,468	6,632	7,117	7,333	7,196
Risk equalisation fund	640	776	829	142	140
Market value adjustment reserve	1,027	3,823	5,814	4,520	2,684
Additional statutory reserves (ASR)	5,746	4,458	5,118	5,160	6,794
Conditional bonus (CB)	11,264	14,167	11,281	9,336	7,241
Reserves on bonds held to maturity	5,225	5,160	13,364	10,581	8,785
Profit carried forward	1,105	2,619	1,830	1,549	2,462
Total	46,860	54,102	64,664	61,011	57,260

The solidity capital was reduced by 3.8bn in 2016. The market value adjustment reserve decreased by NOK 1.8bn as a result of realisation of securities and amounted to NOK 2.7bn at the end of the year. Conditional bonus was reduced by NOK 2.1bn and amounts to NOK 7.2bn. The additional statutory reserves totalled NOK 6.8bn at the end of the year, an increase of NOK 1.6bn for the year. A good booked return has contributed to increasing the additional statutory reserves for insurance contracts which are fully strengthened for longevity. The excess value of bonds and loans valued at amortised cost declined due to higher interest rates by NOK 1.8bn this year and amounted to NOK 8.8bn as at 31 December. The excess value of bonds and loans at amortised cost is not included in the financial statements.

CUSTOMER BUFFER STOREBRAND LIVSFORSIKRING



CUSTOMER BUFFER SPP PENSION & FÖRSÄKRING



RISK

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

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

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

As a business requiring a license, the Storebrand Livsforsikring are subject to supervision by the Financial Supervisory Authority of Norway. Risk management must satisfy the formal requirements pursuant to legislation and other regulations. The level of risk-taking shall be in accordance with the regulatory requirements and other needs of customers, shareholders, lenders, rating companies, etc. Undesired incidents shall be limited.

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

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

SAVINGS

Savings consists of unit linked insurance in Storebrand Livsforsikring.

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

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

INSURANCE

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

The greatest risk is the disability risk. Storebrand has the risk of there being more disability cases than expected and/or that fewer disabled persons are fit to work again (reactivation). The restructuring of disability cover in Norway's National Insurance Scheme from 1 January 2016 will give better cover from the National Insurance Scheme for new incidents of disability. All else being equal, this will reduce the scope of Storebrand's disability risk in the future. Storebrand also provides cover with death benefits, but Storebrand's risk from this is very limited. Storebrand's disability cover can generally be priced on an annual basis.

GUARANTEED PENSION

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

A common feature of the products is that Storebrand guarantees a minimum return. In Norway, the return must exceed the guarantee in each year, while in Sweden it is sufficient to achieve the guaranteed return as an average. In Sweden, new premiums have a lower than 0% guarantee, whereas existing reserves have up to a 5.2% guarantee. In Norway, new premiums are included with a 2% guarantee, and pensions are adjusted upwards with a 0.5% guarantee. The existing portfolio has primarily guarantee levels ranging from 3 to 4%. Over time, new premiums and possible upward adjustment will contribute to the average guarantee level falling.

A new mortality tariff was introduced in Norway for defined benefit pensions and paid-up policies from 2014. For the existing reserves, the Financial Supervisory Authority of Norway has approved a seven-year escalation plan, and customer returns exceeding the guarantee can contribute to reserve strengthening. During the escalation period, it gives an increase in risk that may be compared with increasing the interest rate guarantee. Storebrand's contribution must be at least 20% of the overall reserve strengthening. By the end of 2016, Storebrand had completed approximately 97 per cent of the reserve strengthening.

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

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

There were good returns for guaranteed customer portfolios in 2016. Good equity markets and high returns on property have made a positive contribution. In addition, a fall in interest rates and reduced credit spreads have given good returns for bonds. In Norway, the return has been more than adequate to cover the guarantee plus the expected contribution to reserve strengthening. In Sweden, the return on assets has been better than the increase in value of insurance liabilities.

Interest rates continued to fall in Sweden during 2016, while in Norway, interest rates were at about the same level as at the start of the year. Low interest rates increase Storebrand's risk, because this reduces the probability of achieving a return higher than the guarantee. In Norway, the effect will be dampened in the coming years by a large proportion of the investments being bonds held at amortised cost that will greatly benefit from securities purchased at interest rate levels higher than the current levels.

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

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

OTHER

Other comprises the company portfolios and smaller subsidiaries in Storebrand Livsforsikring and SPP. In addition, this segment comprises the activities of BenCo.

The company portfolios are invested at low risk, primarily in short-term interest-bearing securities with a high credit rating. BenCo's business is primarily a long-term discontinued business.

REGULATORY CHANGES

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

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

EUROPEAN REGULATIONS

Solvency II

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

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

Changes have been proposed that, as a whole, entail that the UFR for NOK is reduced from 4.2 per cent to 3.7 per cent. It is proposed that this reduction is phased in by a maximum of 20 basis points annually such that the level will not be 3.7 until June 2019. It is expected that EIOPA will reach a conclusion on this matter in March 2017.

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

Information and advisory services

PRIIPs (Packaged Retail and Insurance-based Investment Products), MIFID II (Markets in Financial Instruments Directive) and IDD (Insurance Distribution Directive) will be introduced from 2018. These are EU rules intended to strengthen consumer protection by harmonising requirements for information and advisory services. PRIIPs sets requirements for customers to receive standardised product information (key information document) when purchasing complex and insurance-based investment products. The requirements for the document are fully harmonised, but the regulation permits national choice concerning the products that should be included. The Financial Supervisory Authority of Norway has proposed that the rules should apply to multiple products (paid-up policies with investment choice, pension capital certificates and individual pension savings) in Norway.

MIFID II and IDD are directives that stipulate rules for sales and advisory services, requirements for qualifications and further education, product development processes and managing of conflicts of interest for investment services and insurance products. The directives allow for certain national adaptations. It is expected that the Securities Committee will present its proposal for the implementation of MIFID II in February 2017. It is not known when the Norwegian authorities will present a proposal for rules that implement IDD. Swedish regulations for the introduction of MIFID II will most probably be in place during the first half of 2017. The intention is to introduce a ban on broker commissions.

New rules for privacy and money laundering will also be introduced from 2018. The privacy regulation sets stricter requirements for the business concerning the use and reuse of personal data and grants customers the right to data portability (being able to take their data to another provider) and to object to some types of profiling, when their personal data is used to analyse and predict their behaviour.

The money laundering directive sets new requirements for identifying, understanding and initiating measures to counteract the risk of money laundering and terrorist financing. Among other things, requirements are set for the business to implement control measures for all customers and strengthen customer control measures through increased identified risk of money laundering and terrorist financing. The directive also includes requirements for access to information about actual rights holders and that this information shall be made available in a central register. The directive balances measures that combat money laundering and terrorist financing against protection of privacy.

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

NORWEGIAN REGULATIONS

Financial tax

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

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

The financial tax will enter into force from 2017. The estimated annual effect on the Storebrand Livsforsikring group's operating costs will be approximately NOK 25m.

Occupation pension report

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

This work has included:

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

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

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

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

The AFP scheme

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

Public service pensions

The Government is working with changes in the public sector occupational pensions schemes to fully adapt these to the pension reform. The Ministry of Labour and Social Affairs published a report that proposed possible models for a new occupational pension in the public sector. The goal was to establish a transition for occupational pension schemes in the public sector that is based on the principles of the pension reform, such as all-years accrual, flexible pensions and longevity adjustments. The new scheme shall be a net scheme such as in the private sector, without coordination with the National Insurance Scheme's retirement pension. A hybrid product has been proposed, but with considerably greater complexity when compared with existing hybrid products in the private sector. A new public service pension will be a topic at the coming collective wage negotiations in the public sector, but probably not until 2018.

Equity savings account and fund account

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

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

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

SWEDISH REGULATIONS

Financial tax

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

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

The premium pension system

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

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

SUSTAINABILITY

The Storebrand Group has worked systematically and purposefully on sustainability for almost 20 years. The sustainability work originated from managing our own assets and sustainability is an important fundamental pillar of Storebrand's investment strategy. The Group has published environmental reports since 1995, and sustainability reports based on the triple bottom line (finances, corporate social responsibility and the environment) since 1999. The sustainability reporting has been an integrated part of the annual report and certified by an independent party since 2008. Storebrand reports in accordance with the GRI G4 standard and satisfies the Core level. More information and reporting that apply to sustainability are provided by company management at <https://www.storebrand.no/om-storebrand/barekraft>. Storebrand strives to be transparent and submits results to a number of analysis agencies and sustainability indexes, including Carbon Disclosure Project, Dow Jones Sustainability Index (DJSI), Corporate Knights, Vigeo and Sustainalytics. Storebrand is one of only a few companies that have been on the Dow Jones Sustainability Index for every one of the past 17 years, and was ranked number 11 globally within the insurance sector in 2016.

FUNDAMENTAL PRINCIPLES

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

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

The Storebrand Group's guidelines for sustainability

- Storebrand's ambition is to contribute to solving society's problems and to create sustainable development locally and globally through our products and services.
- Storebrand will combine profitable business operations with social, ethical and environmental goals and activities.
- Storebrand makes demands with regard to sustainability, corporate social responsibility, environmental work and ethics within the Group and for all of our partners and suppliers.
- Sustainability must permeate our development of new financial products and services, and it must be fully integrated with our asset management.
- Storebrand's goal is to be a leader in sustainability in the Nordic region and one of the foremost companies in the world in the area of sustainable investments.
- All of the Storebrand Group's self-managed assets are subject to the Storebrand Standard, a minimum standard for sustainable investments, as defined by the executive management.
- Storebrand shall integrate sustainability considerations in our insurance business, in the area of product development, customer service and marketing.
- Storebrand shall ensure a continuously lower environmental impact from our operations.
- Storebrand shall actively seek to prevent any activities that are harmful to society or criminal acts taking place in connection with our operations.
- Storebrand shall have a transparent management structure in accordance with national and international corporate governance standards.

RENEWED AND REINFORCED STRATEGIC FOCUS ON SUSTAINABILITY

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

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

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

Dialogue with stakeholders

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

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

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

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

Materiality analysis

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

Climate measures

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

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

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

Storebrand's environmental and carbon footprint

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

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

SUSTAINABILITY OF PRODUCTS AND SERVICES

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

Sustainable investments

Storebrand also exploits the opportunities to create better business in a sustainable economy through its own sustainable investments and by analysing how global trends such as population growth and scarcity of resources, growth in emerging economies and the demand for sustainable products will increasingly affect the business community in the future.

Storebrand has a significant influence through its investments in several thousand companies in all sectors and regions of the world. Sustainability is about investing in companies that are well-positioned to seize the major opportunities inherent to a transition to a green economy.

The Storebrand standard applies to all of Storebrand's self-managed funds and pension portfolios. The requirements apply to both equities and bonds in Norway, Sweden and internationally. The standard means that we exclude certain companies that are in violation of international norms and conventions or that are among the 10% of the least sustainable companies in high-risk industries.

The following areas are covered by the Storebrand standard:

- Human rights and international law
- Corruption and economic crime
- Serious damage to the climate and environment
- Controversial weapons: land mines, cluster munitions and nuclear weapons
- Tobacco
- Exclusion of companies that are the worst performers in relation to sustainability and climate measures in high-risk industries
- As of the 3rd quarter of 2016, 171 companies had been excluded from investment.

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

Sustainable insurance

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

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

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

ORGANISATION AND WORKING ENVIRONMENT

EXPERTISE

A high level of skill is one of Storebrand's most important factors for success, and it forms the foundation for renewed growth. At Storebrand, skills are synonymous with the ability that each individual employee has to perform and manage certain tasks and situations. This ability is based on knowledge and experience, skills, motivation and personality. Storebrand is involved in creating a future to look forward to. Our customers shall, in a simple and sustainable manner, receive a good pension and have a good world to retire in. This is done by being a trailblazer and entering the breach for sustainable development. Skills development shall support this.

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

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

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

DIVERSITY

We are focussed on the organisation reflecting our customers and the market we operate in. Diversity contributes to increased innovation and learning in the organisation. In 2016, Storebrand received a score of 83 out of 100 in a questionnaire regarding the work with diversity. Our ambitions include systematic work and an employee composition that reflect society as a whole. The average age at Storebrand Livsforsikring group is 47, and the average seniority is 11 years. Storebrand Livsforsikring had 1,383 employees in the group at year end compared to 45, 10 and 1,555 for 2015.

At the end of the year, 41 per cent of the managers in the Group were women, and 48 per cent of the employees were women. This represents a slight decrease on the previous year due to Storebrand no longer having an ownership stake in a Baltic company where the proportion of women was more than 50 per cent. In SPP, 49 per cent of the managers were women. Storebrand has for several years worked systematically on identifying future managerial candidates and promoting even gender distribution. There has been a focused effort on management development in the areas of strategic and operative management, communication and change. The aim is to ensure that future competence requirements are met, to develop Storebrand to meet the changing needs of society and the market.

In 2016, 43 percent of the board members of Storebrand Livsforsikring women, unchanged from the previous year. In corporate management, the proportion of women at 25 percent, down from 38 percent last year.

The company seeks to ensure equal treatment and opportunities for all the internal and external recruitment and development processes. The head office is a universally designed building that was recertified as a miljøfyrtårn (Eco-Lighthouse) in 2016.

ANNUAL EMPLOYEE SURVEY

Some results from the employee survey are given below because the Group sees a clear connection between the employees' commitment and high job satisfaction, which results in better customer experiences and satisfaction. The results from the survey show consistently good results and that Storebrand scores well above the average for the industry. The job satisfaction numbers have been stable from 2015 to 2016. The employer's reputation is also positive and stable, and the numbers for loyalty, which is the combination of dependability and commitment among Storebrand's employees, remain good. The decrease since 2015 is only one percentage point and this was during a period in which the number of employees was significantly reduced and a subsidiary was sold. Dependability is measured by the desire of employees to work at Storebrand and them recommending the company as a workplace to others. When the employees are asked whether they think that it is valuable that the Storebrand Group desires to have a leading position in sustainability, the trend is still positive and stable.

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

ABSENCE DUE TO ILLNESS

Absence due to illness has been at a stable low level for many years. The figure for Storebrand Livsforsikring was in 2016 at 3.5 percent compared to 3.5 percent in 2015 and 3.6 percent in 2014. SPP had an absence rate of 3.1 per cent, unchanged from 2015. Storebrand has been an "inclusive workplace" (IA) company since 2002, and the Group's managers have over the years built up good routines for following up sick employees. All managers with Norwegian employees must complete a mandatory HSE course, in which part of the training involves following up illnesses.

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

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

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

ETHICS AND TRUST

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

Employees take the company's e-learning course on ethics. In 2016, 136 employees took the course, and 148 took the anti-corruption course. The Group also has a mandatory ethics course for managers, which includes money laundering and corruption. At these courses, managers work with dilemmas taken from everyday life at Storebrand in the past 20 years. In addition, Storebrand's management group receive equivalent training, since it is the company's experience that such discussions of dilemmas are very useful and better enable managers to recognise situations that may arise. Managers also train their staff in the same way. The company's authorised financial advisers complete a specially tailored training programme.

CORPORATE GOVERNANCE

Storebrand Livsforsikring's systems for internal control and risk management of the accounting process comply with Storebrand Group's guidelines. Storebrand's Board of Directors review Storebrand's corporate governance policies annually.

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

Storebrand Livsforsikring Group publishes four interim financial statements, in addition to the ordinary annual financial statements. The financial statements must satisfy legal and regulatory requirements and be prepared in accordance with the adopted accounting policies and published according to the schedule adopted by the Board of Storebrand ASA. Storebrand Livsforsikring's accounts are prepared by the Group Accounts department, which is under the Storebrand Group's CFO. Key managers in Group Accounts have a fixed annual remuneration that is not affected by the group's financial results. A series of risk assessment and control measures have been established in connection with the preparation of the financial statements. Internal meetings are held, as well as meetings in which external auditors participate, to identify risk conditions and measures in connection with significant accounting items or other circumstances. Corresponding quarterly meetings are also held with various professional centres in the group that are key to the assessment and valuation of financial instruments, real estate, determination of insurance liabilities as well as other items for assessment. These meetings have a particular focus on any market changes, specific conditions relating to default trends, specific conditions related to the insurance business and operational conditions etc. Assessments relating to significant accounting items and any changes in principles etc. are described in a separate document (assessment item memo). The external auditor participates in board meetings that deal with the quarterly accounts and annual accounts, as well as in meetings of the audit committee of Storebrand ASA.

Monthly and quarterly operating reports are prepared in which the results per business area and product area are analysed and assessed against set budgets. The operating reports are reconciled against other financial reporting. Otherwise, continuous reconciliation of specialist systems, etc. takes place against the accounting system.

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

Storebrand Livsforsikring's articles of association stipulate that the company shall have the same nomination committee as Storebrand ASA, and hence is part of Storebrand Group's process for appointing and replacing Board members.

Storebrand Livsforsikring has no provisions in the articles of associations nor has it issued any authorities that allow the Board to resolve that the company shall repurchase or issue own shares or equity capital certificates.

A total of twelve board meetings were held in 2016, one of them a strategy seminar.

CHANGES IN THE BOARD AND MANAGEMENT

Hege Hodnesdal, head of product in the insurance segment has left the Group. Inger Johanne Bergstøl is replaced by Hans Henrik Klouman in the Board.

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

OUTLOOK

FINANCIAL PERFORMANCE

Storebrand is the market leader for the sale of pension solutions to Norwegian businesses. Defined contribution pension plans are the dominant solution for pension savings in Norway. The market for defined contribution pensions is growing and Storebrand's reserves within Unit Linked increased by 21 per cent from the previous year. Storebrand also has a strong challenger role for the sale of pension solutions to Swedish businesses and the growth in Unit Linked reserves at SPP was 10 per cent compared with the previous year. Good sales growth for defined contribution pensions is expected in the future. Work is being carried out to improve profitability within this area.

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

The Guaranteed Pension segment is in long-term decline and the combined reserves for the Guaranteed business are decreasing. However, there is continued growth in the reserves linked to paid-up policies due to companies choosing to convert existing defined benefit schemes to defined contribution schemes. It is expected that the growth in paid-up policies will decline in the future and that there will be flat growth in reserves over several years before the reserves start to fall. The portfolio of free policies does not contribute to the Group's results with the present interest rates. Guaranteed reserves represent an increasingly smaller share of the Group's total reserves and were 65% at the end of the quarter.

Storebrand Livsforsikring rationalize operations but will still make selected investments in growth. The partnership with Cognizant is expected to provide lower costs for the Group in the coming years.

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

MARKET TRENDS

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

The short-term interest rate remains low in the Eurozone and this is influenced by the European Central Bank's expansive monetary policy. The first step in the downscaling of the central bank's program for purchasing fixed income securities has been taken and a gradual reduction in the programme is expected going forward. Germany is experiencing economic growth which exerts pressure when setting interest rates in Europe.

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

RISK

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

CHANGES TO THE SOLVENCY II REGULATIONS

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

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

ASSESSMENT OF SEPARATE PENSION ACCOUNT

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

The assessment has three main topics:

- Possible solutions for a scheme involving a separate pension account, whereby pension earnings from multiple employers can be combined.
- Possible solutions for individual additional savings in the occupational pension schemes.
- The age and income from which contributions should start and the duration of the employment required to be able to receive contributions (saving from the first krone).

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

FINANCIAL TAX

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

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

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

STOREBRAND LIVSFORSIKRING AS

The profit before tax was NOK 1,459 million (NOK 374 million). Results are discussed under each individual segment. The following factors have had an effect on the company accounts, but no effect on the consolidated accounts. There are received dividends and group contributions from subsidiaries of 97 million (710 million) in 2016.

APPLICATION OF THE YEAR'S RESULT

The Board confirms that the financial statements were prepared on the basis of a going concern assumption.

The following application of the profit is proposed:

Other equity	1,197 million
Risk equalisation fund	-2 million
Total	1,195 million

Lysaker, 7 February 2017

The Board of Directors of Storebrand Livsforsikring AS

- Translation not to be signed -

Odd Arlid Grefstad
- Chairman of the Board -

Ole Peik Norenberg

Tove Margrethe Storrødvann

Bodil Catherine Valvik

Erik Haug Hansen

Hans Henrik Klouman

Jan Otto Risebrobakken

Geir Holmgren (sign.)
- Chief Executive Officer -

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Storebrand Livsforsikring Group

Statement of comprehensive income

1 January - 31 December

(NOK million)	Note	2016	2015
Technical account:			
Gross premiums written		23,433	22,770
Reinsurance premiums ceded		-127	-107
Premium reserves transferred from other companies		1,454	1,835
Premiums for own account	14	24,760	24,497
Income from investments in subsidiaries, associated companies and joint-controlled companies	32	150	121
Interest income and dividends etc. from financial assets	18	8,517	7,138
Net operating income from real estate	19	897	829
Changes in investment value	18	1,179	-4,500
Realised gains and losses on investments	18	3,389	4,762
Total net income from investments in the collective portfolio	14	14,132	8,349
Income from investments in subsidiaries, associated companies and joint-controlled companies	32	17	13
Interest income and dividends etc. from financial assets	18	625	216
Net operating income from real estate	19	83	70
Changes in investment value	18	8,552	732
Realised gains and losses on investments	18	1,036	3,462
Total net income from investments in the investment selection portfolio	14	10,313	4,493
Other insurance related income	14, 20	2,013	1,694
Gross claims paid		-18,007	-17,693
Claims paid - reinsurance		18	29
Premium reserves etc. transferred to other companies		-6,101	-6,698
Claims for own account	14	-24,090	-24,362
To (from) premium reserve, gross	3	-3,743	311
To/from additional statutory reserves		-1,490	-358
Change in value adjustment fund		1,836	1,295
Change in premium fund, deposit fund and the pension surplus fund		-11	-9
To/from technical reserves for non-life insurance business		-34	-40
Change in conditional bonus		1,126	3,050
Transfer of additional statutory reserves and value adjustment fund from other insurance companies/pension funds		2	-57
Changes in insurance obligations recognised in the Profit and Loss Account - contractual obligations	14	-2,314	4,192
Change in premium reserve		-19,352	-16,011
Changes in insurance obligations recognised in the Profit and Loss Account - investment portfolio separately	14	-19,352	-16,011
Profit on investment result		-501	-329
Risk result allocated to insurance contracts			-53
Other allocation of profit		-263	-6
Funds allocated to insurance contracts	14	-765	-388

(NOK million)	Note	2016	2015
Management expenses		-397	-388
Selling expenses	22	-706	-808
Change in pre-paid direct selling expenses	22		-1
Insurance-related administration expenses (incl. commissions for reinsurance received)		-1,415	-1,523
Insurance-related operating expenses	14	-2,518	-2,720
Other insurance related expenses	14, 26	-451	-416
Technical insurance profit		1,728	-672
Non-technical account			
Income from investments in subsidiaries, associated companies and joint-controlled companies	32	24	77
Interest income and dividends etc. from financial assets	18	322	261
Net operating income from real estate	19	10	225
Changes in investment value	18	287	-106
Realised gains and losses on investments	18	124	99
Net income from investments in company portfolio		768	556
Other income	21	277	381
Management expenses		-29	-22
Other costs	27	-1,047	-1,049
Management expenses and other costs linked to the company portfolio		-1,075	-1,072
Profit or loss on non-technical account		-31	-134
Profit before tax		1,697	-806
Tax costs	28	-196	1,967
Profit before other comprehensive income		1,501	1,161
Change in actuarial assumptions		-79	-126
Change in value adjustment reserve own buildings		205	180
Profit/loss cash flow hedging		-60	27
Adjustment of insurance liabilities		-205	-180
Tax on other profit elements not to be classified to profit/loss		19	32
Total other profit elements not to be classified to profit/loss		-120	-67
Translation differences		-783	748
Total other profit elements that may be classified to profit /loss		-783	748
Total other profit elements		-902	682
Total comprehensive income		598	1,842
Profit is attributable to:			
Majority share of profit		1,482	964
Minority share of profit		19	197
Comprehensive income is attributable to:			
Majority share of profit		586	1,640
Minority share of profit		12	204

Storebrand Livsforsikring Group

Statement of financial position

31 December

(NOK million)	Note	2016	2015
Assets			
Assets in company portfolio			
Goodwill	29	757	837
Other intangible assets	29	3,753	4,602
Total intangible assets		4,510	5,439
Real estate at fair value	31	51	335
Equities and units in subsidiaries, associated companies and joint-controlled companies	32	265	255
Loans at amortised cost	11,13,30	1	2
Bonds at amortised cost	11,13,30,33	2,868	2,674
Deposits at amortised cost	11,30	146	294
Equities and other units at fair value	13,30,34	103	87
Bonds and other fixed-income securities at fair value	11,13,30,35	23,172	22,604
Derivatives at fair value	13,30,36	932	1,264
Total investments		27,538	27,513
Receivables in connection with direct business transactions		481	2 596
Receivables in connection with reinsurance transactions		9	11
Receivables with group company		61	64
Other receivables	38	2 016	1 822
Total receivables		2 567	4 494
Tangible fixed assets	37	458	462
Cash, bank	11,30	2,769	2,117
Tax assets	28	312	551
Other assets designated according to type		766	789
Total other assets		4,306	3,919
Deferred acquisition costs		502	557
Other pre-paid costs and income earned and not received		101	106
Total pre-paid costs and income earned and not received		603	663
Total assets in company portfolio		39,524	42,028
Assets in customer portfolios			
Real estate at fair value	31	22,050	22,035
Real estate for own use	31	2,702	2,732
Equities and units in subsidiaries, associated companies and joint-controlled companies	32	1,718	1,320
Loans to and securities issued by subsidiaries, associated companies	32	37	41
Bonds held to maturity	11,13,30,33	15,644	15,648
Bonds at amortised cost	11,13,30,33	79,378	73,434
Loans at amortised cost	11,13,30	16,628	6,017
Deposits at amortised cost	11,30	4,159	3,900
Equities and other units at fair value	13,30,34	19,329	22,737
Bonds and other fixed-income securities at fair value	11,13,30,35	113,976	135,733
Financial derivatives at fair value	13,30,36	3,548	2,978
Loans at fair value	11,13,30	2,346	
Total investments in collective portfolio		281,515	286,575
Reinsurance share of insurance obligations		106	112

(NOK million)	Note	2016	2015
Real estate at fair value	31	2,060	2,045
Real estate for own use	31	161	156
Equities and units in subsidiaries, associated companies and joint-controlled companies	32	200	146
Loans at amortised cost	11,13,30	100	
Deposits at amortised cost	11,30	216	264
Equities and other units at fair value	13,30,34	110,087	101,739
Bonds and other fixed-income securities at fair value	11,13,30,35	27,358	25,920
Financial derivatives at fair value	13,30,36	73	9
Total investments in investment selection portfolio		140,255	130,279
Total assets in customer portfolio		421,876	416,966
Total assets		461,400	458,994
Equity and liabilities			
Share capital		3,540	3,540
Share premium		9,711	9,711
Total paid in equity		13,251	13,251
Risk equalisation fund		140	142
Other earned equity		10,290	9,724
Minority's share of equity		114	576
Total earned equity		10,545	10,442
Perpetual subordinated loan capital		2,098	2,829
Dated subordinated loan capital		3,742	3,158
Hybrid tier 1 capital		1,504	1,503
Total subordinated loan capital and hybrid tier 1 capital	10, 13, 30	7,344	7,489
Premium reserves		259,661	266,104
Additional statutory reserves		6,794	5,160
Market value adjustment reserve		2,684	4,520
Premium fund, deposit fund and the pension surplus fund		2,671	2,713
Conditional bonus		7,241	9,336
Other technical reserve		684	655
Total insurance obligations in life insurance - contractual obligations	39, 40	279,734	288,488
Premium reserve		141,162	129,742
Total insurance obligations in life insurance - investment portfolio separately	39, 40	141,162	129,742
Pension liabilities etc.	23	96	217
Deferred tax	28	175	200
Other provisions for liabilities		3	1
Total provisions for liabilities		274	418
Liabilities in connection with direct insurance		1,204	1,356
Liabilities in connection with reinsurance		44	29
Financial derivatives	13, 30, 36	1,985	3,020
Liabilities to group companies		60	38
Other liabilities	41	5,252	4,116
Total liabilities		8,545	8,559

(NOK million)	Note	2016	2015
Other accrued expenses and received, unearned income		544	605
Total accrued expenses and received, unearned income		544	605
Total equity and liabilities		461,400	458,994

Lysaker, 7 February 2017
The Board of Directors of Storebrand Livforsikring AS

Translation - not to be signed

Odd Arlid Grefstad
- Chairman of the Board -

Ole Peik Norenberg

Tove Margrethe Storrødvann

Bodil Catherine Valvik

Erik Haug Hansen

Hans Henrik Klouman

Jan Otto Risebrobakken

Geir Holmgren
- Chief Executive Officer -

Statement of change in equity for Storebrand Livforsikring Group

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

Statement of cash flow Storebrand Livsforsikring

1 January - 31 December

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

Storebrand Livsforsikring AS

Statement of comprehensive income

1 January - 31 December

(NOK million)	Note	2016	2015
Technical account			
Gross premiums written		16,589	16,235
Reinsurance premiums ceded		-30	-26
Premium reserves transferred from other companies	17	806	1,155
Premiums for own account	14,15	17,365	17,364
Income from investments in subsidiaries, associated companies and joint-controlled companies	32	1,948	2,157
of which from investment in real estate companies		1,965	2,105
Interest income and dividends etc. from financial assets	18	5,942	4,945
Changes in investment value	18	-1,597	-1,201
Realised gains and losses on investments	18	2,209	1,768
Total net income from investments in the collective portfolio	14	8,502	7,669
Income from investments in subsidiaries, associated companies and joint-controlled companies	32	249	223
of which from investment in real estate companies		249	223
Interest income and dividends etc. from financial assets	18	615	203
Changes in investment value	18	1,999	-2,075
Realised gains and losses on investments	18	1,039	3,315
Total net income from investments in the investment selection portfolio	14	3,902	1,666
Other insurance related income	14, 20	454	388
Gross claims paid		-9,962	-9,432
Claims paid - reinsurance		12	17
Premium reserves etc. transferred to other companies	17	-4,170	-4,776
Claims for own account	14	-14,119	-14,192
To (from) premium reserve, gross	3, 40	-1,510	-168
To/from additional statutory reserves	40	-1,490	-358
Change in value adjustment fund	40	1,836	1,295
Change in premium fund, deposit fund and the pension surplus fund	40	-11	-9
To/from technical reserves for non-life insurance business	40	-34	-40
Transfer of additional statutory reserves and value adjustment fund from other insurance companies/pension funds	17	2	-57
Changes in insurance obligations recognised in the Profit and Loss Account - contractual obligations	14	-1,208	662
Change in premium reserve		-11,256	-12,056
Changes in insurance obligations recognised in the Profit and Loss Account - investment portfolio separately	14,40	-11,256	-12,056
Profit on investment result	40	-501	-329
Risk result allocated to insurance contracts	40		-53
Other allocation of profit		-259	
Funds allocated to insurance contracts	14	-761	-382
Management expenses		-171	-152
Selling expenses	22	-278	-361
Insurance-related administration expenses (incl. commissions for reinsurance received)		-918	-974
Insurance-related operating expenses	14	-1,368	-1,488
Other insurance related expenses	14, 26	-412	-354
Technical insurance profit		1,100	-723

(NOK million)	Note	2016	2015
Non-technical account			
Income from investments in subsidiaries, associated companies and joint-controlled companies	32	-536	1,306
of which from investment in real estate companies			105
Interest income and dividends etc. from financial assets	18	319	522
Changes in investment value	18	203	-116
Realised gains and losses on investments	18	736	-297
Net income from investments in company portfolio		722	1,415
Other income	21	24	32
Management expenses		-15	-13
Other costs	27	-373	-337
Total management expenses and other costs linked to the company portfolio		-388	-350
Profit or loss on non-technical account		359	1,098
Profit before tax		1,459	374
Tax costs	28	-205	1,814
Profit before other comprehensive income		1,254	2,189
Change in actuarial assumptions		-18	-145
Profit/loss cash flow hedging		-60	27
Tax on other profit elements not to be classified to profit/loss		19	34
Total other profit elements not to be classified to profit/loss		-58	-84
Translation differences			-7
Total other profit elements that may be classified to profit /loss			-7
Total other profit elements		-58	-91
Total comprehensive income		1,195	2,098

Storebrand Livsforsikring AS

Statement of financial position

31 December

(NOK million)	Note	2016	2015
Assets			
Assets in company portfolio			
Other intangible assets	29	133	201
Total intangible assets		133	201
Equities and units in subsidiaries, associated companies and joint-controlled companies	32	13,434	16,232
Loans to and securities issued by subsidiaries, associated companies	11, 13, 30	1	2
Bonds at amortised cost	11, 13, 30, 33	2,868	2,674
Deposits at amortised cost	11	143	246
Equities and other units at fair value	13, 30, 34	83	64
Bonds and other fixed-income securities at fair value	11, 13, 30, 35	13,529	9,787
Derivatives at fair value	11, 13, 30, 36	932	1,264
Total investments		30,989	30,268
Receivables in connection with direct business transactions		419	2,469
Receivables in connection with reinsurance transactions		9	11
Receivables with group company		66	66
Other receivables	38	410	129
Total receivables		903	2,677
Tangible fixed assets	37	11	14
Cash, bank	11, 30	1,644	988
Tax assets	28	175	360
Total other assets		1,830	1,363
Other pre-paid costs and income earned and not received		14	12
Total pre-paid costs and income earned and not received		14	12
Total assets in company portfolio		33,870	34,520
Assets in customer portfolios			
Equities and units in subsidiaries, associated companies and joint-controlled companies	32	20,884	22,149
of which investment in real estate companies		20,104	21,352
Bonds held to maturity	11, 13, 30, 33	15,644	15,648
Bonds at amortised cost	11, 13, 30, 33	79,378	73,434
Loans at amortised cost	11, 13, 30	16,628	6,017
Deposits at amortised cost	11, 30	2,133	2,002
Equities and other units at fair value	13, 30, 34	10,501	12,226
Bonds and other fixed-income securities at fair value	11, 13, 30, 35	38,444	48,114
Financial derivatives at fair value	11, 13, 30, 36	128	225
Total investments in collective portfolio		183,739	179,815
Reinsurance share of insurance obligations		106	112
Equities and units in subsidiaries, associated companies and joint-controlled companies	32	2,974	2,424
of which investment in real estate companies		2,974	2,424
Loans at amortised cost	11, 13, 30	100	
Deposits at amortised cost	11, 30	183	179
Equities and other units at fair value	13, 30, 34	39,626	32,041
Bonds and other fixed-income securities at fair value	11, 13, 30, 35	21,807	19,747
Financial derivatives at fair value	11, 13, 30, 36	73	9
Total investments in investment selection portfolio		64,763	54,400
Total assets in customer portfolios		248,609	234,326
Total assets		282,478	268,846

(NOK million)	Note	2016	2015
Equity and liabilities			
Share capital		3,540	3,540
Share premium		9,711	9,711
Total paid in equity		13,251	13,251
Risk equalisation fund		140	142
Other earned equity		11,042	9,845
Total earned equity		11,182	9,987
Perpetual subordinated loan capital		2,098	2,096
Dated subordinated loan capital		3,742	3,158
Hybrid tier 1 capital		1,504	1,503
Total subordinated loan capital and hybrid tier 1 capital	10, 13, 30	7,344	6,756
Premium reserves		168,884	166,959
Additional statutory reserves		6,794	5,160
Market value adjustment reserve		2,684	4,520
Premium fund, deposit fund and the pension surplus fund		2,671	2,713
Other technical reserve		684	655
Total insurance obligations in life insurance - contractual obligations	39, 40	181,716	180,006
Premium reserves		65,144	53,894
Total insurance obligations in life insurance - investment portfolio separately	39, 40	65,144	53,894
Pension liabilities etc.	23	59	196
Other provisions for liabilities			1
Total provisions for liabilities		59	196
Liabilities in connection with direct insurance		898	935
Financial derivatives	11, 13, 30, 36	1,047	1,797
Liabilities to group companies		199	50
Other liabilities	41	1,415	1,722
Total liabilities		3,559	4,504
Other accrued expenses and received, unearned income		224	251
Total accrued expenses and received, unearned income		224	251
Total equity and liabilities		282,478	268,846

Lysaker, 7 February 2017

The Board of Directors of Storebrand Livforsikring AS

Translation - not to be signed

Odd Arlid Grefstad (sign.)
- Chairman of the Board -

Ole Peik Norenberg

Tove Margrethe Storrødvann

Bodil Catherine Valvik

Erik Haug Hansen

Hans Henrik Klouman

Jan Otto Risebrobakken

Geir Holmgren
- Chief Executive Officer -

Statement of change in equity for Storebrand Livsforsikring AS

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

1) 35 404 200 shares of NOK 100 par value.

Notes

Note 1 - Company information and accounting policies

1. COMPANY INFORMATION

Storebrand Livsforsikring offers products within life insurance to private individuals, companies and public sector entities in Norway and Sweden. The Group is divided into the segments Savings, Insurance, Guaranteed Pension and Other. The Group's head office is located at Professor Kohts vei 9, in Lysaker, Norway.

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

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

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

Investment real estate are measured at fair value.

The statement of financial position also includes capitalised intangible assets, which consist essentially of excess value related to insurance contracts acquired as part of a business combination and are associated with the acquisition of the Swedish group Storebrand Holding (SPP) in 2007. This excess value is measured at historical cost less annual amortisation and write-downs.

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

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

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

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

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

Incurred But Not Settled (IBNS) reserves consist of amounts reserved for claims either incurred but not yet reported or reported but not yet settled (Incurred But Not Reported "IBNR" and Reported But Not Settled "RBNS").

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

3. BASIS FOR PREPARATION OF THE FINANCIAL STATEMENTS

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

The financial statements are prepared in accordance with accounting regulations for life insurance company from the FSA for the parent company and the consolidated financial statements are presented using EU-approved International Financial Reporting Standards (IFRS) and related interpretations, as well as other Norwegian disclosure requirements laid down in legislation and regulations.

USE OF ESTIMATES WHEN PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS.

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

4. CHANGES IN ACCOUNTING POLICIES

Financial reporting regulations of FSA allow a great extent use of international accounting standards - IFRS. New accounting standards that have a significant impact on the consolidated financial statements have not been implemented in 2016. For changes in estimates, see Note 2 for further information.

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

STOREBRAND LIVSFORSIKRING AS - THE COMPANY'S FINANCIAL STATEMENTS

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

Comprehensive income

Storebrand Livsforsikring AS

(NOK million)	Full Year 2015		
	Reported figures	Security provisions	Revised figures
To/from technical reserves for non-life insurance business	-4	4	
Profit before tax	371	4	374
Tax costs	1,815	-1	1,814
Profit before other comprehensive income	2,186	3	2,189

Statement of financial position

Storebrand Livsforsikring AS

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

NEW STANDARDS AND CHANGES IN STANDARDS THAT HAVE NOT COME INTO EFFECT:

IFRS9

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

IFRS9 involves rules for classification based on the business model, altered hedge accounting requirements and rules for write-downs of financial assets that result in losses being recorded earlier than under IAS39. Under IAS39, impairment losses will be entered when there are objective criteria for an actual loss having taken place, while under IFRS9, the probability of loss (expected loss) must be calculated based on the elements relating to the financial instrument and elements relating to more general macroeconomic factors

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

IFRS17

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

- Probability weighted estimate of future contributions and payments related to the contracts
- The cash flows are discounted by an interest rate that reflects the risk of the cash flows
- A supplement is added for the risk margin
- When entering into a contract, the expected profit is also set aside as a liability. This is recognised as income over the duration of the contract (provided that the contract is not considered to be a loss contract on the issuing date).

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

IFRS15

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

5. CONSOLIDATION

For Storebrand Livsforsikring AS, subsidiaries that are included in the collective portfolio are recognised according to the equity method, while subsidiaries that are included in the company portfolio are recognised according to the cost method. For subsidiaries that prepare accounts in accordance with principles other than those that apply to the insurance company, the subsidiary's financial statements are restated to comply with the principles under which the insurance company's accounts are prepared.

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

Storebrand Livsforsikring AS also owns the Swedish holding company Storebrand Holding AB, which in turn owns SPP Pension & Försäkring AB (publ). In connection with the acquisition of the Swedish business in 2007, the authorities instructed Storebrand to make an application to maintain a group structure by the end of 2009. Storebrand has filed an application to maintain the existing group structure.

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

CURRENCIES AND TRANSLATION OF FOREIGN COMPANIES' ACCOUNTS

The Group's presentation currency is Norwegian kroner. Foreign companies included in the Group which use a different functional currency are translated into Norwegian kroner. The income statement figures are translated using an average exchange rate for the year and the statement of financial position is translated using the exchange rate prevailing at the end of the financial year. As differences will arise between the exchange rates applied when recording items in the statement of financial position and the income statement, any translation differences are recognised in other comprehensive income if these are not an integrated part of the business.

ELIMINATION OF INTERNAL TRANSACTIONS

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

6. BUSINESS COMBINATIONS

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

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

7. INCOME RECOGNITION

PREMIUM INCOME

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

INCOME FROM REAL ESTATE AND FINANCIAL ASSETS

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

OTHER INCOME

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

8. GOODWILL AND INTANGIBLE ASSETS

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

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

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

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

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

9. ADEQUACY TEST FOR INSURANCE LIABILITIES AND RELATED EXCESS VALUES

In accordance with IFRS4, a liability adequacy test must be conducted of the insurance liability every time the financial statements are presented. The test conducted in Storebrand's consolidated financial statements is based on the Group's calculation of capital. The liability adequacy test was carried out prior to the implementation of IFRS. Intangible assets with unlimited useful economic lives are not amortised, but are tested for impairment annually or whenever there are indications that the value has been impaired.

10. INVESTMENT REAL ESTATE

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

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

11. FINANCIAL INSTRUMENTS

11.1 GENERAL POLICIES AND DEFINITIONS

Recognition and derecognition

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

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

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

Definition of amortised cost

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

Definition of fair value

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

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

Impairment of financial assets

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

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

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

11.2 CLASSIFICATION AND MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES

Financial assets are classified into one of the following categories:

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

Held for trading

A financial asset is held for trading if:

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

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

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

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

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

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

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

Investments held to maturity

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

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

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

Loans and receivables

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

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

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

11.3 DERIVATIVES

Definition of a derivative

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

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

Accounting treatment of derivatives that are not hedging

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

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

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

11.4 HEDGE ACCOUNTING

Fair value hedging

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

Hedging of net investments

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

Combined fair value and cash flow hedging

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

11-5. FINANCIAL LIABILITIES

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

12. ACCOUNTING FOR THE INSURANCE BUSINESS

The accounting standard IFRS4 Insurance Contracts addresses the accounting treatment of insurance contracts. Storebrand's insurance contracts fall within the scope of this standard. IFRS4 is meant to be a temporary standard and it allows the use of non-uniform principles for the treatment of insurance contracts in consolidated financial statements. In the consolidated financial statements, the technical insurance reserves in the respective subsidiaries are included, as calculated on the basis of the laws of the individual countries. This also applies to insurance contracts acquired via business combinations. In such cases, positive excess values, cf. IFRS4 no. 31b), are capitalised as assets.

Pursuant to IFRS4, the technical insurance reserves must be adequate. When assessing the adequacy associated with recognised acquired insurance contracts, reference must also be made to IAS37 *Provisions, Contingent Liabilities and Contingent Assets*, and Solvency II calculations.

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

12-1. GENERAL – LIFE INSURANCE

Result for policyholders

Guaranteed return of the premium reserve and the premium fund and other returns to customers are recorded under the item guaranteed returns and allocations to policyholders.

Claims for own account

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

Changes in insurance liabilities

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

Insurance liabilities

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

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

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

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

Insurance liabilities, special investments portfolio

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

IBNS reserves

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

Transfers of premium reserves, etc. (transfers)

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

Selling costs

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

12.2 LIFE INSURANCE – NORWAY

Additional statutory reserves

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

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

Premium fund, deposit reserve and pensioners' surplus fund

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

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

Market value adjustment reserve

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

Reserves for undetermined insurance events

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

Risk equalisation reserve

Up to 50 per cent of the risk result for group pensions and paid-up policies can be allocated to the risk equalisation fund to cover any future negative risk result. The risk equalisation reserve is not considered to be a liability according to IFRS and is included as part of the equity (undistributable equity). See Note 3, for further information on the use of the risk equalisation reserve to strengthen the longevity reserves.

12-3. LIFE INSURANCE SWEDEN

Life insurance reserves

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

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

Reserves for undetermined insurance events

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

Conditional bonus and deferred capital contribution

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

12-4. P&C INSURANCE

Costs related to insurance claims are recognised when the claims occur. The following allocations have been made:

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

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

13. PENSION LIABILITIES FOR OWN EMPLOYEES

Storebrand has country-specific pension schemes for its employees. The schemes are recognised in the accounts in accordance with IAS 19. In Norway, the pension scheme from 1 January 2015 changed from a defined benefit to a defined contribution scheme. The effect of this change was recognised in the accounts as at 31 December 2014. Storebrand is a member of the Norwegian contractual early retirement (AFP) pension scheme. The Norwegian AFP scheme is regarded as a defined-benefit scheme, but there is insufficient quantitative information to be able to estimate reliable accounting obligations and costs. In connection with new rules for disability pensions in the Norwegian Occupational Pensions Act, Storebrand altered the disability pension scheme for own employees in Norway in 2016.

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

13.1 DEFINED-BENEFIT SCHEME

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

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

13-2. DEFINED-CONTRIBUTION SCHEME

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

14. TANGIBLE FIXED ASSETS AND INTANGIBLE ASSETS

The Group's tangible fixed assets comprise equipment, fixtures and fittings, IT systems and real estate used by the Group for its own activities.

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

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

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

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

15. TAX

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

Deferred tax is calculated on the basis of the Group's tax loss carryforwards, deductible temporary differences and taxable temporary differences. The Group's tax-increasing temporary differences also include temporary differences linked to the Group's investment real estate. These

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

FINANCIAL TAX

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

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

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

The Storebrand Livsforsikring Group includes companies that are both subject to and not subject to the financial tax. Therefore, when capitalising deferred tax/deferred tax assets in the consolidated financial statements, the company tax rate that applies for the individual companies is used (24 or 25 per cent).

16. PROVISION FOR DIVIDENDS

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

17. LEASING

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

18. STATEMENT OF CASH FLOWS

The statement of cash flows is prepared using the direct method and shows cash flows grouped by sources and use. Cash is defined as cash, receivables from central banks and receivables from credit institutions with no agreed period of notice.

The statement of cash flows is classified according to operating, investing and financing activities.

19. BIOLOGICAL ASSETS

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

Note 2 - Critical accounting estimates and judgements

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

A description of the most important elements and assessments in which discretion is used and which may influence recognised amounts or key figures is provided below and in Note 47 Solvency II.

Actual results may differ from these estimates.

LIFE INSURANCE IN GENERAL

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

In the consolidated accounts, insurance liabilities with a guaranteed interest rate are included, but using different principles in the Norwegian and the Swedish activities. An immaterial asset (value of business in-force - VIF) linked to the insurance contracts in the Swedish activities is also included. This asset relates to Storebrand's purchase of SPP (acquisition of a business). There are several factors that may have an impact on

the size of the insurance liabilities including VIF, such as biometric factors relating to higher life expectancy, future returns and invalidity, as well as the development of future costs and legal aspects, such as amendments to legislation and judgments handed down in court cases, etc. In the long term, a low interest rate will represent a challenge for insurance contracts with a guaranteed interest rate and, together with a reduced customer buffer, may have an impact on the amount recorded that is linked to the insurance contracts. The Norwegian insurance contracts with guaranteed interest rates are discounted at the premium calculation rate (around 3.3 per cent on average). The Swedish insurance liabilities with guaranteed interest rates have been discounted by a yield curve that coincides with the Solvency II yield curve.

In accordance with the accounting standard IFRS4 Insurance Contracts, the insurance liabilities that are included shall be adequate and a liability adequacy test shall be performed. The insurance liabilities are calculated in accordance with rules stipulated by the national supervisory authorities, including the Insurance Activity Act with regulations in Norway and the Insurance Business Act in Sweden. For the life insurance liabilities a test is performed at an overall, total level by conducting an analysis based on the Norwegian premium reserve principles. The established analysis is based on the assumptions that apply correspondingly to the calculation of the Solvency II liability, in which the company uses the best estimates for the future basic elements based on the current experience. The test entails then that the company analyses the current margins between the assumptions used as a basis for reserves and the assumptions based on the Solvency II calculations. This test was also performed for the introduction of IFRS.

Upon the acquisition of the Swedish insurance group SPP, excess values and goodwill related to the value of the SPP Group's insurance contracts were capitalised, while the SPP Group's recognised insurance reserves were maintained in Storebrand's consolidated financial statements. These excess values (Value of business in-force) are tested for their adequacy together with the associated capitalised selling costs and insurance liabilities. The test is satisfied if the recognised liabilities in the financial statements are greater than or equal to the net liabilities valued at an estimated market value, including the expected owner's profit. In this test, the Solvency II calculations and IAS37 are taken into account. A key element of this assessment involves calculating future profit margins using Solvency II calculations. The Solvency II calculations will be affected by, among other things, volatility in the financial markets, interest rate expectations and the amount of buffer capital. Storebrand satisfies the adequacy tests for 2016, and they have thus no impact on the results in the financial statements for 2016. Reference is made to further information in Note 29.

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

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

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

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

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

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

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

Further information about insurance liabilities is provided in Notes 8 and 39.

INVESTMENT REAL ESTATE

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

Key elements included in valuations that require exercising judgement are:

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

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

Reference is also made to Note 13 in which the valuation of investment real estate at fair value is described in more detail.

FINANCIAL INSTRUMENTS AT FAIR VALUE

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

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

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

FINANCIAL INSTRUMENTS AT AMORTISED COST

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

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

OTHER INTANGIBLE ASSETS WITH UNDEFINED USEFUL ECONOMIC LIVES

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

PENSIONS FOR OWN EMPLOYEES

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

DEFERRED TAX

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

CONTINGENT LIABILITIES

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

Note 3 - Strengthening of longevity reserves for Storebrand Livsforsikring AS

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

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

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

SENSITIVITY

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

Note 4 - Generation of profit from guaranteed pensions

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

PRICE OF RETURN GUARANTEE AND PROFIT RISK (FEE INCOMES) - STOREBRAND LIVSFORSIKRING AS

The return guarantees in group pension insurance with a return guarantee must be priced upfront. The level of the return guarantee, the size of the buffer capital (additional statutory reserves and unrealised gains), and the investment risk of the portfolio in which the pensions assets are invested determine the price that the customer pays for his or her return guarantee. Return guarantees are priced on the basis of the risk to which the equity is exposed. The insurance company bears all the downside risk and must carry reserves against the policy if the buffer reserves are insufficient or unavailable.

ADMINISTRATION RESULT

The administration result is the difference between the income paid by customers pursuant to the tariff and the company's actual operating costs. The income consists of fees based on the size of customer assets, premium volumes or numbers in the form of unit prices. Among other things, operating expenses consist of personnel costs, return fees, marketing expenses, commissions and IT costs.

STOREBRAND LIVSFORSIKRING

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

SPP PENSION & FÖRSÄKRING

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

RISK RESULT

The risk result consists of premiums the company charges to cover insurance risks less the actual costs in the form of insurance reserves and payments for insured events such as death, pensions, disability and accidents.

STOREBRAND LIVSFORSIKRING AS

In the case of group defined-benefit pensions and paid-up policies, any positive risk result passes to the customers, while any deficit in the risk result must, in principle, be covered by the insurance company. However, up to half of any risk profit on a particular line of insurance may be retained in a risk equalisation fund. A deficit due to risk elements can be covered by the risk equalisation fund. The risk equalisation fund can, as a maximum, amount to 150 per cent of the total annual risk premium. The risk equalisation fund is classified as equity in the balance sheet.

SPP PENSION & FÖRSÄKRING AB

The risk result is paid to the owners in its entirety for all insurance products

PROFIT SHARING

STOREBRAND LIVSFORSIKRING

A modified profit-sharing regime was introduced for old and new individual contracts that have left group pension insurance policies (paid-up policies), which allows the company to retain up to 20 per cent of the profit from returns after any allocations to additional statutory reserves. The modified profit-sharing model means that any negative risk result can be deducted from the customers' interest profit before sharing, if it is not covered by the risk equalisation fund.

Individual endowment insurance and pensions written by the Group prior to 1 January 2008 will continue to apply the profit rules effective prior to 2008. New contracts may not be established in this portfolio. The Group can retain up to 35 per cent of the total result after allocations to additional statutory reserves.

Any negative returns on customer portfolios and returns lower than the interest guarantee that cannot be covered by additional statutory reserves must be covered by the company's equity and will be included in the net profit-sharing and losses line.

SPP PENSION & FÖRSÄKRING

For premiums paid from and including 2016, previous profit sharing is replaced by a guarantee fee. The guarantee fee is annual and is calculated as a percentage of the capital. It goes to the company. For contributions agreed to prior to 2016, the profit sharing is maintained, i.e. that if the total return on assets in one calendar year for a premium-determined insurance (IF portfolio) exceeds the guaranteed interest, profit sharing will be triggered. When profit sharing is triggered, 90 per cent of the total return on assets passes to the policyholder and 10 per cent to the company. The company's share of the total return on assets is included in the financial result.

In the case of defined-benefit contracts (KF portfolio), the company is entitled to charge an indexing fee if the group profit allows the indexing of the insurance. Indexing is allowed up to a maximum equalling the change in the consumer price index (CPI) between the previous two Septembers. Pensions that are paid out are indexed if the consolidated figures on 30 September exceed 107 per cent, and half of the fee is charged. The whole fee is charged if the consolidated figures on 30 September exceed 120 per cent, in which case paid-up policies can also be included. The total fee equals 0.8 per cent of the insurance capital.

The guaranteed liability is continuously monitored. If the guaranteed liability is higher than the value of the assets, a provision must be made in the form of a deferred capital contribution. If the assets are lower than the guaranteed liability when the insurance payments start, the company supplies capital up to the guaranteed liability in the form of a realised capital contribution. Changes in the deferred capital contribution are included in the financial result.

Note 5 - Segments

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

CHANGE IN INCOME STATEMENT

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

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

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

Comparable figures have been restated.

SAVINGS

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

INSURANCE

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

GUARANTEED PENSION

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

OTHER

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

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

The results in the segments are reconciled against the Group result before amortisation and write-downs of intangible assets. The corporate income statement includes gross income and costs linked to both the insurance customers and owners (shareholders). The alternative statement of the result only includes result elements relating to owners (shareholders) which are the result elements that the Group has performance measures and follow-up for. The result lines that are used in reporting segment will therefore not be identical with the result lines in the corporate profit and loss account. Below is an overall description of the most important differences.

Fee and administration income consists of fees and fixed administrative income. In the Group's income statement, the item is classified as premium income or other income depending on the type of activity. The Group's income statement also includes savings elements for insurance contracts and possibly transferred reserve.

Risk result life and pensions consists of the difference between risk premium and claims for products relating to defined-contribution pension, unit linked contracts (savings segment) and defined-benefit pension (guaranteed pension segment). Risk premium is classified as premium income in the Group's income statement.

Insurance premiums consist of premium income relating to risk products (insurance segment) that are classified as premium income in the Group's income statement.

Claims consist of paid-out claims and changes in claims incurred but not reported (IBNR) and claims reported but not settled (RBNS) relating to risk products that are classified as claims in the Group's income statement.

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

The financial result consists of the return for the company portfolios of Storebrand Livsforsikring AS and SPP Pension & Försäkring AB (Other segment), while returns for the other company portfolios in the Group are a financial result within the segment which the business is associated with. Returns on company portfolios are classified as net income from financial assets and property for companies in the Group's income statement. The financial result also includes returns on customer assets relating to products within the insurance segment, and in the Group's income statement this item will be entered under net income from financial assets and property for customers. In the alternative income statement, the result before tax of certain unimportant subsidiaries is included in the financial result, while in the Group's income statement, this is shown as other income, operating costs and other costs.

Net profit sharing and loan losses:

Net profit sharing

Storebrand Livförsäkring:

Net profit sharing in the Norwegian business consists of up to 35 per cent of the overall result after allocations to additional statutory reserves for the products, traditional individual capital and pension products. Any negative returns on customer portfolios and returns lower than the interest guarantee that cannot be covered by additional statutory reserves must be covered by the company's equity and will be included in the net profit-sharing and losses line. In the Group's income statement, this item may be included in premium income, net income from financial assets and property for customers, other income, claims, change in insurance liabilities, change in buffer capital, operating costs and other costs.

SPP Pension & Försäkring:

Net profit sharing in the Swedish business consists of profit sharing if the total return on assets in one calendar year for a premium-determined insurance (IF portfolio) exceeds the guaranteed interest. When profit sharing is triggered, 90 per cent of the total return on assets passes to the policyholder and 10 per cent to the company. The company's share of the total return on assets is included in the financial result.

In the case of defined-benefit contracts (KF portfolio), the company is entitled to charge an indexing fee if the group profit allows the indexing of the insurance. .

Loan losses:

Loan losses that are on the balance sheet of the Storebrand Livförsäkring Group, will not be included on this line in either the alternative income statement or in the Group's income statement, but will in the income statement be included in the item, net income from financial assets and property for customers

Strengthening of longevity reserves consists of the owner's equity contributions in connection with the conversion to a new mortality tariff in 2013, K2013. In the Group's income statement, the item is classified under changes in insurance liabilities

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

RESULT BY BUSINESS AREA

(NOK million)	2016	2015
Savings	418	395
Insurance	429	379
Guaranteed pension	870	329
Other	377	241
Profit before amortisation and provision longevity	2,093	1,344
Provision longevity		-1,764
Profit before amortisation	2,093	-420
Amortisation intangible assets	-396	-386
Profit before tax	1,697	-806

SEGMENT INFORMATION AS AT 31.12

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

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

Note 6 - Risk management and internal control

Storebrand's income and performance are dependent on external factors that are associated with uncertainty. The most important external risk factors are the developments in the financial markets and changes in life expectancy in the Norwegian and Swedish populations. Certain internal operational factors can also result in losses, e.g. errors linked to the management of the customers' assets or payment of pension.

Continuous monitoring and active risk management are core areas of the Group's activities and organisation. The basis for risk management is laid down in the Board's annual review of the strategy and planning process, which sets the appetite for risk, risk targets and overriding risk limits for the operations. In Storebrand Group, responsibility for risk management and internal control is an integral part of management responsibility.

ORGANISATION OF RISK MANAGEMENT

The Group's organisation of the responsibility for risk management follows a model based on three lines of defence. The objective of the model is to safeguard the responsibility for risk management at both company and Group level.

The boards of directors of both Storebrand ASA and the group companies have the overall responsibility for limiting and following up the risks associated with the activities. The boards set annual limits and guidelines for risk-taking in the company, receive reports on the actual risk levels, and perform a forward-looking assessment of the risk situation.

The Board of Storebrand ASA has established a Risk Committee consisting of 3-4 Board members. The main task of the Risk Committee is to prepare matters to be considered by the Board in the area of risk, with a special focus on the Group's appetite for risk, risk strategy and investment strategy. The Committee should contribute forward-looking decision-making support related to the Board's discussion of risk taking, financial forecasts and the treatment of risk reporting.

Managers at all levels in the company are responsible for risk management within their own area of responsibility. Good risk management requires targeted work on objectives, strategies and action plans, identification and assessment of risks, documentation of processes and routines, prioritisation and implementation of improvement measures, and good communication, information and reporting.

INDEPENDENT CONTROL FUNCTIONS

Independent control functions have been established for risk management for the business (Risk Management Function / Chief Risk Officer), for compliance with the regulations (Compliance Function), for ensuring the insurance liabilities are calculated correctly (Actuary Function) and for the bank's loans. The functions have been established for both the Storebrand Group (the Group) and all of the companies requiring a licence. The independent control functions are organised directly under the companies' managing director and report to the respective company's board.

In terms of function the independent control functions are affiliated with the Group CRO, which is organised directly under the CEO and reports to the board of directors of Storebrand ASA. The Group CRO shall ensure that all significant risks are identified, measured and appropriately reported. The Group CRO function shall be actively involved in the development of the Group's risk strategy and maintain a holistic view of the company's risk exposure. This includes responsibility for ensuring compliance with the relevant regulations for risk management and the consolidated companies' operations.

The internal audit function is organised directly under the Board and shall provide the boards of the relevant consolidated companies with confirmation concerning the appropriateness and effectiveness of the company's risk management, including how well the various lines of defence are working.

Note 7 - Operational risk

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

The Group seeks to reduce operational risk through an effective system for internal control. Risks are followed up through the management's risk reviews, with documentation of risks, measures and the follow-up of incidents. In addition, Internal Audit carries out independent checks through audit projects adopted by the Board.

Contingency plans have been prepared to deal with serious incidents in business-critical processes. Storebrand's control functions also involve people with particular responsibility for controlling operational risk.

Storebrand's IT systems are vital for both operations and complete, precise and reliable financial reporting. Errors and disruptions may have consequences for operations and impact on the trust the Group has from both customers and shareholders. In the worst case, abnormal situations can result in penalties from the supervisory authorities. Storebrand's IT platform is characterised by complexity and integration between different specialist systems and joint systems. The operation of the IT systems has largely been outsourced to different service providers. A management model has been established with close follow-up of providers and internal control activities in order to reduce the risk associated with the development, administration and operation of the IT systems, as well as information security. For the life insurance activities there is a great degree of own development, but the operation of this has also been outsourced and the individual portfolio is handled in a purchased standard system.

Note 8 - Insurance risks

Storebrand offers traditional life and pension insurance as both group and individual contracts. Contracts are also offered in which the customer has the choice of investment.

The insurance risk in Norway is largely standardised between the contracts in the same industry as a result of detailed regulation from the authorities. In Sweden, the framework conditions for insurance contracts entail major differences between the contracts within the same industry.

The risk of longevity is the greatest insurance risk in the Group. Other risks include the risk of disability and risk of mortality. The life insurance risks are:

1. Longevity – The risk of erroneously estimating longevity and future pension payments. Historical developments have shown that an increasing number of people attain retirement age and live longer as pensioners than was previously the case. There is a great deal of uncertainty surrounding future mortality development. In the event of longevity beyond that assumed in the premium tariffs, the owner could risk higher charges on the owner's result in order to cover necessary statutory provisions.
2. Disability – The risk of erroneous estimation of future illness and disability. There will be uncertainty associated with the future development of disability, including disability pensioners who are returned to the workforce.
3. Death – The risk of erroneous estimation of mortality or erroneous estimation of payment to surviving relatives. Over the last few years, a decrease in mortality and fewer young

In the Guaranteed Pensions segment, the Group has a significant insurance risk relating to long life expectancy for group and individual insurance agreements. In addition, there is an insurance risk associated with disability and pensions left to spouses and/or children. The disability coverage in Guaranteed Pensions is primarily sold together with a retirement pension. The risk of mortality is low in Guaranteed Pensions when viewed in relation to other risks. In SPP it is possible to change the future premiums for the IF portfolio, reducing the risk significantly. In Norway it is also possible to change the future premiums of group policies, but only for new accumulation, entailing reduced risk.

Occupational pension agreements (hybrid) are reported in the Guaranteed Pension segment when a customer has an agreement without a choice for investment of the pension assets. This is a small portfolio with limited insurance risk.

In the Savings segment the Group has a low insurance risk.

In the Insurance segment, the Group has an insurance risk associated with disability and death. In addition, there are insurance risks associated with occupational injury, critical illness, cancer insurance, child insurance and accident insurance. For occupational injury, the risk is first and foremost potential errors in the assessment of the level of provisions, because the number of claim years can be up to 25 years. The risk within critical illness, cancer and accident insurance is considered to be limited based on the volume and underlying volatility of the products.

The Other segment includes the insurance risk at BenCo. BenCo offers pension products to multinational companies through Nordben and Euroben. The insurance risk at BenCo primarily relates to group life insurance, early retirement pensions and pensions for expatriate employees. These are defined-benefit pensions that can be time-limited or lifelong. Many of the agreements have short durations, typically 5 year early retirement pensions, and the insurance risk is therefore limited.

DESCRIPTION OF PRODUCTS

GROUP CONTRACTS

Savings

1. Group defined-contribution pensions are pensions where the premium is stated as a percentage of pay, while the payments depend on the actual added return. Customers have the option of choosing a guaranteed annual return.
2. Pension capital certificates are individual contracts with accrued rights that are issued upon withdrawal from or termination of group defined-contribution pension agreements.
3. A hybrid pension (occupational pension scheme) is where the premium is stated as a percentage of salary, while the payments depend on the contributions and adjustment/return. The insured person selects the investment profile him/herself. The product is only offered in Norway.
4. Pension certificates are individual contracts with accrued rights that are issued upon withdrawal from or termination of hybrid pension agreements.

Guaranteed pension

5. Group defined-benefit pensions are guaranteed pension benefits as a percentage of the final salary from a specified age for as long as the insured person lives. Alternatively, it can be agreed that the pension will end at a specified age. The product is offered within the private sector. Cover options that can be chosen include retirement, disability (including premium/contribution waivers) and survivor pensions. Paid-up policies (Sweden only) remain in the group contract.
6. Paid-up policies (Norway only) are individual contracts with accrued rights that are issued upon withdrawal from or termination of group defined-benefit pension agreements. Holders of a paid-up policy can choose to convert their paid-up policy to a paid-up policy with investment options.
7. A hybrid pension (occupational pension scheme) is where the premium is stated as a percentage of salary, while the payments depend on the contributions and adjustment/return. The pension assets are managed collectively. The product is only offered in Norway.
8. Pension certificates are individual contracts with accrued rights that are issued upon withdrawal from or termination of hybrid pension agreements.

Insurance – lump-sum payments (Norway only)

9. Group life consists of group contracts with lump-sum payments in the event of death or disability.
10. Group contracts with lump-sum payments for occupational injury insurance, critical illness, child insurance or accident insurance.
11. Disability and survivor products in the payment phase without accrual of a paid-up policy.

INDIVIDUAL CONTRACTS

Savings

1. Individual unit-linked insurance is endowment insurance or allocated annuity in which the customer bears the financial risk. Related cover can be linked in the event of death.

Guaranteed Pension

2. Individual allocated annuity or pension insurance provides guaranteed payments for as long as the insured person lives. Alternatively, it can be agreed that the pension will end at a specified age. Premiums or payments may be waived in the event of disability. The product can be linked to disability pensions.
3. Individual endowment insurance provides lump sum payments in the event of attaining a specified age, death or disability.

Insurance

4. Individual contracts with lump-sum payments in the event of critical illness, child insurance or accident insurance.
5. Disability and survivor products without savings

RISK PREMIUMS AND TARIFFS

GUARANTEED PENSIONS

There was a need to strengthen the premium reserves as they relate to long life expectancy for Norwegian group defined-benefit pensions, including paid-up policies. The need for reserves applies in general to products that involve a guaranteed benefit, but the impact varies depending on the product composition and characteristics, as well as amendments to regulations, as a result of the pension reform, for example.

A new mortality tariff for group insurance (K2013) was developed in 2014. The tariff is based on three elements: Initial mortality, safety margin and future increase in life expectancy. Initial mortality is determined on the basis of actual mortality in the insurance portfolio in the period 2005–2009. The safety margin will take into account the difference in mortality based on income, random variation in mortality and the company's margins. The future increase in life expectancy entails that the projected life expectancy is also dependent on the year of birth. Today's 50-year-olds are not expected to live as long as 50-year-olds in 20 years' time. This factor is referred to as dynamic improvement in life expectancy. K2013 is thus a dynamic tariff.

Starting from 2014 group pension insurance schemes in Norway follow the premiums for traditional retirement and survivor coverage in the industry tariff K2013. The premiums for disability pensions are based on the company's own experience. Expense premiums are determined annually with a view to securing full cover for the next year's expected costs.

For individual insurance, the premiums for death risk and long life expectancy risk are based on tariffs produced by insurance companies on the basis of their shared experience. This applies to both endowment and pension insurance. Disability premiums are based on the company's own experience.

The risk premium for group insurance in Sweden is calculated as an equalised premium within the insurance group, based on the group distribution of age and gender, as well as the requirement for coverage of next of kin. The risk premium for individual insurance is determined individually and is based on age and gender.

In 2016, SPP revised the mortality assumptions it uses to calculate insurance technical reserves. The company's assumptions are based on the general mortality tariff DUS 14, adjusted for the company's own observations.

INSURANCE

Tariffs for group life insurance and certain risk insurances within group pensions also depend on the industry or occupation, in addition to age and gender. Group life insurance also applies tariffs based on claims experience. The company's standard tariff for group life insurance, both for life and disability cover, is based on the company's own experience.

From December 2014, Storebrand has priced new individual endowment policies without taking gender into account. In other words, gender will not be considered when calculating the premium.

For occupational injury the tariffs are based on the company's own experiences.

MANAGEMENT OF INSURANCE RISK

Insurance risk is monitored separately for every line of insurance in the current insurance portfolio. The development of the risk results is followed throughout the year. For each type of risk, the ordinary risk result for a period represents the difference between the risk premiums the company has collected for the period and the sum of provisions and payments that must be made for insured events that occur in the period. The risk result takes into account insured events that have not yet been reported, but which the company, on the basis of experience, assumes have occurred.

When writing individual risk cover in Norway, the customer is subject to a health check. The result of the health check is reflected in the level of premium quoted. When arranging group policies with risk cover, all employees of small companies are subject to a health check, while for companies with many employees a declaration of fitness for work is required. In the assessment of risk (underwriting), the company's industrial category, sector and sickness record are also taken into account.

Large claims or special events constitute a major risk for all products. The largest claims will typically be in the group life, occupational injury and personal injury segments. The company manages its insurance risk through a variety of reinsurance programmes. Through catastrophe reinsurance (excess of loss), the company covers losses (single claims and reserves provisions) where a single event causes more than 2 deaths or disability cases. This cover is also subject to an upper limit. A reinsurance agreement for life policies covers death and disability risk that exceeds the maximum risk amount for own account the company practises. The company's maximum risk amount for own account is relatively high, and the risk reinsured is therefore relatively modest.

The company also manages its insurance risk through international pooling. This implies that multinational corporate customers can equalise the results between the various units internationally. Pooling is offered for group life and risk cover within group defined-benefit and defined-contribution pensions.

RISK RESULT

The table below specifies the risk result for the largest entities in the Group and also states the effect of reinsurance and pooling on the result.

Specification of risk result

(NOK million)	Storebrand Livsforsikring		SPP Pension & Försäkring AB	
	2016	2015	2016	2015
Survival	-8	-130	-53	51
Death	310	266	55	8
Disability	185	316	88	79
Reinsurance	-17	-9	-3	-3
Pooling	-59	-72		-2
Other	-25	-26	-15	-13
Total risk result	386	346	72	121

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

Note 9 - Financial market risk

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

The most significant market risks for Storebrand are share market risk, credit risk, property price risk, interest rate risk and exchange rate risk.

For the life insurance companies, the financial assets are invested in a variety of sub-portfolios. Market risk affects Storebrand's income and profit differently in the different portfolios. There are three main types of sub-portfolio: company portfolios, customer portfolios without a guarantee (unit linked insurance) and customer portfolios with a guarantee.

The market risk in the company portfolios has a direct impact on the profit.

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

For customer portfolios with a guarantee, the net risk for Storebrand will be lower than the gross market risk. The extent of measures to reduce risk depends on several factors, the most important being the size and flexibility of the customer buffers and level and duration of the return guarantee. If the investment return is not sufficient to meet the guaranteed interest rate, the shortfall may be met by using customer buffers built up from previous years' surpluses. Customer buffers primarily consist of unrealised gains, additional reserves and conditional bonus. Storebrand is responsible for meeting any shortfall that cannot be covered under the interest rate guarantee. This is further described in the section on guaranteed customer portfolios below.

For guaranteed customer portfolios, the risk is affected by changes in the interest rate level. Falling interest rates are positive for the investment return in the short term due to price appreciation for bonds, but negative in the long term because it reduces the probability of achieving a return higher than the guarantee. During 2016, interest rates fell, especially in the short end of the yield curve. In Sweden, the money market rate is negative. Sveriges Riksbank (Swedish National Bank) and Norges Bank have indicated that interest rates will be kept low for several years to come. Paid-up policies have a particularly high risk in a low interest rate scenario, because there are very limited opportunities for changing the price or terms. In Norway, the effect of low interest rates will be dampened by a large proportion of amortised cost portfolios that will greatly benefit from securities purchased at interest rate levels higher than the current levels.

The composition of the financial assets within each sub-portfolio is determined by the company's investment strategy. The investment strategy also establishes guidelines and limits for the company's risk management, credit exposure, counterparty exposure, currency risk, use of derivatives and requirements regarding liquidity.

ASSETS ALLOCATION

(NOK million)	Customer portfolios with guarantee	Customer portfolios without guarantee	Company portfolios
Real estate at fair value	10%	2%	
Bonds at amortised cost	37%		11%
Money market	1%	3%	37%
Bonds at fair value	39%	17%	51%
Equities at fair value	5%	77%	
Loans at amortised cost	6%		
Other	1%		
Total	100%	100%	100%

Storebrand aims to take low financial risk for the company portfolios, and most of the funds were invested in short and medium-term fixed income securities with low credit risk.

The financial risk related to customer portfolios without a guarantee (unit linked insurance) is borne by the insured person, and the insured person can choose the risk profile. Storebrand's role is to offer a good, broad range of funds, to assemble profiles adapted to different risk profiles, and to offer systematic reduction of risk towards retirement age. The most significant market risks are share market risk and exchange rate risk.

The most significant market risks facing guaranteed customer portfolios are linked to equity risk, interest rate risk, credit risk and property price risk. There were no major changes in the investment allocation during 2016. In Norway most of the credit risk is linked to securities, which are carried at amortised cost. This reduces the risk to the company's profit significantly.

The market risk is managed by segmenting the portfolios in relation to risk-bearing capacity. For customers who have large customer buffers, investments are made with higher market risk that give increased expected returns. Equity risk is also managed by means of dynamic risk management, the objectives of which are to maintain good risk-bearing capacity and to adjust the financial risk to the buffer situation and the company's financial strength. By exercising this type of risk management, Storebrand expects to create good returns both for individual years and over time.

For company portfolios and guaranteed customer portfolios, most of the assets that are in currencies other than the domestic currency are hedged. This limits the currency risk from the investment portfolio. Foreign exchange risk primarily arises as a result of investments in international securities, as well as subordinated loans in a foreign currency to a certain extent. Hedging is performed by means of forward foreign exchange contracts at the portfolio level, and the currency positions are monitored continuously against a total limit. Negative currency positions are closed out no later than the day after they arose. In addition, separate limits have been defined so that active currency positions can be taken. Storebrand employs a currency hedging principle called block hedging, which makes the execution of currency hedging more efficient.

In the consolidated financial statements, the value of assets and results from the Swedish operations are affected by changes in the value of the Swedish krone. Storebrand Livsforsikring AS has hedged part of the value of SPP.

FINANCIAL ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

(NOK million)	Storebrand Livsforsikring Group				Storebrand Livsforsikring AS			
	Balance sheet items excluding currency derivatives	Forward contracts	Net position		Balance sheet items excluding currency derivatives	Forward contracts	Net position	
	Net balance sheet	Net sales	in currency	in NOK	Net balance sheet	Net sales	in currency	in NOK
AUD	79	-95	-16	-100	71	-82	-11	-68
CAD	104	-181	-76	-488	96	-159	-62	-400
CHF	87	-83	4	37	62	-70	-8	-68
DKK	1,706	-134	1,572	1,962	88	-134	-46	-56
EUR	796	-814	-17	-133	534	-631	-97	-878
GBP	140	-152	-13	-131	107	-128	-21	-220
HKD	148	-621	-473	-525	130	-378	-247	-274
JPY	21,155	-27,941	-6,785	-501	18,895	-24,975	-6,080	-449
SEK	175,370	5,977	181,347	171,829	19,900	-4,794	15,106	14,313
USD	1,985	-2,743	-758	-6,521	1,546	-2,270	-724	-6,234
NOK ¹⁾	14,858	-492	14,366	14,377	10,649		10,649	10,649
Other currencies				-15				-25
Insurance liabilities in foreign currency	-184,235		-184,235	-174,563	-554		-554	-525
Total net currency position 2016				5,227				15,765
Total net currency position 2015				6,161				11,241

¹⁾ Equity and bond funds denominated in NOK with foreign currency exposure in i.a. EUR and USD NOK 10.6 billion.

STOREBRAND LIVSFORSIKRING

The company hedges most of the foreign exchange risk in the customer portfolios on an ongoing basis. Foreign exchange risk exists primarily as a result of investments in international securities, as well as subordinated loans in a foreign currency to a certain extent. Hedging is performed by means of forward foreign exchange contracts at the portfolio level, and the currency positions are monitored continuously against a total limit. Negative currency positions are closed out no later than the day after they arose. In addition, separate limits have been defined so that active currency positions can be taken. Storebrand employs a currency hedging principle called block hedging, which makes the execution of currency hedging more efficient.

SPP PENSION & Försäkring:

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

GUARANTEED CUSTOMER PORTFOLIOS IN MORE DETAIL

STOREBRAND LIVSFORSIKRING

The annual guaranteed return to the customers follows the basic interest rate. In 2016, new premiums were taken in with a basic interest rate of 2.0, and pensions were adjusted upwards with a basic interest rate of 0.5 per cent.

The percentage distribution of the insurance reserves by the various basic annual interest rates as at 31 December is as follows:

Customer portfolio divided on annual guaranteed return

Interest rate	2016	2015
6 %	0.3 %	0.3 %
5 %	0.4 %	0.4 %
4 %	49.3 %	50.4 %
3.4 %	0.4 %	0.6 %
3 %	30.6 %	31.0 %
2.75 %	1.1 %	1.5 %
2.50 %	11.4 %	11.7 %
2 %	5.7 %	3.5 %
0.5 %	0.3 %	0.2 %
0 %	0.5 %	0.6 %

The table includes premium reserve excluding IBNS.

Average interest rate guarantee in per cent	2016	2015
Individual endowment insurance	2.7 %	2.7 %
Individual pension insurance	3.8 %	3.9 %
Group pension insurance	2.8 %	2.9 %
Paid-up policy	3.4 %	3.5 %
Group life insurance	0.1 %	0.1 %
Total	3.3 %	3.3 %

The table includes premium reserve excluding IBNS.

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

There is no interest rate guarantee for premium funds, defined-contribution funds, pensioners' surplus funds and additional statutory reserves.

The interest rate guarantee must be fulfilled on an annual basis. If the company's investment return in any given year is lower than the guaranteed interest rate, the equivalent of up to one year's guaranteed return for the individual policy can be covered by transfers from the policy's additional statutory reserves.

A new mortality tariff (K2013) has been introduced for group pensions and paid-up policies from 2014. For the existing reserves, the Financial Supervisory Authority of Norway has approved a seven-year escalation plan, and customer returns exceeding the guarantee can contribute to reserve strengthening. During the escalation period, it gives an increase in risk that may be compared with increasing the interest rate guarantee. At least 20 per cent of the individual customer's building up of reserves must be covered by Storebrand. At the end of 2016, remaining required reserve strengthening was NOK 352 million.

To achieve adequate returns, it is necessary to take an investment risk. This is primarily done by investing in shares, property and corporate bonds. It is possible to reduce market risk in the short term, but then the probability of achieving the necessary level of return is reduced. Risk management shall balance out these considerations.

Interest rate risk is in a special position, because changes in interest rates also affect the value of the insurance liability (even if the book value of the Norwegian liabilities with guaranteed interest rates is not recognised at market value). Since pension disbursements may be many years in the future, the insurance liability is particularly sensitive to changes in interest rates. In the Norwegian business, greater interest rate sensitivity from the investments will entail increased risk that the return is below the guaranteed level. The risk management must therefore balance the risk of the profit for the year (interest rate increase) with the reinvestment risk if interest rates fall below the guarantee in the future. Bonds at amortised cost are an important risk management tool.

SPP PENSION & INSURANCE

The guaranteed interest rate is determined by the insurance company and is used when calculating the premium and the guaranteed benefit. The guaranteed interest rate does not entail that there is an annual minimum guarantee for the return as is the case in Norway.

SPP bears the risk of achieving a return equal to the guaranteed interest on the policyholders' assets over time and that the level of the contracts' assets is greater than the present value of the insurance liabilities. For individual defined contribution pensions (IF), SPP will receive profit sharing income if the return exceeds the guaranteed interest rate. The contracts' buffer capital must be intact in order for profit sharing to represent a net income for SPP. For group defined benefit pensions (KF), a certain degree of consolidation, i.e. the assets are greater than the present value of the liabilities by a certain percentage, is required in order for the owner to receive profit sharing income.

If the assets in an insurance contract in the company are smaller than the market value of the liability, an equity contribution is allocated that reflects this shortfall. This is termed a deferred capital contribution (DCC), and changes in DCC are recognised in the profit and loss account as they occur. When the contracts' assets exceed the present value of the liabilities, a buffer, which is termed the conditional bonus, is established. Changes in this customer buffer are not recognised in the profit and loss account.

Customer portfolio divided on annual guaranteed return

Interest rate	2016	2015
5.20 %	14.2 %	12.7 %
4.5%-5.2%	0.5 %	0.4 %
4.00 %	1.6 %	1.4 %
3.00 %	49.9 %	49.7 %
2.75%-4.0%	7.1 %	6.9 %
2.70 %	0.1 %	0.1 %
2.50 %	7.3 %	6.8 %
1.60 %	0.2 %	5.4 %
1.50 %	4.0 %	3.9 %
1.25 %	5.0 %	4.6 %
1.25% *	1.2 %	
0.5%-2.5%	4.7 %	4.0 %
0%	4.3 %	3.9 %

* 1.25 per cent on 85 per cent of the premium.

Average interest rate guarantee in per cent	2016	2015
Individual pension insurance	3.4 %	3.0 %
Group pension insurance	2.6 %	2.6 %
Individual occupational pension insurance	3.0 %	3.1 %
Total	2.90 %	2.86 %

In the Swedish operations management of interest rate risk is based on the principle that the interest rate risk from assets shall correspond to the interest rate risk from the insurance liabilities.

SENSITIVITY ANALYSES

The tables show the fall in value for Storebrand Livsforsikring and SPP's investment portfolios as a result of immediate value changes related to financial market risk. The stresses have been applied to the company portfolio and guaranteed customer portfolios as at 31 December 2016. The effect of each stress changes the return in each profile.

Unit linked insurance without a guaranteed annual return is not included in the analysis. For these products, the customers bear the market risk and the effect of a falling market will not directly affect the result or buffer capital.

The amount of stress is the same that is used for the company's risk management. The stresses include a 12 per cent fall in shares, 7 per cent fall in property, and an increase in credit spreads of 60 basis points. For interest rates, the stresses include both an increase and fall of 50 basis points, where the most negative is used. The increase in interest rates is negative for the result, while the solvency position is negatively affected by a fall in interest rates. The stresses are applied individually, but the overall market risk is less than the sum of the individual stresses, because diversification is assumed. The correlation between the stresses is the same that is used for Solvency II.

Because it is the immediate market changes that are calculated, dynamic risk management will not affect the outcome. If it is assumed that the market changes occur over a period of time, then dynamic risk management would reduce the effect of the negative outcomes and reinforce the positive to some extent.

Resultrisk	Storebrand Livsforsikring		SPP Pension & Försäkring	
	NOK million	Share of portfolio	SEK million	Share of portfolio
Interest rate risk	1,225	0.6 %	356	0.4 %
Equity price risk	1,150	0.6 %	792	0.9 %
Property price risk	1,507	0.8 %	474	0.5 %
Credit risk	981	0.5 %	763	0.8 %
Diversification	-735	-0.4 %	-357	-0.4 %
Result	4,128	2.1 %	2,028	2.2 %

As a result of customer buffers, the effect of the stresses on the result will be lower than the combined change in value in the table. As at 31 December 2016, the customer buffers are of such a size that the effects on the result are significantly lower.

STOREBRAND LIVSFORSIKRING

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 adequate. Other negative effects on the result are a lower return from the company portfolio and that there is no profit sharing from paid-up policies and individual contracts.

SPP PENSION & FÖRSÄKRING

Based on the stress test, SPP has an overall market risk of SEK 20 billion, which is equivalent to 2.2 per cent of the investment portfolio. The buffer situation for the individual contracts will determine if all or portions of the fall in value will affect the financial result. Only the portion of the fall in value that cannot be settled against the customer buffer will be charged to the result. In addition, the reduced profit sharing or loss of the indexing fees may affect the financial result.

OTHER OPERATIONS

The other companies in the Storebrand Livsforsikring Group are not included in the sensitivity analysis, as there is little market risk in these areas. The equity of these companies is invested with little or no allocation to high-risk assets, and the products do not entail a direct risk for the company as a result of price fluctuations in the capital market.

Note 10 - Liquidity risk

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

For the insurance companies, the life insurance companies in particular, the insurance liabilities are long-term and the cash flows are generally known long before they fall due. In addition, liquidity is required to handle payments related to operations, and there are liquidity needs related to derivative contracts. The liquidity risk is handled by liquidity forecasts and the fact that portions of the investments are in very liquid securities, such as government bonds. The liquidity risk is considered low based on these measures.

Separate liquidity strategies have also been drawn up for other subsidiaries in accordance with the statutory requirements. These strategies specify limits and measures for ensuring good liquidity and a minimum allocation to assets that can be sold at short notice. The strategies define limits for allocations to various asset types and mean the companies have money market investments, bonds, equities and other liquid investments that can be disposed of as required.

In addition to clear strategies and the risk management of liquidity reserves in each subsidiary, the Group's holding company has established a liquidity buffer. The development of the liquid holdings is continuously monitored at the Group level in relation to internal limits. A particular risk is the fact that during certain periods the financial markets can be closed for new borrowing.

STOREBRAND LIVSFORSIKRING GROUP

UNDISCOUNTED CASH FLOWS FOR FINANCIAL LIABILITIES

(NOK million)	0-6 months	6-12 months	1-3 years	3-5 years	Over 5 years	Total	Book value
Subordinated loan capital	278	92	2,124	2,261	4,295	9,051	7,344
Other current liabilities ¹⁾	7,107					7,107	7,107
Uncalled residual liabilities							
Limited partnership	2,971					2,971	
Total financial liabilities 2016	10,356	92	2,124	2,261	4,295	19,129	14,451
Derivatives related to funding 2016	-105	82	-46	-46	-129	361	932
Total financial liabilities 2015	10,357	92	2,222	2,281	4,721	19,672	13,634

The agreed remaining term provides limited information about the company's liquidity risk since the vast majority of investment assets can be realised more quickly in the secondary market than the agreed remaining term. The cash flow from perpetual subordinated loans is calculated up to the first call.

1) Includes subordinated loan capital in SPP Pension & Försäkring AB of SEK 700 million which is reclassified to other current liabilities. The subordinated loan is repaid in January 2017

SPECIFICATION OF SUBORDINATED LOAN CAPITAL AND HYBRID TIER 1 CAPITAL

(NOK million)	Nominal value	Currency	Interest rate	Call date	Book value
Issuer					
Hybrid tier 1 capital					
Storebrand Livsforsikring AS	1,500	NOK	Variable	2018	1,504
Perpetual subordinated loan capital					
Storebrand Livsforsikring AS	1,000	NOK	Variable	2020	999
Storebrand Livsforsikring AS	1,100	NOK	Variable	2024	1,099
Dated subordinated loan capital					
Storebrand Livsforsikring AS	300	EUR	Fixed	2023	3,027
Storebrand Livsforsikring AS	750	SEK	Variable	2021	715
Total subordinated loan capital and hybrid tier 1 capital 2016					7,344
Total subordinated loan capital and hybrid tier 1 capital 2015					7,489

STOREBRAND LIVSFORSIKRING AS

UNDISCOUNTED CASH FLOWS FOR FINANCIAL LIABILITIES

(NOK million)	0-6 months	6-12 months	1-3 years	3-5 years	Over 5 years	Total	Book value
Subordinated loan capital	278	92	2,124	2,261	4,295	9,051	7,344
Other current liabilities	2,736					2,736	2,736
Uncalled residual liabilities Limited partnership	2,249					2,249	
Total financial liabilities 2016	5,264	92	2,124	2,261	4,295	14,036	10,080
Derivatives related to funding 2016	-105	82	-46	-46	-129	-244	932
Total financial liabilities 2015	6,384	83	2,187	1,538	4,721	14,912	9,715

The agreed remaining term provides limited information about the company's liquidity risk since the vast majority of investment assets can be realised more quickly in the secondary market than the agreed remaining term. The cash flow from perpetual subordinated loans is calculated up to the first call.

Note 11 - Credit risk

Storebrand is exposed to risk of losses as a result of counterparties not fulfilling their debt obligations. This risk also includes losses on loans and losses related to the failure of counterparties to fulfil their financial derivative contracts.

The maximum limits for credit exposure to individual counterparties and for overall credit exposure to rating categories are set by the boards of the individual companies in the Group. Particular attention is paid to ensuring diversification of credit exposure in order to avoid concentrating credit exposure on any particular debtors or sectors. Changes in the credit standing of debtors are monitored and followed up. Thus far, the Group has used published credit ratings wherever possible, supplemented by the company's own credit evaluation.

Underlying investments in funds managed by Storebrand are included in the tables.

STOREBRAND LIVSFORSIKRING GROUP

CREDIT RISK BY COUNTERPARTY

Bonds and other fixed-income securities at fair value

Category by issuer or guarantor

(NOK million)	AAA Fair value	AA Fair value	A Fair value	BBB Fair value	NIG Fair value	Total fair value
Government bonds	18,456	7,023	11,550	6,177	1,036	44,243
Corporate bonds	18,180	15,494	20,348	23,871	105	77,998
Structured notes				29		29
Collateralised securities	28,354	3,209		340		31,903
Total interest bearing securities stated by rating	64,991	25,727	31,898	30,417	1,141	154,174
Bond funds not managed by Storebrand						3,234
Non-interest bearing securities managed by Storebrand						7,098
Total 2016	64,991	25,727	31,898	30,417	1,141	164,506
Total 2015	81,505	24,833	30,955	31,816	5,473	184,257

Interest bearing securities at amortised cost

Category of issuer or guarantor

(NOK million)	AAA Fair value	AA Fair value	A Fair value	BBB Fair value	NIG Fair value	Total fair value
Government bonds	11,649	15,358	1,140	2,071		30,219
Corporate bonds	1,039	4,428	24,537	9,328	6,716	46,049
Structured notes		580				580
Collateralised securities	27,553	2,280				29,834
Total 2016	40,241	22,646	25,678	11,400	6,716	106,681
Total 2015	37,362	26,559	17,501	11,709	9,205	102,336

COUNTERPARTIES

(NOK million)	AAA Fair value	AA Fair value	A Fair value	BBB Fair value	NIG Fair value	Total fair value
Derivatives	1,831	2,209	130		512	4,682
Of which derivatives in bond funds, managed by Storebrand	65	58			5	129
Total derivatives excluding derivatives in bond funds 2016	1,766	2,151	130		506	4,553
Total derivatives excluding derivatives in bond funds 2015	2,072	1,833	220		127	4,252
Bank deposits	6,522	1,602	15		10	8,149
Of which bank deposits in bond funds, managed by Storebrand	859					859
Total bank deposits excluding bank deposits in bond funds 2016	5,663	1,602	15		10	7,290
Total bank deposits excluding bank deposits in bond funds 2015	4,325	2,165	1	27	58	6,575

Rating classes based on Standard & Poor's.

NIG = Non-investment grade.

STOREBRAND LIVSFORSIKRING AS

CREDIT RISK BY COUNTERPARTY

Bonds and other fixed-income securities at fair value

Category by issuer or guarantor

(NOK million)	AAA Fair value	AA Fair value	A Fair value	BBB Fair value	NIG Fair value	Total fair value
Government bonds	13,745	2,421		28	9	16,203
Corporate bonds	1,037	3,193	19,254	23,373	51	46,908
Collateralised securities	6,044	705		340		7,089
Total interest bearing securities stated by rating	20,825	6,319	19,254	23,741	60	70,200
Bond funds not managed by Storebrand						1,628
Non-interest bearing securities managed by Storebrand						1,952
Total 2016	20,825	6,319	19,254	23,741	60	73,780
Total 2015	22,890	5,455	15,680	27,548	3,279	77,647

Interest bearing securities at amortised cost

Category of issuer or guarantor

(NOK million)	AAA Fair value	AA Fair value	A Fair value	BBB Fair value	NIG Fair value	Total fair value
Government bonds	11,649	15,358	1,140	2,071		30,219
Corporate bonds	1,039	4,428	24,537	9,328	6,716	46,049
Structured notes		580				580
Collateralised securities	27,553	2,280				29,834
Total 2016	40,241	22,646	25,678	11,400	6,716	106,681
Total 2015	37,362	26,559	17,501	11,709	9,205	102,336

COUNTERPARTIES

(NOK million)	AA Fair value	A Fair value	BBB Fair value	NIG Fair value	Total fair value
Derivatives	1,046	70	24	120	1,261
Of which derivatives in bond funds, managed by Storebrand	64	58		5	127
Total derivatives excluding derivatives in bond funds 2016	982	12	24	115	1,133
Total derivatives excluding derivatives in bond funds 2015	1,259	16	97	127	1,499
Bank deposits	4,952			10	4,962
Of which bank deposits in bond funds, managed by Storebrand	859				859
Total bank deposits excluding bank deposits in bond funds 2016	4,093	0	0	10	4,103
Total bank deposits excluding bank deposits in bond funds 2015	3,358	0	0	58	3,415

Rating classes based on Standard & Poor's.

NIG = Non-investment grade.

COUNTERPARTY RISK - DERIVATIVES

The Group has entered into framework agreements with all its counterparties to reduce the risk inherent in outstanding derivative transactions. These regulate how collateral is to be pledged against changes in market values that are calculated on a daily basis, among other things.

STOREBRAND LIVSFORSIKRING GROUP

Investments subjected to netting agreements/CSA

(NOK million)	Booked value fin. assets	Booked value fin. liabilities	Net booked fin. assets/liabilities	Collateral		Net exposure
				Cash (+/-)	Securities (+/-)	
Investments subject to netting agreements	4,553	1,857	2,696	2,875	-238	59
Investments not subject to netting agreements		128	-128			
Total counterparts 2016	4,553	1,985	2,568			
Total counterparts 2015	4,252	3,020	1,231	2,275	-606	-437

STOREBRAND LIVSFORSIKRING AS

Investments subjected to netting agreements/CSA

(NOK million)	Booked value fin. assets	Booked value fin. liabilities	Net booked fin. assets/liabilities	Collateral		Net exposure
				Cash (+/-)	Securities (+/-)	
Total counterparts 2016	1,133	1,047	86	763	-1,102	425
Total counterparts 2015	1,499	1,797	-298	894	-722	-471

THE LOAN PORTFOLIO

The loan portfolio consists of income-generating real estate and development real estate with few customers and few defaults, and there is comprehensive and complex risk assessment of debtors. The Corporate Market portfolio is generally secured on commercial property.

In the retail market, most of the loans are secured by means of home mortgages. Customers are evaluated according to their capacity and intent to repay the loan. In addition to their capacity to service debt, customers are checked regarding policy regulations, and customers are scored using a scoring model.

The weighted average loan-to-value ratio for retail market loans is approximately 58 per cent on home loans. Over 84 per cent of home loans have a loan to value ratio within 80 per cent and approximately 97 per cent are within a 90 per cent loan to value ratio. About 49 per cent of the home loans are within a 60 per cent LVR. The portfolio is considered to have low to moderate credit risk.

STOREBRAND LIVSFORSIKRING GROUP

LOANS

Commitments by customer groups

(NOK million)	Loans to and receivables from customers	Unused credit limits	Total commitments	Impaired commitments	Individual write-downs	Net defaulted commitments
Sale and operation of real estate	8,093		8,093			
Other service providers	300		300			
Wage-earners and others	9,724	105	9,829			
Others	957		957			
Total	19,075	105	19,181			
- Individual write-downs	-1		-1			
Total lending to and receivables from customers 2016	19,074	105	19,180			
Total lending to and receivables from customers 2015	6,019		6,019	66	5	61

STOREBRAND LIVSFORSIKRING AS

LOANS

Commitments by customer groups

(NOK million)	Loans to and receivables from customers	Unused credit limits	Total commitments	Impaired commitments	Individual write-downs	Net defaulted commitments
Sale and operation of real estate	6,139		6,139			
Other service providers	150		150			
Wage-earners and others	9,724	105	9,829			
Others	715		715			
Total lending to and receivables from customers 2016	16,728	105	16,834			
Total lending to and receivables from customers 2015	6,019	0	6,019	66	5	61

Note 12 - Concentrations of risk

Most of the risk for the Storebrand Livsforsikring Group relates to the guaranteed pension products in the life insurance companies., which includes the Storebrand Livsforsikring AS, SPP Livförsäkring AB and the business in Ireland and Guernsey (BenCo).

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

For the life insurance businesses, the greatest risks are largely the same in Norway and Sweden. The market risk will depend significantly on global circumstances that influence the investment portfolios in all businesses. The insurance risk may be different for the various companies, and long life in particular can be influenced by universal trends.

The insurance business has primarily a credit risk relating to bonds with significant geographical and industry-related diversification

The financial market and investment risks are largely related to the customer portfolios in the life insurance business. The risk associated with a negative outcome in the financial market is described and quantified in Note 9, financial market risk.

In the short term, an interest rate increase will negatively impact on the returns for the life insurance companies.

Note 13 - Valuation of financial instruments and real estate

The Group conducts a comprehensive process to ensure that financial instruments are valued as closely as possible to their market value. Publicly listed financial instruments are valued on the basis of the official closing price on stock exchanges, supplied by Reuters and Bloomberg. Fund units are generally valued at the updated official NAV prices when such prices exist. Bonds are generally valued based on prices obtained from Reuters and Bloomberg. Bonds that are not regularly quoted will normally be valued using recognised theoretical models. The latter is particularly applicable to bonds denominated in Norwegian kroner. Discount rates composed of the swap rates plus a credit premium are used as a basis for these types of valuations. The credit premium will often be specific to the issuer, and will normally be based on a consensus of credit spreads quoted by a selected brokerage firm.

Unlisted derivatives, including primarily interest rate and foreign exchange instruments, are also valued theoretically. Money market rates, swap rates, exchange rates and volatilities that form the basis for valuations are supplied by Reuters and Bloomberg.

The Group carries out continual checks to safeguard the quality of market data that has been collected from external sources. This involves controlling and assessing the likelihood of unusual changes.

The Group categorises financial instruments valued at fair value on three different levels, which are described in more detail below. The levels express the differing degrees of liquidity and different measurement methods used. The company has established valuation models to gather information from a wide range of well-informed sources with a view to minimising the uncertainty of valuations.

LEVEL 1: FINANCIAL INSTRUMENTS VALUED ON THE BASIS OF QUOTED PRICES FOR IDENTICAL ASSETS IN ACTIVE MARKETS

This category encompasses listed equities that over the previous three months have experienced average daily trading equivalent to approximately NOK 20 million or more. Based on this, the equities are regarded as sufficiently liquid to be included at this level. Bonds, certificates or equivalent instruments issued by national governments are generally classified as level 1. When it comes to derivatives, standardised stock index futures and interest rate futures will also be included at this level.

LEVEL 2: FINANCIAL INSTRUMENTS VALUED ON THE BASIS OF OBSERVABLE MARKET INFORMATION NOT COVERED BY LEVEL 1

This category encompasses financial instruments that are valued on the basis of market information that can be directly observable or indirectly observable. Market information that is indirectly observable means that the prices can be derived from observable related markets. Level 2 includes shares or equivalent equity instruments for which market prices are available, but where the volume of transactions is too limited to fulfil the criteria in level 1. Shares in this level will normally have been traded during the last month. Bonds and equivalent instruments are generally classified in this level. Moreover, interest rate and foreign exchange swaps, as well as non-standardised interest rate and foreign exchange derivatives are classified as level 2. Fund investments, with the exception of private equity funds, are generally classified as level 2, and encompass equity, interest rate, and hedge funds.

LEVEL 3: FINANCIAL INSTRUMENTS VALUED ON THE BASIS OF INFORMATION THAT IS NOT OBSERVABLE IN ACCORDANCE WITH LEVEL 2

Equities classified as level 3 encompass investments in primarily unlisted/private companies. These include investments in forestry, real estate, microfinance and infrastructure. Private equity is generally classified as level 3 through direct investments or investments in funds.

The types of mutual funds classified as level 3 are discussed in more detail below with a reference to the type of mutual fund and the valuation method. Storebrand is of the opinion that the valuation method used represents a best estimate of the mutual fund's market value.

Equities

Forestry represents a large portion of the shares at level 3. Comprehensive external valuations were carried out as at 31 December which form the basis for the valuation of the company's investments. These valuations are based on models that include non-observable assumptions.

Alternative investments organised as limited liability companies (such as microfinance, property and infrastructure) are equity investments that are valued based on the value-adjusted equity reported by external sources when available.

In the case of direct private equity investments, the valuation is normally based on either the most recent transaction or a model in which a company that is in continuous operation is assessed by comparing the key figures with equivalent listed companies or groups of equivalent listed companies. In some instances, the value is reduced by a liquidity discount.

Units

Of the fund units, it is primarily private equity investments and property funds that represent the majority at level 3. Moreover, there are also some other types of funds, such as infrastructure funds and microfinance funds here. The majority of Storebrand's private equity investments are investments in private equity funds. These fund investments are valued based on the value reported by the funds. Most of the funds report on a quarterly basis, while a few report less often. Reporting typically takes place with a few months' delay. The most recently received valuations are used as a basis, adjusted for cash flows and possible market effects in the period

from the most recent valuation until the reporting date. For private equity, the market effect is calculated based on the development in value in the relevant index, multiplied by the estimated beta in relation to the relevant index.

Real estate funds are primarily investments in funds with underlying real estate investments where Storebrand's intention is to own the investments throughout the fund's lifetime. The valuation of the property funds is carried out based on information received from each fund manager, adjusted for cash flows in the period from the most recent valuation until the reporting date. Estimated values prepared by the fund companies will be used if these are available.

LOANS TO CUSTOMERS

For loans where the interest rate, also credit margin, can change at short notice valued the loans at par as interest on the loan is equal to relevant discount rate. The fair value of loans where credit margin is fixed based on the pricing of the banks that have been manager of the loans. Price assessment through cash flow models with discount rates consisting of swap rates for the relevant maturity plus a credit premium. The credit premium is issuing specific and based on the credit margin of the banks that have been manager of the loans. The credit margin will remain fixed between each reporting date, but swap rates will follow market regularly.

CORPORATE BONDS

Among the bonds at level 3, we find microfinance investments structured as loans. In addition, there are a small number of private equity investments organised as loans that are valued at the most recent reported value. Furthermore, non-performing loans will be at the estimated expected payment.

INVESTMENT REAL ESTATE

The investment real estate primarily consist of office buildings located in Oslo and Stockholm and shopping centres in Southern Norway.

Office real estate and shopping centres in Norway:

When calculating fair value, Storebrand uses an internal cash flow model. Net cash flows for the individual property are discounted by an individual required rate of return. A future income and expense picture for the first 10 years has been estimated for the office real estate and a final value has been calculated for the end of the 10th year based on market rent and normal operating costs for the property. In the net income stream, consideration has been made to existing and future loss of income due to vacancy, necessary investments and an assessment of the future development in the market rent. The majority of contracts have a duration of five or ten years. The cash flows from these lease agreements (contractual rent) are included in the valuations. To estimate the long-term, future non-contractual rental incomes, a forecasting model has been developed. The model is based on historical observations in Dagens Næringsliv's property index (adjusted by CPI) and market estimates. A long-term, time-weighted average of the annual observations is calculated in which the oldest observations are weighted with the lowest importance. For non-contractual rent in the short-term, the current rental prices and market situation are used.

An individual required rate of return is determined for each property. The required rate of return is viewed in connection with the related cash flow for the property. The knowledge available about the market's required rate of return, including transactions and appraisals, is used when determining the cash flow.

The required rate of return is divided into the following elements:

- Risk-free interest
- Risk premium, adjusted for:
 - Type of property
 - Location
 - Structural standard
 - Environmental standard
 - Duration of contract
 - Quality of tenant
 - Other factors such as transactions and perception in the market, vacancy and general knowledge about the market and the individual property.

External valuation:

For real estate in Norwegian activities, a methodical approach is taken to a selection of real estate that are to be externally valued each quarter so that all real estate have had an external valuation at least every three years. In 2016, external valuations were obtained for real estate worth NOK 9 billion (44 per cent of the portfolio's value). In 2015, external valuations were obtained for all the real estate in Storebrand's property portfolio in Norway.

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

STOREBRAND LIVSFORSIKRING GROUP

(NOK million)	Quoted prices (level 1)	Observable assumptions (level 2)	Non-observable assumptions (level 3)	Total fair value 2016	Fair value 2015
Assets					
Equities and units					
- Equities	20,371	513	1,051	21,935	20,651
- Units	243	99,291	8,050	107,584	103,913
Total equities and units	20,614	99,803	9,101	129,518	
Total equities and units 2015	17,890	94,446	12,227		124,563
Total loans to customers ¹⁾			2,346	2,346	
Bonds and other fixed income securities					
- Government bonds	22,202	23,893		46,095	50,121
- Corporate bonds	44	31,340	249	31,632	28,925
- Structured notes		29		29	33,792
- Collateralised securities		29,145		29,145	12,981
- Bond funds	707	56,898		57,604	58,438
Total bonds and other fixed income securities	22,952	141,305	249	164,506	
Total bonds and other fixed income securities 2015	28,405	155,494	358		184,257
Derivatives:					
- Interest derivatives		3,225		3,225	1,648
- Currency derivatives		-657		-657	-417
Total derivatives 2016		2,568		2,568	
- derivatives with a positive market value		4,553		4,553	4,252
- derivatives with a negative market value		-1,985		-1,985	-3,020
Total derivatives 2015		1,232			1,231
Real estate:					
- real estate at fair value			24,161	24,161	24,415
- real estate for own use			2,863	2,863	2,887
Total real estate			27,024	27,024	
Total real estate 2015			27,302		27,302

Movements between quoted prices and observable assumptions

(NOK million)	From quoted prices to observable assumptions	From observable assumptions to quoted prices
Equities and units	9	20

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

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

Movement level 3

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

As of 31.12.16, Storebrand Livsforsikring had NOK 1 928 million invested in Storebrand Eiendomsfond Invest AS. The investment is classified as "Investment in Associated Companies" in the Consolidated Financial Statements. Storebrand Eiendomsfond Invest AS invests exclusively in real estate at fair value.

STOREBRAND LIVSFORSIKRING AS

(NOK million)	Quoted prices (level 1)	Observable assumptions (level 2)	Non-observable assumptions (level 3)	Total fair value 2016	Fair value 2015
Assets					
Equities and units					
- Equities	17,121	137	621	17,879	14,114
- Fund units		26,647	5,683	32,330	30,216
Total equities and units 2016	17,121	26,784	6,305	50,210	
Total equities and units 2015	12,209	23,157	8,964		44,330
Bonds and other fixed income securities					
- Government bonds	11,512			11,512	13,215
- Corporate bonds		10,406	51	10,457	11,839
- Collateralised securities		5,907		5,907	8,203
- Bond funds		45,905		45,905	44,390
Total bonds and other fixed income securities 2016	11,512	62,217	51	73,780	
Total bonds and other fixed income securities 2015	13,215	64,356	77		77,647
Derivatives:					
- Interest derivatives		803		803	178
- Currency derivatives		-716		-716	-476
Total derivatives 2016		86		86	
- derivatives with a positive market value		1,133		1,133	
- derivatives with a negative market value		-1,047		-1,047	
Total derivatives 2015		-298			-298

Movements between quoted prices and observable assumptions

(NOK million)	From quoted prices to observable assumptions	From observable assumptions to quoted prices
Equities and units	8	10

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

Movement level 3

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

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES AT AMORTISED COST

(NOK million)	Quoted prices (level 1)	Observable assumptions (level 2)	Non-observable assumptions (level 3)	Total fair value 2016	Fair value 2015	Book value 2016	Book value 2015
Financial assets							
Loans to customers - corporate			6,997	6,997		7,004	
Loans to customers - retail			9,724	9,724	6,016	9,724	6,019
Bonds held to maturity		17,537		17,537	17,578	15,644	15,648
Bonds classified as loans and receivables		89,144		89,144	84,758	82,246	76,107
Total fair value 2016		106,681	16,721	123,402		114,618	
Total fair value 2015		102,336			108,353		97,774
Financial liabilities							
Subordinated loan capital		7,443		7,443	7,433	7,344	7,489
Total fair value 2016		7,443		7,443		7,344	
Total fair value 2015		7,432			7,432		7,489

SENSITIVITY ASSESSMENTS FINANCIAL INSTRUMENTS AND REAL ESTATE AT FAIR VALUE

EQUITIES

It is primarily investments in forests that are classified under equity at level 3. Forestry investments are characterised by, among other things, very long cash flow periods. There can be some uncertainty associated with future cash flows due to future income and costs growth, even though these assumptions are based on recognised sources. Nonetheless, valuations of forestry investments will be particularly sensitive to the discount rate used in the estimate. The company bases its valuation on external valuations. These utilise an estimated market-related required rate of return. As a reasonable alternative assumption with regard to the required rate of return used, a change in the discount rate of 0.25 per cent would result in an estimated change of around 4.27 per cent in value, depending on the maturity of the forest.

(NOK million)	Storebrand Livsforsikring Group		Storebrand Livsforsikring AS	
	Increase + 25 bp	Decrease - 25 bp	Increase + 25 bp	Decrease - 25 bp
Change in fair value as at 31.12.16	86	-84	-20	22
Change in fair value as at 31.12.15	-102	110	-92	99

UNITS

Large portions of the portfolio are priced using comparable listed companies, while smaller portions of the portfolio are listed. The valuation of the private equity portfolio will thus be sensitive to fluctuations in global equity markets. The private equity portfolio has an estimated Beta relative to the MSCI World (Net – currency hedged to NOK) of around 0.45.

The valuation of indirect property investments will be sensitive to a change in the required rate of return and the expected future cash flow. The indirect property investments are leveraged structures. The portfolio is leveraged 58 per cent on average.

(NOK million)	Storebrand Livsforsikring Group		Storebrand Livsforsikring AS	
	Change MSCI World		Change MSCI World	
	Increase +10%	Decrease - 10%	Increase +10%	Decrease - 10%
Change in fair value as at 31.12.16	384	-384	298	-298
Change in fair value as at 31.12.15	495	-494	420	-419

LOANS TO CUSTOMERS

Loans are measured at fair value. The value of these is determined by future cash flows are discounted with the corresponding swap curve adjusted for a customer-specific credit spread.

(NOK million)	Storebrand Livsforsikring Group		Storebrand Livsforsikring AS	
	Change in marketspread		Change in marketspread	
	+ 10 bp	- 10 bp	+ 10 bp	- 10 bp
Change in fair value as at 31.12.16	-11	11	-11	11

CREDIT BONDS

Securities registered as corporate bonds at level 3 are typical microfinance funds, private equity debt funds and convertible bonds. They are not priced by a discount rate as bonds normally are, and therefore these investments are included in the same sensitivity test as private equity.

(NOK million)	Storebrand Livsforsikring Group		Storebrand Livsforsikring AS	
	Change MSCI World		Change MSCI World	
	Increase +10%	Decrease - 10%	Increase +10%	Decrease - 10%
Change in fair value as at 31.12.16	12	-12	3	-3
Change in fair value as at 31.12.15	15	-15	4	-4

REAL ESTATE

The sensitivity assessment for real estate includes both investments real estate and owner occupied real estate. The valuation of property is particularly sensitive to a change in the required rate of return and the expected future cash flow. A change of 0.25 per cent in the required rate of return when everything else remains unchanged will result in a change in the value of Storebrand's property portfolio of approximately 4.5 per cent. About 25 per cent of the property's cash flow is linked to lease contracts that have been entered into. This entails that the changes in the uncertain parts of the cash flow of 1 per cent will mean a change in value of 0.75 per cent.

(NOK million)	Storebrand Livsforsikring Group		Storebrand Livsforsikring AS	
	Change in required rate of return		Change in required rate of return	
	0.25%	-0.25%	0.25%	-0.25%
Change in fair value as at 31.12.16	-1,231	1,344	-1,002	1,108
Change in fair value as at 31.12.15	-1,180	1,306	-988	1,086

Note 14 - Profit and Loss account by class of business

(NOK million)	Group pension private insurance	Group pension public insurance	Group life insurance	Endowment insurance	Annuity/ pensi- on insurance	Non-life insurance
Premium income	13,521	224	743	2,345	203	328
Net income from financial assets – collective portfolio	7,567	129	63	177	539	27
Net income from financial assets with investment choice	3,540			195	167	
Other insurance related income	375	1	1	40	37	
Claims	-8,798	-1,947	-537	-1,243	-1,426	-168
– Of which agreements terminated/withdrawals from endowment policies	-128	-32		-741	-18	
Changes in insurance obligations recognised in the Profit and Loss account						
- contractual obligations	-3,718	1,642	-88	185	802	-29
Changes in insurance obligations recognised in the Profit and Loss account						
- with investment choice	-10,108			-1,140	-8	
Funds allocated to insurance contracts						
- contractual obligations	-494	-8		-140	-119	
Insurance related operating costs	-881	-74	-74	-168	-104	-66
Other insurance related costs	-339	-13	-53	-5	-1	-1
Technical result 2016	665	-45	54	244	90	91
Technical result 2015	-1,110	-62	73	194	53	129

(NOK million)	Storebrand Livsforsikring AS	BenCo	SPP	Storebrand Livsforsikring group
Premium income	17,365	146	7,250	24,760
Net income from financial assets – collective portfolio	8,502	820	4,828	14,132
Net income from financial assets with investment choice	3,902	18	6,413	10,313
Other insurance related income	454	382	1,177	2,013
Claims	-14,119	-959	-9,012	-24,090
– Of which agreements terminated/withdrawals from endowment policies	-919		92	-827
Changes in insurance obligations recognised in the Profit and Loss account				
- contractual obligations	-1,208	-660	-538	-2,314
Changes in insurance obligations recognised in the Profit and Loss account				
- with investment choice	-11,256	370	-8,466	-19,352
Funds allocated to insurance contracts				
- contractual obligations	-761	-4		-765

Insurance related operating costs	-1,368	-65	-1,033	-2,518
Other insurance related costs	-412		-40	-451
Technical result 2016	1,100	49	579	1,728
Technical result 2015	-723	37	29	-672

ENDOWMENT INSURANCE

(NOK million)	Profit allocation	Not eligible for profit allocation	Investment choice	2016	2015
Premium income	249	434	1,662	2,345	1,734
Net income from financial assets – collective portfolio	116	60		177	185
Net income from financial assets with investment choice			195	195	204
Other insurance related income	1		39	40	30
Claims	-391	-140	-712	-1,243	-938
Changes in insurance obligations recognised in the Profit and Loss account					
- contractual obligations	299	-114		185	78
Changes in insurance obligations recognised in the Profit and Loss account					
- with investment choice			-1,140	-1,140	-852
Funds allocated to insurance contracts					
- contractual obligations	-140			-140	-58
Insurance related operating costs	-55	-87	-27	-168	-186
Other insurance related costs	-2	-4		-5	-3
Technical result	76	150	18	244	194

ANNUITY/PENSION INSURANCE

(NOK million)	Profit allocation	Investment choice	2016	2015
Premium income	23	180	203	197
Net income from financial assets – collective portfolio	539	-	539	565
Net income from financial assets with investment choice		167	167	238
Other insurance related income	3	34	37	35
Claims	-1,114	-312	-1,426	-1,509
Changes in insurance obligations recognised in the Profit and Loss account				
- contractual obligations	802		802	717
Changes in insurance obligations recognised in the Profit and Loss account				
- with investment choice		-8	-8	-34
Funds allocated to insurance contracts				
- contractual obligations	-119		-119	-10
Insurance related operating costs	-64	-40	-104	-145
Other insurance related costs	-1		-1	-2
Technical result	70	20	90	53

GROUP PENSION PRIVATE INSURANCE

(NOK million)	Company pension without investment choice	Paid-up policies without investment choice	Paid-up policies with investment choice	Company pension without profitsharing	Occupational pension without investment choice	Occupational pension with investment choice
Premium income	3,780	-388	560	1,025	26	84
Net income from financial assets – collective portfolio	2,271	5,215		76	1	
Net income from financial assets with investment choice			373			3
Other insurance related income	17	27	45	1		
Claims	-1,952	-4,462	-36	-34	-32	
Changes in insurance obligations recognised in the Profit and Loss account – contractual obligations	-2,833	52		-927	6	
Changes in insurance obligations recognised in the Profit and Loss account – with investment choice			-896			-87
Funds allocated to insurance contracts – contractual obligations	-373	-118			-1	
Insurance related operating costs	-243	-280	-38	-91	-13	
Other insurance related costs	-268	-1		-14		
Technical result	398	46	6	34	-13	-0

(NOK million)	Defined contribution pension with investment choice	Pension capital certificate without investment choice	Pension capital certificate with investment choice	2016	2015
Premium income	8,114	46	275	13,521	13,914
Net income from financial assets – collective portfolio			4	7,567	6,734
Net income from financial assets with investment choice	2,002		1,161	3,540	1,224
Other insurance related income	165		121	375	319
Claims	-1,758	-31	-493	-8,798	-7,253
Changes in insurance obligations recognised in the Profit and Loss account – contractual obligations		-15		-3,718	-3,306
Changes in insurance obligations recognised in the Profit and Loss account – with investment choice	-8,310		-815	-10,108	-11,170
Funds allocated to insurance contracts – contractual obligations		-2		-494	-315
Insurance related operating costs	-151		-64	-881	-949
Other insurance related costs	-56			-339	-307
Technical result	7	1	186	665	-1,110

GROUP PENSION PUBLIC INSURANCE

(NOK million)	Defined benefit without investment choice	2016	2015
Premium income	224	224	396
Net income from financial assets – collective portfolio	129	129	117
Other insurance related income	1	1	3
Claims	-1,947	-1,947	-3,897
Changes in insurance obligations recognised in the Profit and Loss account			
- contractual obligations	1,642	1,642	3,412
Funds allocated to insurance contracts - contractual obligations	-8	-8	
Insurance related operating costs	-74	-74	-72
Other insurance related costs	-13	-13	-20
Technical result	-45	-45	-62

Note 15 - Profit analysis by class of insurance

(NOK million)	Group pension private insurance	Group pension public insurance	Group life insurance	Endowment insurance	Annuity/pension insurance	Non-life insurance	Storebrand Livforsikring AS		BenCo	SPP	Storebrand Livforsikring group	
							2016	2015			2016	2016
Financial income ¹⁾	12,598	156	73	446	935	32	14,240	10,630	606	2,282	17,128	11,821
Guaranteed yield	-8,828	-73	-26	-352	-594	-14	-9,887	-7,575	-628	-2,113	-12,627	-9,088
- of which transferred to premium fund	-11						-11	-9	-74	-2,311	-2,396	-2,395
Investment result before drawing on buffer capital	3,770	84	47	94	341	18	4,354	3,055	-22		4,332	3,048
To/from additional statutory reserves and buffer capital								-619		169	169	-934
Investment result after drawing on additional statutory reserves	3,770	84	47	94	341	18	4,354	2,436	-22	169	4,501	2,114
Risk premium	436	13	689	575	-85	295	1,925	1,833	12	351	2,287	2,210
Risk addition	-478	-13	-653	-247	138	-209	-1,462	-1,406	5	-276	-1,734	-1,664
Net reinsurance etc. ¹⁾	-31		-39	-2		-3	-76	-81		-3	-79	-83
Risk result	-73	0	-3	326	53	83	386	346	16	72	474	463
Administration premium	1,136	8	85	154	116	55	1,554	1,524	99	1,453	3,106	3,067
Operating expenses	-881	-74	-74	-168	-104	-66	-1,368	-1,488	-47	-1,114	-2,529	-2,763
Administration result	255	-66	10	-14	12	-10	186	36	52	339	577	304
Other results	-51	-11		-5	-1		-68	-1,950			-65	-1,960
Premium for guaranteed interest	325	16					342	396			342	396
Risk profit	101	5					106	159			106	159
Gross result for sector	4,327	28	54	401	406	91	5,306	1,424	46	579	5,935	1,475
Investment result and risk result to policyholders	-3,578	-72		-156	-315		-4,122	-382			-4,122	-382
Owners contribution to strengthen the longevity reserve	-84	-1					-85	-988	2		-85	-988
Covered by the risk equalisation fund								-776				-776
Profit for the year	665	-45	54	244	90	91	1,100	-723	49	579	1,728	-672

1) The items other insurance-related income (in note 14) and other insurance-related costs (in note 14) are allocated in accordance with their purpose.

ENDOWMENT INSURANCE

(NOK million)	Profit allocation		Not eligible for profit allocation		Investment choice		2016		2015	
	Policy-holders	Owner	Policy-holders	Owner	Policy-holders	Owner	Policy-holders	Owner	Policy-holders	Owner
	Administration result	1			-31		16	1	-16	-20
Investment result	64			30			64	30	31	8
Risk result	172			152		2	172	154	53	186
Profit allocation	-76	76					-76	76	-7	7
To/from additional statutory reserves									-7	
Other	-5						-5		8	
Technical result	156	76	0	150	0	18	156	244	58	194

ANNUITY/PENSION INSURANCE

(NOK million)	Profit allocation		Investment choice		2016		2015		
	Policy-holders	Owner	Policy-holders	Owner	Policy-holders	Owner	Policy-holders	Owner	
	Administration result		-9		21	-9	21	-45	17
Investment result		341			341		152		
Risk result		54			54		58		
Profit allocation		-70	70		-70	70	-36	36	
To/from additional statutory reserves							-117		
Other		-1			-1		-3		
Technical result		315	70	0	20	315	90	10	53

GROUP PENSION PRIVATE INSURANCE

(NOK million)	Company pension without investment choice		Paid-up policies without investment choice		Paid-up policies with investment choice		Company pension without profitsharing		Occupational pension without investment choice	
	Policy-holders	Owner	Policy-holders	Owner	Policy-holders	Owner	Policy-holders	Owner	Policy-holders	Owner
	Administration result		-6		49		6		21	
Investment result	1,295	48	2,352	13			63	1		
Risk result			1					-74		
Premium for guaranteed interest and risk profit		402						25		
Profit allocation			-29	29						
To/from additional statutory reserves and buffer capital										
Other	23	-46	17	-46						
Technical result	1,318	398	2,341	46	0	6	0	34	1	-13

GROUP PENSION PRIVATE INSURANCE

(NOK million)	Defined contribution pension with investment choice		Pension capital certificate without investment choice		Pension capital certificate with investment choice		2016		2015	
	Policy-holders	Owner	Policy-holders	Owner	Policy-holders	Owner	Policy-holders	Owner	Policy-holders	Owner
Administration result		11		1		186		255		124
Investment result		-5		2			3,650	120	2,703	67
Risk result							1	-74	59	-106
Premium for guaranteed interest and risk profit								427		520
Profit allocation							-29	29		
To/from additional statutory reserves									-492	
Other							40	-92	-1,017	-1,714
Technical result	0	7	2	1	0	186	3,662	665	1,252	-1,110

GROUP PENSION PUBLIC INSURANCE

(NOK million)	Defined benefit without investment choice		2016		2015	
	Policy-holders	Owner	Policy-holders	Owner	Policy-holders	Owner
Administration result		-66		-66		-48
Investment result	84		84		2	
Premium for guaranteed interest and risk profit		22		22		36
To/from additional statutory reserves					-2	
Other	-11		-11		50	-50
Technical result	73	-45	73	-45	50	-62

Note 16 - Sales of insurance (new business)

(NOK million)	Group pension private insurance	Group life insurance	Endowment insurance	Annuity/ pension insurance	Non-life insurance	Storebrand Livsforsikring Group
2016	233	2	1,227	3	10	1,476
2015	1,132	2	515	4	6	1,658

Sales consist of new and additional sales, with deductions for policies where the first premium has not been paid. Premium reserves transferred to the company (note 17) are not included in these figures.

Note 17 - Transfers of insurance reserves

(NOK million)	Group pension private insurance	Group pension public insurance	Endowment insurance	Annuity/ pension insurance	Storebrand Livsforsikring AS	
					2016	2015
Funds received						
Premium reserve	657		3	145	806	1,155
Additional statutory reserves	2				2	-57
Transfers of premium reserve etc.	659	0	3	145	807	1,098
Premium funds						
Number of policies/customers	4,662		41	448	5,151	949
Funds transferred out						
Premium reserve	-2,258	-1,697	-60	-15	-4,030	-4,556
Additional statutory reserves	-14	-104			-118	-175
Value adjustment fund	-10	-11			-21	-45
Transfers of premium reserve etc.	-2,282	-1,813	-60	-15	-4,170	-4,776
Premium funds						
Number of policies/customers	6,283	24	141	202	6,650	4,822

Note 18 - Net financial income

(NOK million)	Storebrand Livsforsikring group		Storebrand Livsforsikring AS	
	2016	2015	2016	2015
Interest lending	306	111	290	390
Interest bank	41	42	20	26
Interest bonds and other fixed-income securities at fair value	3,444	2,596	2,362	1,267
Interest bonds amortised cost	4,035	3,877	4,035	3,877
Interest derivatives	898	670	60	26
Interest income other	-250	-218	-261	-221
Equity dividends	990	538	370	305
Total interest income and equity dividends etc. financial assets	9,464	7,615	6,876	5,670
Revaluation of real estate	1,314	1,578		
Revaluation of equities	7,944	-1,118	1,493	-2,668
Revaluation bonds and other fixed-income securities	-269	-2,237	-611	-752
Revaluation derivatives	1,027	-2,097	-277	28
Revaluation loans	2			
Total revaluation on investments	10,018	-3,874	605	-3,392
Profit on equities	2,467	7,622	1,936	5,842
Profit on bonds and other fixed-income securities at fair value	1,715	2,018	910	411
Profits on derivatives	509	-5,943	943	-5,253
Profit on bonds at amortised cost	331	218	331	215
Profit on other investments	-8	-3	-1	-3
Currency gains, equities	221	33		
Currency gains, bonds and other fixed-income securities	-805	2,034	-999	2,375
Currency gains, derivatives	214	2,312	845	1,251
Currency gains, bonds at amortised cost	-57	78	-57	78
Currency gains, other	-37	-46	76	-129
Total gains and losses on financial assets	4,550	8,322	3,984	4,786
Interest costs subordinated loans	-390	-337	-373	-337
Total interest costs	-390	-337	-373	-337

Note 19 - Net income from real estate

(NOK million)	Storebrand Livsforsikring group	
	2016	2015
Rent income from real estate ¹⁾	1,282	1,364
Operating costs (including maintenance and repairs) relating to real estate that have provided rent income during the period ²⁾	-292	-240
Total	990	1,124
Change in fair value	1,314	1,578
Total income real estate	2,304	2,701
¹⁾ Of which real estate for own use	181	174
²⁾ Of which real estate for own use	-42	-37

Note 20 - Other insurance related income

(NOK million)	Storebrand Livsforsikring group		Storebrand Livsforsikring AS	
	2016	2015	2016	2015
Interest income insurance	8	5	4	5
Management fee	800	802		
Other insurance relates fees	125	68		6
Indexing fees	3	127		
Return commissions	706	609	437	369
Other income	370	83	13	8
Total other insurance related income	2,013	1,694	454	387

Note 21 - Other income

(NOK million)	Storebrand Livsforsikring group		Storebrand Livsforsikring AS	
	2016	2015	2016	2015
Interest income on management bank deposits	14	14	14	14
Revenue from companies other than insurance	241	348		
Other income	22	20	11	19
Total other income	277	381	24	32

Note 22 - Sales cost

(NOK million)	Storebrand Livsforsikring group		Storebrand Livsforsikring AS	
	2016	2015	2016	2015
Salaries and personnel costs own sales resources	-362	-453	-220	-293
Other sales costs own resources	-189	-198	-46	-49
Commissions to external distributors	-155	-158	-12	-19
Total sales costs	-706	-808	-278	-361
Change in deferred acquisition costs	-1	-1		

Note 23 - Pension costs and pension liabilities

STOREBRAND LIVSFORSIKRING GROUP

Storebrand Group has country-specific pension schemes.

Storebrand's employees in Norway have a defined-contribution pension scheme. In a defined-contribution scheme, the company allocates an agreed contribution to a pension account. The future pension depends upon the amount of the contributions and the return on the pension account. When the contributions have been paid, the company has no further payment obligations relating to the defined-contribution pension and the payment to the pension account is charged as an expense on an ongoing basis. For regulatory reasons, there can be no savings in the defined-contribution pension for salaries that exceed 12G (G = National Insurance Scheme basic amount). Storebrand has pension savings in the savings product Extra Pension for employees with salaries exceeding 12G.

The premiums and content of the defined-contribution pension scheme are as follows:

- Saving starts from the first krone of salary.
- Savings rate of 7 per cent of salary from 0 to 12 G (the National Insurance basic amount "G" was NOK 92,576 as at 31 December 2016)
- In addition, 13 per cent of salary between 7.1 and 12 G is saved.
- Savings rate for salary over 12 G is 20 per cent.

In connection with new rules for disability pensions in the Norwegian Occupational Pensions Act, Storebrand altered the disability pension scheme for own employees in Norway effective from 1 June 2016. The survivor coverage associated with the pension scheme came to an end from the

same date. These schemes are capitalised as defined-benefit schemes in the accounts. The winding up of this scheme resulted in a reduction in recognised liabilities that has given a profit of NOK 121 million upon derecognition and which reduces the pension costs in the profit and loss account. Employees and former employees who had salaries in excess of 12G until 31 December 2014 were offered a cash redemption option for their accrued rights with payment at the start of 2015. For employees who were a part of the executive management team, these payments were distributed over 5 years.

The Norwegian companies participate in the Joint Scheme for Collective Agreement Pensions (AFP). The private AFP scheme provides a lifelong supplement to an ordinary pension and is a multi-employer pension scheme, but there is no reliable information available for inclusion of this liability on the statement of financial position. The scheme is financed by means of an annual premium that is defined as a percentage of salaries from 1 G to 7.1 G, and the premium rate was 2.5 % in 2016. Storebrand employees in Norway who were born before 1 January 1956 can choose between drawing an AFP scheme pension or retiring at the age of 65 and receiving a direct pension from the company until they reach the age of 67. Employees can choose to receive benefits from the AFP scheme from the age of 62 and still continue to work. Employees who were on sick leave and partially disabled during the transition to the defined-contribution pension, remain in the defined-benefit pension scheme. There are also pension liabilities for the defined-benefit scheme related to direct pensions for certain former employees and former board members.

The pension plan for employees at SPP in Sweden follows the plan for bank employees in Sweden (BTP). SPP has a defined-contribution occupational pension known as BTP1. All new employees were enrolled in this pension agreement from and including 1 January 2014. In BTP1, the employer pays a premium for pension savings that is calculated based on pensionable salary up to 30 times the "basic income amount" (inkomstbasbelopp). The insurance includes retirement pension with or without mortality inheritance, disability pension and children's pension. The premium is calculated independently of age and is calculated primarily based on the monthly salary. The premium is paid monthly in two parts, a fixed part that is 2.5 per cent of the pensionable salary up to and including 7.5 times the "basic income amount". The optional part of the premium is 2 per cent of salary up to and including 7.5 times the "basic income amount" and 30 per cent of salary between 7.5 and 30 times the "basic income amount".

The pension in the BTP2 agreement (defined-benefit occupational pension that is a closed scheme) amounts to 10 per cent of the annual salary up to 7.5 times the "basic income amount" (which was SEK 59,300 in 2016 and will be SEK 61,500 in 2017), 65 per cent of salary in the interval from 7.5 to 20, and 32.5 per cent in the interval from 20 to 30. No retirement pension is paid for the portion of salary in excess of 30 times the "basic income amount". Full pension entitlement is reached after 30 years of membership in the pension scheme. In addition to the defined-benefit part, the BTP plan has a smaller defined-contribution component. Here the employees can decide themselves how assets are to be invested (traditional insurance or unit-linked insurance). The defined-contribution part is 2 per cent of the annual salary. The ordinary retirement age is 65 in accordance with the pension agreement between the Employer's Association of the Swedish Banking Institutions (BAO) and the trade unions that are part of BTP.

The retirement age for SPP's CEO is 65 years. The CEO is covered by BTP1. In addition, the CEO has a defined-contribution based additional pension with SPP. The premium for this insurance is 20 per cent of salary that exceeds 30 times the "basic income amount".

The pension for the employees at Nordben Life and Pension Insurance Company LTD and Euroben Life and Pension LTD is covered by a defined-contribution scheme. In addition, the employees of Nordben are covered by a lump sum upon death during their period of service.

RECONCILIATION OF PENSION ASSETS AND LIABILITIES IN THE STATEMENT OF FINANCIAL POSITION

(NOK million)	2016	2015
Present value of insured pension liabilities	893	1 014
Fair value of pension assets	-867	-923
Net pension liabilities/assets insured scheme	26	91
Present value of unsecured liabilities	70	126
Net pension liabilities recognised in statement of financial position	96	217

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

BOOKED IN STATEMENT OF FINANCIAL POSITION

(NOK million)	2016	2015
Pension liabilities	96	217

CHANGES IN THE NET DEFINED BENEFIT PENSION LIABILITIES IN THE PERIOD

(NOK million)	2016	2015
Net pension liabilities 01.01	1,140	1,101
Pensions earned in the period	27	48
Pension cost recognised in period	32	33
Estimate deviations	63	50
Gain/loss on insurance reductions	-121	
Pensions paid	-56	-108
Changes to pension scheme	-45	-33
Pension liabilities additions/disposals and currency adjustments	-73	58
Payroll tax of employer contribution, assets	-4	-9
Net pension liabilities 31.12	963	1,140

CHANGES IN THE FAIR VALUE OF PENSION ASSETS

(NOK million)	2016	2015
Pension assets at fair value 01.01	923	813
Expected return	28	26
Estimate deviation	-18	-38
Premiums paid	70	101
Pensions paid	-28	-20
Changes to pension scheme	-43	
Pension liabilities additions/disposals and currency adjustments	-61	42
Payroll tax of employer contribution, assets	-4	-1
Net pension assets 31.12	867	923

Expected premium payments (pension assets) in 2017	31
Expected premium payments (contributions) in 2017	147
Expected AFP early retirement scheme payments in 2017	13
Expected payments from operations (uninsured scheme) in 2017	44

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

(NOK million)	Storebrand Livsforsikring AS		SPP Pension & Försäkring AB	
	2016	2015	2016	2015
Real estate at fair value	15 %	12 %	8 %	6 %
Bonds at amortised cost	40 %	45 %		
Loans at amortised cost	6 %			
Equities and units at fair value	12 %	11 %	6 %	8 %
Bonds at fair value	27 %	27 %	86 %	86 %
Other short-term financial assets		4 %		
Total	100 %	100 %	100 %	100 %
Realised return on assets	6.4 %	5.4 %	5.3 %	5.4 %

The table shows the percentage asset allocation of pension assets at year-end managed by Storebrand Livsforsikring and SPP Pension & Försäkring AB. Financial instruments are measured at three different levels. Allocation of the different classes of financial instruments at levels are shown in note 13.

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

(NOK million)	2016	2015
Current service cost	26	49
Net interest cost/expected return	4	18
Changes to pension scheme	-123	
Total for defined benefit schemes	-92	67
The period's payment to contribution scheme	125	185
The period's payment to contractual pension	12	11
Net pension cost recognised in profit and loss account in the period	44	263

OTHER COMPREHENSIVE INCOME (OCI) IN THE PERIOD

(NOK million)	2016	2015
Actuarial loss (gain) - change in discount rate	100	-69
Actuarial loss (gain) - change in other financial assumptions	-2	-8
Actuarial loss (gain) - experience DBO	-34	126
Loss (gain) - experience Assets	16	36
Investment management cost	2	2
Remeasurements loss (gain) in the period	82	88

MAIN ASSUMPTIONS USED WHEN CALCULATING NET PENSION LIABILITY 31.12

(NOK million)	Storebrand Livsforsikring AS		SPP Pension & Försäkring AB	
	2016	2015	2016	2015
Discount rate	2.3 %	2.7 %	2.8 %	3.5 %
Expected earnings growth	2.00 %	2.25 %	3.5 %	3.5 %
Expected annual increase in social security pensions	2.00 %	2.25 %	3.0 %	3.0 %
Expected annual increase in pensions payment			2.0 %	2.0 %
Disability table	KU	KU		
Mortality table	K2013BE	K2013BE	DUS14	DUS14

FINANCIAL ASSUMPTIONS:

The financial assumptions have been determined on the basis of the regulations in IAS 19. Long-term assumptions such as future inflation, real interest rates, real wage growth and adjustment of the basic amount are subject to a particularly high degree of uncertainty. In Norway, a discount rate based on covered bonds is used. Based on the market and volume trends observed, the Norwegian covered bond market must be perceived as a deep market. Specific company conditions including expected direct wage growth are taken into account when determining the financial assumptions.

ACTUARIAL ASSUMPTIONS:

In Norway standardised assumptions on rates of mortality and disability as well as other demographic factors are prepared by Finance Norway. With effect from 2014 a new mortality basis, K2013, has been introduced for group pension insurance in life insurance companies and pension funds. Storebrand has used the mortality table K2013BE (best estimate) in the actuarial calculations at 31 December 2016. The actuarial assumptions in Sweden follow the industry's mutual mortality table DUS06 adjusted for corporate differences. The average employee turnover rate is estimated to be 4 per cent p.a.

SENSITIVITY ANALYSIS PENSION CALCULATIONS

Storebrand's risk associated with the pension scheme relates to the changes in the financial and actuarial assumptions that must be used in the calculations and the actual return on the pension funds. The pension liabilities are particularly sensitive to changes in the discount rate. A reduction of the discount rate will in isolation entail an increase in pension liabilities. For the Norwegian companies that have converted to

defined contribution pensions as of 1 January 2015, the sensitivity has not been calculated, and the figures below illustrate the sensitivity for the Swedish companies.

The following estimates are based on facts and circumstances as of 31 December 2016 and are calculated for each individual when all other assumptions are kept constant.

Sweden	Discount rate		Expected earnings growth		Expected annual increase in pensions payment	Mortality - change in expected life expectancy	
	1.0 %	-1.0 %	1.0 %	-1.0 %	1.0 %	+1 YEAR	-1 YEAR
Percentage change in pension:							
Pension liabilities	-16 %	25 %	1 %	-5 %	15 %	4 %	-4 %
The period's net pension costs	-26 %	25 %	4 %	-14 %	10 %	-2 %	-9 %

STOREBRAND LIVSFORSIKRING AS

Storebrand Group has country-specific pension schemes. Storebrand's employees in Norway have a defined-contribution pension scheme. In a defined-contribution scheme, the company allocates an agreed contribution to a pension account. The future pension depends upon the amount of the contributions and the return on the pension account. When the contributions have been paid, the company has no further payment obligations relating to the defined-contribution pension and the payment to the pension account is charged as an expense on an ongoing basis. For regulatory reasons, there can be no savings in the defined-contribution pension for salaries that exceed 12G (G = National Insurance Scheme basic amount). Storebrand has pension savings in the savings product Extra Pension for employees with salaries exceeding 12G.

The premiums and content of the defined-contribution pension scheme are as follows:

- Saving starts from the first krone of salary.
- Savings rate of 7 per cent of salary from 0 to 12 G (the National Insurance basic amount "G" was NOK 92,576 as at 31 December 2016)
- In addition, 13 per cent of salary between 7.1 and 12 G is saved.
- Savings rate for salary over 12 G is 20 per cent.

In connection with new rules for disability pensions in the Norwegian Occupational Pensions Act, Storebrand altered the disability pension scheme for own employees in Norway effective from 1 June 2016. The survivor coverage associated with the pension scheme came to an end from the same date. These schemes are capitalised as defined-benefit schemes in the accounts. The winding up of this scheme resulted in a reduction in recognised liabilities that has given a profit of NOK 116 million upon derecognition and which reduces the pension costs in the profit and loss account. Employees and former employees who had salaries in excess of 12G until 31 December 2014 were offered a cash redemption option for their accrued rights with payment at the start of 2015. For employees who were a part of the executive management team, these payments were distributed over 5 years.

The Norwegian companies participate in the Joint Scheme for Collective Agreement Pensions (AFP). The private AFP scheme provides a lifelong supplement to an ordinary pension and is a multi-employer pension scheme, but there is no reliable information available for inclusion of this liability on the statement of financial position. The scheme is financed by means of an annual premium that is defined as a percentage of salaries from 1 G to 7.1 G, and the premium rate was 2.5 % in 2016. Storebrand employees in Norway who were born before 1 January 1956 can choose between drawing an AFP scheme pension or retiring at the age of 65 and receiving a direct pension from the company until they reach the age of 67. Employees can choose to receive benefits from the AFP scheme from the age of 62 and still continue to work. Employees who were on sick leave and partially disabled during the transition to the defined-contribution pension, remain in the defined-benefit pension scheme. There are also pension liabilities for the defined-benefit scheme related to direct pensions for certain former employees and former board members.

RECONCILIATION OF PENSION ASSETS AND LIABILITIES IN THE STATEMENT OF FINANCIAL POSITION

(NOK million)	2016	2015
Present value of insured pension liabilities	93	233
Fair value of pension assets	-101	-158
Net pension liabilities/assets insured scheme	-8	76
Present value of unsecured liabilities	67	120
Net pension liabilities recognised in statement of financial position	59	196

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

BOOKED IN STATEMENT OF FINANCIAL POSITION

(NOK million)	2016	2015
Pension assets		
Pension liabilities	59	196

CHANGES IN THE NET DEFINED BENEFIT PENSION LIABILITIES IN THE PERIOD

(NOK million)	2016	2015
Net pension liabilities 01.01	354	291
Pensions earned in the period	13	24
Pension cost recognised in period	7	7
Estimate deviations	-35	127
Gain/loss on insurance reductions	-116	
Pensions paid	-29	-87
Changes to pension scheme	-31	
Payroll tax of employer contribution, assets	-4	-8
Net pension liabilities 31.12	160	354

CHANGES IN THE FAIR VALUE OF PENSION ASSETS

(NOK million)	2016	2015
Pension assets at fair value 01.01	158	118
Expected return	3	3
Estimate deviation	-52	-18
Premiums paid	31	58
Pensions paid	-4	-3
Changes to pension scheme	-31	
Payroll tax of employer contribution, assets	-4	
Net pension assets 31.12	101	158

Expected premium payments (pension assets) in 2017	2
Expected premium payments (contributions) in 2017	59
Expected AFP early retirement scheme payments in 2017	11
Expected payments from operations (uninsured scheme) in 2017	20

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

	Storebrand Livsforsikring AS	
	2016	2015
Real estate at fair value	15 %	12 %
Bonds at amortised cost	40 %	45 %
Loans at amortised cost	6 %	
Equities and units at fair value	12 %	11 %
Bonds at fair value	27 %	27 %
Other short-term financial assets		4 %
Total	100 %	100 %
Realised return on assets	6.4 %	5.4 %

The table shows the percentage asset allocation of pension assets at year-end managed by Storebrand Livsforsikring.

Financial instruments are measured at three different levels. Allocation of the different classes of financial instruments at levels are shown in note 13.

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

(NOK million)	2016	2015
Current service cost	13	24
Net interest cost/expected return	4	4
Total for defined benefit schemes	-99	28
The period's payment to contribution scheme	57	57
The period's payment to contractual pension	11	9
Net pension cost recognised in profit and loss account in the period	-32	94

OTHER COMPREHENSIVE INCOME (OCI) IN THE PERIOD

(NOK million)	2016	2015
Actuarial loss (gain) - experience DBO	-35	127
Loss (gain) - experience Assets	50	17
Investment management cost	2	2
Remeasurements loss (gain) in the period	18	145

MAIN ASSUMPTIONS USED WHEN CALCULATING NET PENSION LIABILITY 31.12

(NOK million)	2016	2015
Discount rate	2.3 %	2.7 %
Expected earnings growth	2.00 %	2.25 %
Expected annual increase in social security pensions	2.00 %	2.25 %
Disability table	KU	KU
Mortality table	K2013BE	K2013BE

FINANCIAL ASSUMPTIONS:

The financial assumptions have been determined on the basis of the regulations in IAS 19. Long-term assumptions such as future inflation, real interest rates, real wage growth and adjustment of the basic amount are subject to a particularly high degree of uncertainty. In Norway, a discount rate based on covered bonds is used. Based on the market and volume trends observed, the Norwegian covered bond market must be perceived as a deep market. Specific company conditions including expected direct wage growth are taken into account when determining the financial assumptions.

ACTUARIAL ASSUMPTIONS:

In Norway standardised assumptions on rates of mortality and disability as well as other demographic factors are prepared by Finance Norway. With effect from 2014 a new mortality basis, K2013, has been introduced for group pension insurance in life insurance companies and pension funds. Storebrand has used the mortality table K2013BE (best estimate) in the actuarial calculations at 31 December 2016.

SENSITIVITY ANALYSIS PENSION CALCULATIONS

Storebrand's risk associated with the pension scheme relates to the changes in the financial and actuarial assumptions that must be used in the calculations and the actual return on the pension funds. The pension liabilities are particularly sensitive to changes in the discount rate. A reduction of the discount rate will in isolation entail an increase in pension liabilities. For the Norwegian companies that have converted to defined contribution pensions as of 1 January 2015, the sensitivity has not been calculated.

Note 24 - Remuneration of senior employees and elected officers of company

Geir Holmgren is CEO of Storebrand Livsforsikring AS. He has a guaranteed salary for 12 months after the ordinary period of notice. All work-related income including consulting assignments will be deducted. He has an agreement on a performance-related bonus which is linked to the Group's value-based management system (see item 3 below).

The company has no obligations towards the Chairman of the Board in the event of resignation or change of succession. The company pays management liability insurance for its board members.

Storebrand has set up a bonus scheme for employees. The bonus scheme is linked to the company's value creation as well as individual performances.

NOK thousand	Ordinary salary ¹⁾	Other benefits ²⁾	Total remuneration for the year	Pension accrued for the year	Post termination salary (months)	Loan ³⁾	No. of shares owned ⁴⁾
Geir Holmgren	3,607	209	3,816	649	12	7,967	26,316
Lars Aa. Løddesøl	4,575	209	4,784	892	18	8,508	60,169
Heidi Skaaret	3,653	185	3,838	729	12	3,501	24,982
Hege Hodnesdal	2,973	163	3,136	530	12		25,040
Robin Kamark	5,113	188	5,302	1,151	18	2,178	55,702
Staffan Hansèn	4,486	31	4,517	1,014	12		27,718
Jan Erik Saugestad	4,795	156	4,951	879	12	1,200	22,768
Jostein Chr. Dalland	1,879	130	2,009	343	12		4,119
Total 2016	31,081	1,271	32,352	6,187		23,353	246,814
Total 2015	25,834	1,116	26,950	7,723		23,807	208,678

1) A proportion of the executive management's fixed salary will be linked to the purchase of physical STB shares with a lock-in period of three years.

The purchase of shares will take place once a year.

2) Comprises company car, telephone, insurance, concessionary interest rate, other taxable benefits.

3) Employees can borrow up to NOK 3,5 million with subsidised rates while excess loanamount hold market rate.

4) The summary shows the number of shares owned by the individual, as well as his or her close family and companies where the individual exercises significant influence, cf. the Accounting Act, Section 7-26.

NOK thousand	Remuneration	No. of shares owned ¹⁾	Loan ²⁾
Styret			
Odd Arild Grefstad		92,602	3,930
Bodil Catherine Valvik	157		3,152
Inger Johanne Bergstøl	43		
Jan Otto Risebrobakken		6,302	6,352
Tove Margrete Storrødvann	207		
Peik Norenberg	207		
Erik Haug Hansen	157	6,417	1,500
Hans Henrik Klouman	164		
Sum 2016	935	105,321	14,934
Sum 2015	841	83,199	14,705

1) The summary shows the number of shares owned by the individual, as well as his or her close family and companies where the individual exercises significant influence, cf. the Accounting Act, Section 7-26.

2) Loan up to NOK 3.5 million hold ordinary employee terms while excess loan amount hold market rate.

Loans to Storebrand Livsforsikring group employees totalled NOK 648 million.

Note 25 - Remuneration paid to auditors

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

(NOK million)	Storebrand Livsforsikring group		Storebrand Livsforsikring AS	
	2016	2015	2016	2015
Statutory audit	-9.3	-8.8	-3.0	-1.9
Other reporting duties	-0.9	-0.8		
Tax advice	-1.2	-1.3	-0.6	
Other non-audit services	-0.4	-1.1		-0.6
Total remuneration to auditors	-11.8	-11.9	-3.7	-2.6

The amounts are excluding VAT.

Note 26 - Other insurance related expenses

(NOK million)	Storebrand Livsforsikring group		Storebrand Livsforsikring AS	
	2016	2015	2016	2015
Pooling	-60	-95	-59	-72
Interest cost for insurance	-37	-48	-37	-48
Management fee discount	-46	-41	-46	-41
Administration reserve for paid up policies	-229	-162	-229	-162
Yield tax	-5	-9	-1	
Losses on policyholders	-38		-38	
Other expenses	-36	-61	-2	-32
Total other insurance related expenses	-451	-416	-412	-354

Note 27 - Other costs

(NOK million)	Storebrand Livsforsikring group		Storebrand Livsforsikring AS	
	2016	2015	2016	2015
Borrowing costs	-390	-337	-373	-337
Amortisation of intangible assets	-396	-386		
Other costs		-16	-15	-13
Operational costs - non insurance	-260	-310		
Total other costs	-1,047	-1,049	-388	-350

Note 28 - Tax

(NOK million)	Storebrand Livsforsikring group		Storebrand Livsforsikring AS	
	2016	2015	2016	2015
Tax payable	-1	-1		
Deferred tax	-195	1 968	-205	1 814
Total tax charge	-196	1 967	-205	1 814

RECONCILIATION OF EXPECTED AND ACTUAL TAX COST

(NOK million)	Storebrand Livsforsikring group		Storebrand Livsforsikring AS	
	2016	2015	2016	2015
Ordinary pre-tax profit	1,692	-806	1,459	374
Expected income tax at nominal rate	-423	218	-365	-101
Tax effect of				
realised/unrealised shares	-108	1,918	-651	1,932
share dividends received	-45	1	565	176
associated companies	4			
permanent differences	309	-304	179	-178
recognition/write-down of tax assets		152		
change in tax rate	111	-31	111	-29
Changes from previous years	-44	14	-44	14
Total tax charge	-196	1,967	-205	1,814
Effective tax rate ¹⁾	12 %	244 %	14 %	-485 %

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

(NOK million)	Storebrand Livsforsikring group		Storebrand Livsforsikring AS	
	2016	2015	2016	2015
Tax-increasing temporary differences				
Securities	9,769	11,133	9,769	11,133
Real estate ²⁾	11,062	10,391	11,062	10,248
Fixed assets	153	2		
Other	980	944	157	157
Total tax-increasing temporary differences	21,964	22,470	20,988	21,538
Tax-reducing temporary differences				
Fixed assets	-14	-50	-12	-13
Operating assets	-6,860	-4,568	-6,835	-4,563
Accrued pension liabilities	-60	-205	-59	-196
Gain-/loss account	-7			
Other		-21		
Total tax-reducing temporary differences	-6,941	-4,844	-6,913	-4,772
Carry forward losses	-14,932	-19,025	-14,333	-18,207
Total tax loss and assets carried forward	-14,932	-19,025	-14,333	-18,207
Basis for net deferred tax and tax assets	91	-1,400	-257	-1,441
Net deferred tax assets/liabilities in balance sheet ³⁾	-137	-350	-175	-360
Recognised in balance sheet				
Deferred tax assets	312	551	175	360
Deferred tax	175	200		

1) During the year, property shares were sold (covered by the exemption method) which resulted in a reduction in tax-increasing temporary differences and related allocations for deferred tax being reversed.

The equity includes a risk equalisation reserve, and tax deductions related to the build-up of this reserve are treated as a permanent difference between the financial and tax accounts (see further information on this under "Reconciliation of the Group's equity"). Use of the fund will, in isolation, entail a higher effective tax rate.

The effective tax rate is also affected by the fact that the Group has operations in countries with tax rates that are different from Norway (25 per cent). In addition, the income tax expense is also influenced by tax effects relating to previous years.

2) The Group's tax-increasing temporary differences also include temporary differences linked to the Group's investment real estates. These real estates are primarily found in the Norwegian life insurance company's customer portfolio and in companies that are owned by holding companies, which in turn are owned by Storebrand Livsforsikring AS. If these limited companies that own the real estates were to be sold, they could be disposed of practically tax-free. The tax-increasing temporary differences related to the difference between the fair value and taxable value of investment real estate that have arisen during the period of ownership (around NOK 11.1 billion), are included in the Group's temporary differences, on which deferred tax is calculated at a nominal tax rate of 24 per cent. In accordance with IAS 12, no provisions have been set aside for deferred tax related to temporary differences that existed when companies were acquired and the transaction was not defined as a business transfer (basis of around NOK 0.8 billion).

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

The Storebrand Livsforsikring group includes companies that are both subject to and not subject to the financial tax. Therefore, when capitalising deferred tax/deferred tax assets in the consolidated financial statements, the company tax rate that applies for the individual companies is used.

Note 29 - Intangible assets and excess value on purchased insurance contracts

STOREBRAND LIVSFORSIKRING GROUP

(NOK million)	Intangible assets				2016	2015
	IT- systems	Value of business in force	Other intangible assets	Goodwill		
Acquisition cost 01.01	410	10,394	710	837	12,351	11,372
Additions in the period:						
Developed in-house	44				44	73
Purchased separately	27				27	28
Disposals in the period	-73				-73	-177
Currency differences	-3	-1,014	-69	-80	-1,165	1,062
Other changes						-8
Acquisition cost 31.12	405	9,380	641	757	11,183	12,351
Accumulated depreciation & write-downs 01.01	-181	-6,162	-568		-6,912	-5,981
Amortisation in the period	-61	-330	-66		-457	-435
Disposals in the period	25				25	96
Valutadifferanser ved omregning av utenlandsk enhet		613	58		671	-600
Other changes						8
Accumulated depreciation & write-downs 31.12	-217	-5,880	-577		-6,673	-6,912
Book value 31.12	188	3,501	64	757	4,510	5,439

SPECIFICATION OF INTANGIBLE ASSETS

(NOK million)	Useful economic life	Depreciation rate	Depreciation method	Book value 2016
IT- systems	5/10 years	20%/10%	Straight line	188
Value of business in force SPP	20 years	5 %	Straight line	3,501
Other intangible assets	5 years	20 %	Straight line	64

GOODWILL DISTRIBUTED BY BUSINESS ACQUISITION

(NOK million)	Acquisition cost 01.01	Book value 01.01	Additions/ disposals	Translation differences	Book value 31.12
Goodwill on acquisitions of SPP	837	837		-80	757
Total	837	837		-80	757

Goodwill is not amortised but tested annually for impairment.

STOREBRAND LIVSFORSIKRING AS

(NOK million)	IT-systems	2016	2015
Acquisition cost 01.01	382	382	316
Additions in the period:			
Developed in-house	36	36	73
Translation differences from converting foreign units	-73	-73	
Other changes			-8
Acquisition cost 31.12	345	345	382
Accumulated depreciation & write-downs 01.01	-181	-181	-140
Amortisation in the period	-55	-55	-49
Disposals in the period	25	25	
Other changes			8
Accumulated depreciation & write-downs 31.12	-211	-211	-181
Book value 31.12.	133	133	201

(NOK million)	Useful economic life	Depreciation rate	Depreciation method	Book value 2016
IT-systems	5 years	20 %	Straight line	133

IMPAIRMENT OF INTANGIBLE ASSETS AND GOODWILL

INTANGIBLE ASSETS LINKED TO ACQUISITION OF SPP

Storebrand Livsforsikring AS acquired SPP Pension & Försäkring AB and its subsidiaries in 2007. The majority of the intangible assets associated with SPP comprise the value of in-force business (VIF), for which a separate liability adequacy test has been performed in accordance with the requirements of IFRS 4. In order to determine whether goodwill and other intangible assets associated with SPP have suffered an impairment in value, estimates are made of the recoverable amount for the relevant cash-flow generating units. Recoverable amounts are established by calculating the enterprise's utility value. SPP is regarded as a single cash flow generating unit, and the development of future administration results, risk results and financial results for SPP will affect its utility value.

In calculating the utility value, the management have made use of budgets and forecasts approved by the Board for the next three years (2017 to 2019). The management has made assessments for the period from 2020 to 2026, and the annual growth for each element in the income statement has been estimated. The primary drivers of improved long-term results will be the return on total assets, underlying inflation and wage growth in the market (which drive premium growth). The utility value is calculated using a required rate of return after tax of 7.1 per cent. The required rate of return is calculated based on the risk-free interest rate and added to a premium that reflects the risk of the business..

Calculations related to the future will be uncertain. The value will be affected by various growth parameters, expected return and what required rate of return is assumed, etc. It is pointed out that the aim of the calculations is to ensure adequate reliability that the utility value, cf. IAS 36, is not lower than the recognised value in the accounts. Simulation with reasonable, as well as conservative, assumptions indicates a value for the investment that justifies the book value.

Note 30 - Classification of financial assets and liabilities

STOREBRAND LIVSFORSIKRING GROUP

(NOK million)	Loans and receivables	Investments, held to maturity	Fair value, held for sale	Fair value, FVO	Liabilities at amortised cost	Total
Financial assets						
Bank deposits	7,290					7,290
Shares and units				129,519		129,519
Bonds and other fixed-income securities	82,246	15,644		164,506		262,396
Loans to customers	16,728			2,346		19,074
Accounts receivable and other short-term receivables	3,170					3,170
Derivatives			4,553			4,553
Total financial assets 2016	109,435	15,644	4,553	296,370		426,002
Total financial assets 2015	93,859	15,648	4,252	308,819		422,578
Financial liabilities						
Subordinated loan capital					7,344	7,344
Derivatives			1,985			1,985
Other current liabilities					7,107	7,107
Total financial liabilities 2016			1,985		14,451	16,436
Total financial liabilities 2015			3,020		13,634	16,654

STOREBRAND LIVSFORSIKRING AS

(NOK million)	Loans and receivables	Investments, held to maturity	Fair value, held for sale	Fair value, FVO	Liabilities at amortised cost	Total
Financial assets						
Bank deposits	105,495					105,495
Shares and units				86,951		86,951
Bonds and other fixed-income securities	867	100		971		1,938
Loans to customers	184,690					184,690
Accounts receivable and other short-term receivables	3,540					3,540
Derivatives			201			201
Total financial assets 2016	294,592	100	201	87,922		382,815
Total financial assets 2015	88,218	15,648	1,499	121,977		227,342
Financial liabilities						
Subordinated loan capital					7,344	7,344
Derivatives			1,047			1,047
Other current liabilities					2,736	2,736
Total financial liabilities 2016			1,047		10,079	11,126
Total financial liabilities 2015			1,797		9,714	11,511

Note 31 - Real estate

TYPE OF REAL ESTATE

(NOK million)			2016		m ²
	2016	2015	Required rate of return % ¹⁾	Average duration of lease (years) ³⁾	
Office buildings (including parking and storage):					
Oslo-Vika/Filipstad Brygge	8,186	7,394	6.5-7.0	4.4	148,307
Rest of Greater Oslo	3,583	6,100	7.5-8.5	4.9	84,998
Office buildings in Sweden	1,106	1,494	5.0	6.2	29,358
Shopping centres (including parking and storage)					
Rest of Greater Oslo	591	574	8.5	2.3	38,820
Rest of Norway	6,008	5,522	6.9-9.4	3.8	160,292
Trading Sweden ²⁾	458	485	5.8	5.9	20,880
Car parks					
Multi-storey car parks in Oslo	918	741	6.7	5.0	27,393
Multi-storey car parks in Sweden ²⁾	72		5.2	10.0	4,967
Other real estate:					
Cultural/conference centres in Sweden	275	323	6.8	14.3	18,757
Housing Sweden ²⁾	488	473	4.0	0.3	7,000
Hotel Sweden ²⁾	1,190	1,257	4.9	10.7	22,486
Service real estate Sweden ²⁾	1,237		5.3	12.9	51,248
Real estate Norway	51	51			
Total investment real estate	24,161	24,415			614,506
Real estate for own use	2,863	2,887	4.1 and 7.7	3.1-5.0	59,806
Total real estate	27,024	27,303			674,312

1) The real estate are valued on the basis of the following effective required rate of return (including 2.5 per cent inflation):

2) All of the properties in Sweden are appraised externally. This appraisal is based on the required rates of return in the market (including 2 per cent inflation).

3) The average duration of the leases has been calculated proportionately based on the value of the individual properties.

As of 31.12.16, Storebrand Livsforsikring had NOK 1 928 million invested in Storebrand Eiendomsfond Norge KS. The investment is classified as "Investment in Associated Companies" in the Consolidated Financial Statements. Storebrand Eiendomsfond Norge KS invests exclusively in real estate at fair value.

VACANCY

Norway

At the end of 2016, a total of 15.9 per cent (13.9 per cent) of the floor space in the investment properties was vacant.

Of the total vacancy, 9.2 per cent (6.8 per cent) is related to space that is unavailable for leasing due to ongoing development projects.

Sweden

At the end of 2016, there was practically no vacancy in the investment properties.

TRANSACTIONS:

Purchases: Further SEK 340 millions in property acquisitions in SPP have been agreed on in 4 quarter 2016 in addition to the figures that has been finalised and included in the financial statements as of 31 December 2016.

Sale: No further property sales has been agreed on in addition to the figures that has been finalised and included in the financial statements as of 31 December 2016

TANGIBLE FIXED ASSETS AND PROPERTIES FOR OWN USE

(NOK million)	2016	2015
Book value 01.01	2,887	2,583
Additions	20	16
Disposals		4
Revaluation booked in balance sheet	52	152
Depreciation	-66	-45
Write-ups due to write-downs in the period	64	43
Currency differences from converting foreign units	-133	104
Other change	39	31
Book value 31.12	2,863	2,887
Acquisition cost opening balance	2,623	2,604
Acquisition cost closing balance	2,644	2,623
Accumulated depreciation and write-downs opening balance	-520	-475
Accumulated depreciation and write-downs closing balance	-586	-520
Properties for own use - customers	2,863	2,887
Total	2,863	2,887

Depreciation method:	Straight line
Depreciation plan and financial lifetime real estate Norway:	50 year
Depreciation plan and financial lifetime real estate Sweden:	100 year

Note 32 - Investments in subsidiaries and associated companies

SPECIFICATION OF SUBSIDIARIES WITH SUBSTANTIAL MINORITY (100% FIGURES)

(NOK million)	2016		2015		
	BenCo	Værdals- bruket	BenCo	Værdals- bruket	Ulven Holding AS
Assets	17,238	247	19,204	227	3,233
Liabilities	16,767	5	18,570	4	281
Equity - majority	423	182	570	167	2,502
Equity - minority	47	61	64	56	450
Ownership interest - minority	10	25	100 %	25 %	10 %
Voting rights as a percentage of the total number of shares	10	25	100 %	25 %	10 %
Income	1,366	36	726	21	130
Result after tax	43	20	33	4	332
Total comprehensive income	43	20	33	4	332
Dividend paid to minority	-14		17		9

OWNERSHIP INTERESTS IN ASSOCIATED COMPANIES STOREBRAND LIVSFORSIKRING GROUP

(NOK million)	Business location	Ownership interest	Book value 31.12
Norsk Pensjon AS	Oslo	25 %	4
Inntre Holding AS	Steinkjer	34 %	75
Formuesforvaltning AS	Oslo	21.3 %	163
Storebrand Eiendomsfond Invest AS	Oslo	21.2 %	1,880
Handelsbodarna i Sverige Fastighets AB	Stockholm	50.0 %	38
Försäkringsgirot AB	Stockholm	25 %	24
Associated companies Storebrand Livsforsikring group			2,183

RECEIVABLES FOR ASSOCIATED COMPANIES

(NOK million)	2016	2015
Handelsboden Örebro Rävgräva 4:4 AB	37	41
Total	37	41

INCOME FROM ASSOCIATED COMPANIES

(NOK million)	2016	2015
Proportion of the result	189	150
Interest income	1	1
Realised change in value		57
Unrealised change in value	1	3
Total	191	212

All transactions with associates are made on normal commercial terms.

OWNERSHIP INTERESTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES STOREBRAND LIVSFORSIKRING AS

(NOK million)	Interest in %	Voting interest in %	Book value 31.12	
Companies			2016	2015
Aktuar Systemer AS, Professor Kohts vei 9, 1327 Lysaker	100.0	100.0	6	6
Storebrand Pensjonstjenester AS, Professor Kohts vei 9, 1327 Lysaker	100.0	100.0	9	9
AS Værdalsbruket, 7660 Vuku	74.9	74.9	54	54
Storebrand Holding AB, Stockholm	100.0	100.0	12,644	15,400
Storebrand Finansiell Rådgivning AS, Professor Kohts vei 9, 1327 Lysaker	100.0	100.0	97	90
Storebrand Eiendom Trygg AS, Professor Kohts vei 9, 1327 Lysaker	100.0	100.0	11,957	10,838
Storebrand Eiendom Vekst AS, Professor Kohts vei 9, 1327 Lysaker	100.0	100.0	6,407	6,118
Storebrand Eiendom Utvikling AS, Professor Kohts vei 9, 1327 Lysaker	100.0	100.0	2,787	5,333
Benco Insurance Holding BV, Nederland	90.0	90.0	493	539
Foran Real Estate, Latvia ¹⁾	70.1	70.1	780	797
Subsidiaries			35,234	39,184
Storebrand Eiendomsfond Invest AS, Professor Kohts vei 9, 1327 Lysaker	21.2	21.2	1,928	1,487
Norsk Pensjon AS, Hansteensgate 2, 0253 Oslo	25.0	25.0	4	4
Formuesforvaltning AS, Henrik Ibsens gate 53, 0255 Oslo	21.3	21.3	126	130
Associated companies Storebrand Livsforsikring AS			2,058	1,620
Total investment in subsidiaries and associated companies			37,292	40,805
Subsidiaries classified as equities at fair value in the collective portfolio				
SBL Direct Investments 2006-2008 Ltd - Class B-1	100	100		84
SBL Vintage 1999 Ltd - Class B-1	100	100	2	2
SBL Vintage 2001 Ltd - Class B-1	100	100		1

1) SPP Pension & Försäkring AB owns 29.3 percent of the shares in Foran Real Estate. Storebrand Livsforsikring Group owns a total of 99.4 percent in Foran Real Estate

INCOME FROM SUBSIDIARIES AND ASSOCIATED COMPANIES STOREBRAND LIVSFORSIKRING AS

(NOK million)	2016	2015
Proportion of the result	2,240	2,439
Interest income		279
Received group contribution and dividends	97	721
Realised change in value		96
Unrealised change in value	-676	430
Total	1,661	3,965

All transactions with subsidiaries and associated companies are on market terms.

Note 33 - Bonds at amortised cost

LENDING AND RECEIVABLES

(NOK million)	2016		2015	
	Book value	Fair value	Book value	Fair value
Government bonds	26,345	24,807	28,175	32,386
Corporate bonds	38,356	39,592	30,062	31,780
Structured notes	594	580	698	693
Collateralised securities	16,952	19,164	17,172	19,899
Total bonds at amortised cost	82,246	89,144	76,107	84,758
Modified duration		6,7		6,1
Average effective yield	3.8 %	2.6 %	4.3 %	2.4 %

BONDS HELD TO MATURITY

(NOK million)	2016		2015	
	Book value	Fair value	Book value	Fair value
Government bonds	363	412	362	419
Corporate bonds	5,829	6,456	5,829	6,309
Collateralised securities	9,452	10,669	9,458	10,850
Total bonds at amortised cost	15,644	17,537	15,648	17,578
Modified duration		5,5		6,2
Average effective yield	4.5 %	2.4 %	4.5 %	2.8 %

A yield is calculated for each bond, based on both the paper's book value and the observed market price (fair value). For fixed income securities with no observed market prices the effective interest rate is calculated on the basis of the fixed interest rate period and classification of the individual security with respect to liquidity and credit risk. Calculated effective yields are weighted to give an average effective yield on the basis of each security's share of the total interest rate sensitivity.

Note 34 - Equities and other units

(NOK million)	Organisation number	Storebrand Livsforsikring group Fair value	Storebrand Livsforsikring AS Fair value
Equities in Norwegian companies			
Finance industry			
DnB	981276957	165	164
Total finance industry Norwegian		165	164
Other equities			
Aker	886581432	10	10
Aker BP ASA	989795848	28	28
Borregaard ASA	998753562	13	13
Gjensidige Forsikring ASA	995568217	29	29
Hexagon Composites	938992185	13	13
Marine Harvest	964118191	72	72
NMI Frontier Fund KS	993147044	33	33
NMI Fund III KS	993147044	25	25
NMI Global Fund KS	993147044	46	46
Nordic Trustee ASA	963342624	61	61
Norsk Hydro	914778271	73	73
Orkla	910747711	73	72
Phonect AS	987100648	17	17
Schibsted A	933739384	25	25
Schibsted B	933739384	13	13
Statoil ASA	923609016	233	231
Storebrand Privat Investor ASA	988603252	40	40
Telenor	982463718	119	118
Tomra Systems	927124238	11	11
Yara International	986228608	73	72
Other Norwegian equities		174	174
Total other Norwegian equities		1 179	1 175
Equities in foreign companies			
Finance industry			
3I Group		1	
Aegon		2	2
Aflac Inc.		21	20
Allianz SE (Societas Europaeae)		38	33
Allstate Corp		20	18
American Express		21	18
American International Group		6	2
American International Group (warrants 01/2021)		3	1
Ameriprise Financial		2	1
Amp Ltd.		4	4
Assicurazioni General		1	1

(NOK million)	Organisation number	Storebrand	Storebrand
		Livsforsikring group	Livsforsikring AS
		Fair value	Fair value
Assicurazioni General		1	
ASX Ltd		1	
Aust & Nz Bank Group		45	42
AvalonBay Communities Inc (REIT)		23	22
Aviva PLC		15	13
Axa		31	27
Banco Bilbao Vizcaya Argentaria S.A.		20	17
Banco de Sabadell		1	1
Banco Popular ESP		8	8
Banco Santander		14	9
Bank of America Corp		153	144
Bank of Montreal		27	25
Bank of New York Mellon		52	50
Bank of Nova Scotia		49	46
Barclays Bank		22	19
Barratt Developments Plc		12	12
BNP Paribas		47	42
BOC Hong Kong Holdings		8	8
Boston Properties Inc (REIT)		28	27
British Land Co PLC (REIT)		13	12
Brookfield Asset Management		2	
Canadian Imperial Bank of Commerce		20	19
Canadian Utilities Ltd A		1	
Capitaland		13	12
Charles Schwab Corp		5	3
Chiba Bank		1	1
Chubb Ltd		5	3
Citigroup		131	123
City Developments		26	25
CK Hutchison Holdings Ltd		3	1
Comerica Inc		17	17
Commerzbank AG		5	4
Commonwealth Bank of Australia		77	70
Credit Agricole		12	11
Credit Suisse Group RG		10	8
Danske Bank A/S		19	17
DBS Group Holdings Limited		2	1
Deutsche Bank		19	17
Deutsche Boerse (interim shs 07/2016)		9	8
Discover Financial		17	15
Equity Residential (REIT)		3	2
Fairfax Financial Holdings Inc		1	
Fifth Third Bancorp		2	1
Gecina SA (REIT)		24	23
Goldman Sachs		81	76
GPT Group (REIT)		22	21

(NOK million)	Organisation number	Storebrand	Storebrand
		Livsforsikring group	Livsforsikring AS
		Fair value	Fair value
Groupe Bruxelles Lambert		1	
H&R Block		2	2
Hammerson PLC (REIT)		10	10
Hang Lung Properties		3	3
Hang Seng Bank		9	8
Hartford Financial Services		16	14
Henderson Land		2	2
Hong Kong Exchanges & Clearing		28	26
HSBC Holdings (GBP)		89	78
Hufvudstaden A		10	
Hysan Development		4	4
IGM Financial Inc		12	12
Industrivaerden A		16	
Industrivaerden C		7	
Ing-Groep		38	34
Insurance Australia Group		8	7
Intesa SanPaolo		17	15
Intesa Sanpaolo SPA		2	2
Intrium Justitia		9	
Investment AB Kinnevik (B)		17	2
Investor AB-B		50	
J.P Morgan Chase and Co		217	204
JM AB		6	
KBC GROEP NV		19	18
Keppel Corp		1	1
Kerry Group Plc-A		1	
Keycorp		1	
Kungsleden		1	
Land Securities Group PLC (REIT)		3	2
Legal & General Group		23	21
Legrand		25	24
Lend Lease Group		7	7
Lincoln National Corp		11	11
Lloyds Banking Group PLC		21	18
Loews Corp		1	
Lundbergforetagen B		11	
Macquarie GP LTD		1	
Manulife Financial		2	
Marsh & McLennan Cos		8	6
Mastercard Inc		68	63
Metlife		4	2
Mirvac Group (REIT)		21	20
Mitsubishi Estate		7	5
Mitsubishi UFJ Holdings Group		33	29
Mitsui Fudosan		4	2
Mizuho Financial Group		4	2

(NOK million)	Organisation number	Storebrand	Storebrand
		Livsforsikring group	Livsforsikring AS
		Fair value	Fair value
Moody's		2	1
Morgan Stanley		37	34
MS&AD Insurance Group Holdings		1	
Muenchener Rueckversicherungs RG		26	24
National Australian Bank		46	43
National bank of Canada		1	1
Nomura Holdings		38	37
Nordea Bank AB (SEK)		122	23
Northern Trust Corporation		45	43
Orix		22	20
Overseas-Chinese Bank		1	
PNC Financial Services		23	21
Power Corp. of Canada		1	
Progressive Corp		11	10
Provident Financial		1	1
Prudential		28	24
Prudential Financial Inc		35	33
QBE Insurance Group		1	
Regions Financial		2	1
Resona Holdings		3	3
RioCan Real Estate Investment Trust (REIT)		1	
Royal Bank of Canada		57	53
Royal Bank of Scotland		1	
Royal Sun & Alliance Insurance		1	
Sampo Oyj		1	
Scentre Group (REIT)		1	
Schroders		2	1
Simon Property Group Inc (REIT)		3	1
Singapore Exchange		12	11
Skandinaviska Enskilda Banken A		76	24
Societe Generale		22	19
Standard Chartered		17	15
State Street		35	33
Stockland (REIT)		11	10
Sumitomo Mitsui Financial Group		6	3
Sun Life Financial Inc		7	6
Suncorp Group Holding		1	
Suntrust Banks		2	
Svenska Handelsbanken A		58	2
Swedbank AB (A shs)		84	14
Swire Pacific		9	8
Swire Properties Ltd		11	10
Swiss Life RG		1	
Swiss Re Ltd		17	15
Taylor Wimpey		4	4
The Travelers Companies, Inc.		3	1

(NOK million)	Organisation number	Storebrand Livsforsikring group Fair value	Storebrand Livsforsikring AS Fair value
Tokio Marine Holdings, Inc.		19	17
UBS Group AG		41	36
Unibail-Rodamco SE (REIT)		22	20
UniCredit SPA		4	3
United Overseas Bank		1	
US Bancorp		47	43
Visa Inc - Class A shares		47	41
Vornado Realty Trust (REIT)		16	15
Wells Fargo		125	114
Westfield Corp (REIT)		1	
Westpac Banking Corp		62	58
Wharf		2	1
XL Group Plc		1	
Zurich Financial Services AG		6	3
Total finance industry foreign		3 345	2 657

Other equities

3M CO		79	75
ABB (CHF)		40	37
ABB (SEK)		33	
Abbvie		57	53
Accenture PLC		38	35
Adidas AG		27	24
Adobe Systems		53	51
Aeon Co. Ltd		14	13
Agilent Technologies		18	18
Agnico		23	22
AIA Group Ltd		25	22
Akzo Nobel		19	18
Alfa Laval		28	13
Allergan Plc		36	32
Alphabet Inc Class A		98	88
Alphabet Inc Class C		154	143
Amazon Com		153	140
Ancor		30	29
American Water Works Co Inc		53	51
Amgen		48	43
Anglo American Plc		24	21
Anheuser-Busch Inbev		22	16
Anthem Inc		65	63
Antofagasta Plc		13	12
Aon Corp		14	12
Apache Corp		12	10
Apple Inc		305	279
Applied Materials		29	27

(NOK million)	Organisation number	Storebrand	Storebrand
		Livsforsikring group	Livsforsikring AS
		Fair value	Fair value
Arthur J Gallagher & Co		18	18
Asics Corp		12	12
ASML Holding NV		17	17
Assa Abloy B		58	10
Astellas PharmaR		32	30
Astrazeneca (GBP)		44	38
Astrazeneca (SEK)		23	
AT&T Inc		158	147
Atlas Copco A		70	12
Atlas Copco B		36	9
Autodesk		18	16
Avery Dennison Corp		31	30
Bakkafrost P/F		24	24
Ball Corp		44	42
Bard (C.R.)		17	17
BASF SE		64	57
Baxter International		12	11
Bayer AG Namens-Actien O.N		51	45
Bayerische Motor Werke		21	18
BCE Inc.		42	40
Becton Dickinson & Co		24	22
Berkshire Hathaway B		39	32
Best Buy		23	22
Biogen Inc		51	48
Blackrock		19	19
Boston Scientific		33	31
BP Plc		56	48
Brambles Ltd		22	21
Bridgestone		12	11
Bristol-Myers Squibb		63	59
Broadridge Financial Solutions		14	14
BT Group		20	18
CA Inc		39	38
Cadence Design Sys		11	11
Cameco Corp		12	11
Campbell Soup		24	24
Canadian Tire Corp Ltd		11	11
CapitaCommercial Trust (REIT)		14	13
Capital One Financial		19	17
Carrefour		11	10
Castellum		11	
Caterpillar		15	13
CBR Group Inc		16	16
CDW Corp/DE		13	13
Celgene Corp		37	33
Centrica		20	18

(NOK million)	Organisation number	Storebrand	Storebrand
		Livsforsikring group	Livsforsikring AS
		Fair value	Fair value
Check Point Software Technologies Ltd		12	12
Chevron Corp		125	115
Cigna Corp		13	12
Cisco Systems		122	115
Clorox Corp		21	20
CNP Assurances		17	16
Coca-Cola		86	78
Colgate Palmolive		36	33
Coloplast B		14	13
Comcast Corp A		114	107
Compagnie Financiere Richemont SA		19	17
Conocophillips		34	32
Consolidated Edison		79	76
Costco Wholesale		21	18
CSX		16	14
Cummins		34	33
CVS Health		47	44
Dai Nippon Printing		17	17
Daiichi Sankyo		12	11
Daikin Industries		17	16
Daimler		35	30
Daiwa House Industry		22	21
Deere & Co		15	14
Dell Technologies Inc		13	12
Deutsche Post		16	13
Deutsche Telecom		34	30
Diageo		70	63
Digital Realty Trust Inc (REIT)		15	15
Domino's Pizza Inc		17	17
Dover		23	22
Dow Chemical		27	24
DuPont (E.I) De Nemours		33	30
East Japan Railway		21	19
Eaton Corp PLC		47	45
Eaton Vance Corp		12	12
Ebay		27	26
Ecolab		37	35
Edison International		24	21
Edwards Lifescienc		12	11
Eisai		23	22
Elektro B		11	
Emerson Electric		13	11
Enbridge		50	47
Encana Corp		13	12
Enel		27	24
ENI S.p.A.		24	21

(NOK million)	Organisation number	Storebrand	Storebrand
		Livsforsikring group	Livsforsikring AS
		Fair value	Fair value
Entergy		36	34
EQT Corporation		33	32
Ericsson LM-B SHS		59	9
Essilor International		26	24
Exelon		43	41
Exxon Mobil		197	181
Facebook Inc.		128	117
Fast Retailing		17	16
Fedex Corp		21	19
First Capital Realty Inc		16	15
Flex Ltd		13	12
Ford Motor Co		43	41
Fortive Corp		13	12
Fuji Electric Co Ltd		12	12
Geberit AG Reg		30	29
General Electric		189	176
General Mills		37	35
Getinge Industrier B		11	
Gilead Sciences Inc		51	50
GlaxoSmithkline		51	44
Global Payments Inc		19	19
Goldcorp Inc		13	12
Grainger (WW)		30	29
Hancock Timberland VIII Inc		373	373
Hasbro		18	18
HCP Inc (REIT)		14	14
Henkel AG & Co KGaA (pref shs)		21	19
Henkel AG & KGAA		14	13
Hennes & Mauritz B		100	15
Henry Schein Inc.		20	20
Hershey Foods Common		29	28
Hess Corp		26	25
Hexagon B SEK		28	
Hochtief		10	10
Home Depot		120	112
Honda Motor		32	29
Host Hotels & Resorts Inc (REIT)		13	12
Humana Inc		27	25
Huntington Ingalls		36	36
Iberdrola		52	49
IDEXX Laboratories Inc		14	14
IHS Markit Ltd		12	12
Illinois Tool Works		13	11
Inditex SA		28	25
Ingersoll-Rand PLC		23	22
Inpex Holdings Inc		21	20

(NOK million)	Organisation number	Storebrand	Storebrand
		Livsforsikring group	Livsforsikring AS
		Fair value	Fair value
Intel		126	118
International Business Machines Corp		115	108
Interpublic Group		19	19
Itochu Corp		16	15
Japan Post Bank Co Ltd		15	15
Japan Post Holdings Co Ltd		14	14
Johnsen & Johnsen		218	204
Johnson Controls International plc		18	16
Johnson Matthey		13	12
Juniper Networks		23	22
Kao		26	25
KDDI Corp		26	24
Kellogg Co		40	39
KERING		29	28
Kimberly-Clark		46	44
Kinder Morgan		19	17
Kingfisher		16	15
Komatsu		12	11
Koninklijke Ahold Delhaize NV		18	16
Koninklijke DSM NV		18	17
Koninklijke Philips		32	30
Kroger		21	19
Kubota		14	13
L Brands Inc		22	21
Liberty Broadband Corp		10	10
Liberty Property Trust (REIT)		19	19
Liberty SiriusXM Group SERIES A		10	10
Lilly Eli		55	51
LKQ CORP		11	11
Loblaw		19	17
L'Oreal SA		42	38
Lowe's Cos Inc		30	27
LVMH-Moët-Hennessy Louis		16	14
Macy's Inc.		13	12
Man SE		23	23
Manpower Group		29	28
Marathon Petroleum		15	14
Markel Corp		44	43
Mass Transit Railway Corporation		16	15
McDonald's Corp		48	43
McKesson Corp		12	10
MEDNAX Inc		11	11
Medtronic PLC		56	52
Merck		28	27
Merck & Co		119	112
MGM Resorts international		13	13
Microsoft		273	254

(NOK million)	Organisation number	Storebrand	Storebrand
		Livsforsikring group	Livsforsikring AS
		Fair value	Fair value
Mid-America Apartment Communities Inc		10	10
Mitsubishi Electric		20	19
Molson Coors Brewing USA		11	10
Mondelez International Inc		52	49
Monsanto		23	21
MSCI Inc		11	11
Murata Manufacturing		13	11
National Grid Plc		37	33
Nestle		143	127
Netflix Inc		21	19
Newfield Exploration		16	16
Nielsen Holdings PLC		16	16
Nike B		46	43
Nikon		22	21
Nissan Motor		31	30
Nokia A		15	14
Nomura Real Estate Master Fund Inc/New		14	14
Novartis		91	80
Novo-Nordisk B		42	38
Novozymes A/S (B shs)		13	12
NTT DoCoMo		27	25
NVIDIA		48	44
NXP Semiconductors NV		18	17
Occidental Petroleum		29	27
ONEOK INC		24	23
Oracle Corp Japan		17	16
Oracle Corporation		62	56
Orange		12	10
Osaka Gas		26	25
Panasonic Corp		32	30
PAYPAL HOLDINGS INC		30	30
Pembina Pipeline Corp		16	16
Pepsico Inc		128	121
Pernod-Ricard		14	12
Peugeot		23	22
Pfizer		115	107
PG&E Corp.		72	70
Phillips 66 Corp		17	15
Praxair		71	69
Price (T. Rowe) Group		16	15
Principal Financial Grp		14	13
Procter & Gamble		137	127
Prologis Inc (REIT)		32	30
Qualcomm		75	71
Quintiles IMS Holdings Inc		14	14
Reckitt Benckiser		43	38
Regency Centers Corp (REIT)		35	34

(NOK million)	Organisation number	Storebrand	Storebrand
		Livsforsikring group	Livsforsikring AS
		Fair value	Fair value
Relx NV		18	16
Relx Plc		27	25
Repsol SA		22	21
Resmed Inc		20	20
Roche Holding Genuss		77	67
Rockwell Automation		27	26
Royal Caribbean Cruises USD		23	23
Royal Dutch Shell A (GBP)		82	72
Royal Dutch Shell B (GBP)		81	75
S&P Global Inc		17	16
Sabre Corp		13	13
Salesforce.Com Inc		14	12
Sandvik		43	6
Sanofi		67	58
Sap SE		44	38
Schlumberger		80	75
Schneider Electric		36	33
Sealed Air		14	13
Securitas B		13	
Sekisui Chemical		23	23
Sempra Energy		24	22
Seven Generations Energy Ltd		11	11
Sherwin-Williams Co		15	13
Shire PLC		22	18
Shiseido		15	14
Siemens		53	46
Signature Bank/New York NY		20	20
Skanska B		34	8
Sky Plc		14	13
Softbank Group Corp		23	19
Sonova Holding AG		29	28
Sony		34	32
Southwest Airlines		17	17
Staples		17	16
Starbucks Corp		60	56
Stmicroelectronics		14	13
Subsea 7 S A		35	34
Sumitomo Mitsui Trust Holdings		23	22
Svenska Cellulosa AB (B shs)		55	6
Swisscom		31	30
Symantec		28	27
Syngenta AG		14	12
Sysco Corp		16	15
YSMEX Corporation		12	12
T&D HOLDINGS		20	19
Takeda Pharmaceutical		18	16
Target Corporation		33	31

(NOK million)	Organisation number	Storebrand Livsforsikring group Fair value	Storebrand Livsforsikring AS Fair value
Teijin		12	12
Tele2 B		17	
Telecom Italia Spa		12	12
Telefonica		16	13
Telefonica Deutschland Holding AG		14	14
Telenet Group Holding N.V.		26	26
Telus Corp		30	29
Terumo		22	21
Tesla Motors, Inc		18	16
Tesoro Corp		18	18
Teva Pharmaceutical Ind Ltd		13	13
Texas Instruments		54	50
The Priceline Group Inc		25	22
Thomson Reuters Corp		25	24
Time Warner		60	57
TJX Companies		20	18
Tokyo Electron		19	18
Tokyo Gas		20	19
Toppan Printing		13	13
Toronto - Dominion Bank (CAD)		94	89
Toshiba		14	13
Total SA		42	37
Toyota Motor		109	100
Trelleborg B		11	
TUI AG (GBP)		11	11
Unilever GB		67	62
Unilever NL		31	26
Union Pacific Corp		37	33
United Health Group		74	67
United Parcel Services		66	62
United Technologies		53	49
United Utilities Water PLC		11	10
Upm-Kymmene		18	16
Valero Energy		13	12
Valspar Corp/The		11	11
Varian Medical Systems		29	28
Ventas Inc (REIT)		17	16
Verizon Communications		93	84
Vestas Wind System		15	14
VF Corp		26	24
Vodafone Group		48	43
Volvo B		66	9
Walgreens Boots Alliance Inc		24	21
Wallenstam AB (B shs)		13	
Walt Disney		112	105
Waste Connections Inc		16	14
Waste Mangement		26	26

(NOK million)	Organisation number	Storebrand	Storebrand
		Livsforsikring group	Livsforsikring AS
		Fair value	Fair value
Waters Corp		14	14
Weyerhaeuser Co (REIT)		32	30
WhiteWave Foods Co/The		13	13
Whole foods Market		17	16
Woolworth Australia		33	31
WPP Plc		30	27
WR Grace & Co		12	12
Wyndham Worldham Corporation		20	20
Xylem Inc		31	30
Other equities		3,499	1,746
Total other equities foreign		16,907	13,677
Total equities		21,597	17,673
Of which listed equities		20,872	17,258

Units

AIPP Asia	82	
Allianz Europe Small Cap AT EUR	60	
Ascensus Balanserad	18	
Ascensus Offensiv	12	
AXA European Retail Income Venture	39	39
Bain Capital Fund VII P581&P985	20	20
BlackRock Asia Property Fund III (MGPA)	61	61
Blackrock Global Allocation	86	
Blackrock Global Small Cap	31	
BlackRock Global SmallCap Fund A2	16	16
Blackrock World Energy	46	
Blackrock World Gold	72	
Carnegie Sverige	202	
Cicero World 0-100	451	
Cicero World 0-40	30	
Contrarien 65	23	
CS Infra SICAR	425	
Delphi Emerging	116	108
Delphi Europe	158	158
Delphi Global	290	290
Delphi Kombinasjon	76	76
Delphi Nordic	493	493
Delphi Norge	357	357
DNB Småbolagsfond	29	
DNB Sweden Micro Cap	233	
East Capital Eastern Europe	162	18
East Capital Russian Fund	277	61
Eastspring Investments - Japan Dynamic Fund	52	28
EISER Infrastructure Capital Equity Partners 1-B	200	200
Enter Sverige	691	
EPISO	11	

(NOK million)	Organisation number	Storebrand	Storebrand
		Livsforsikring group	Livsforsikring AS
		Fair value	Fair value
European Equity Fund		30	
Fidelity Asian Special Situations		425	
Finethic Microfinance fund Class D (SICAV-SIF)		44	
First State China Focus Fund USD		96	
First State Global Umbrella PLC - China Focus Fund		47	47
Fondsfinans Norge		34	34
Franklin India Fund		23	23
Franklin India Fund A Acc USD		225	
Frogmore Real Estate Partners L.P.		56	56
FSN Capital Limited Partnership II		11	11
Handelsbanken Latinamerikafond		25	18
Handelsbanken Tillväxtmarknadsfond		20	
Henderson Global Technology		93	
IKC 0-100		225	
IKC 0-50		74	
IKC Global Brand		79	
IKC Sverige Flexibel		39	
ISHARES MSCI EUROPE		105	
iShares MSCI Europe Ucits Etf		11	
JP Morgan Africa		15	
JP Morgan Global Focus		419	
JPMorgan Emerging Markets Small Cap Fund		120	
Lannebo Mixfond		349	
Lannebo Småbolag		888	
Lynx Dynamic		132	
Menlo Ventures IX		11	11
Mobilis Mix		95	
Monyx Strategi Balanserad AC		129	
Monyx Strategi Sverige-Världen AC		190	
Monyx Strategi Trygghet AC		166	
Morgan Stanley Latin American Equity Fund		38	
Naventi Balanserad Flex		120	
Naventi Defensiv		22	
Naventi Offensiv Flex		119	
Navigera		36	
Navigera Aktier		807	
Navigera Balans		773	
Navigera Dynamica 90		414	
Navigera Tillväxt		586	
Norron SICAV Target		448	
Ospreie Special Opportunities Ltd		21	21
Partners Group L. Private Equity		29	
Parvest Global Environment		67	
Placerum Balanserad I		25	
Rural Impulse Fund II S.A., SICAV-SIF - Class A		31	16
Schroder Frontier Markets Equity		53	10
SHB Amerikafond		124	

(NOK million)	Organisation number	Storebrand	Storebrand
		Livsforsikring group	Livsforsikring AS
		Fair value	Fair value
SHB Europa Selektiv		90	
SHB Latinamerikafond		166	
SHB Nordiska småbolagsfond		493	
SHB Tillväxtmarknadsfond		292	
Skagen Global Fund		882	345
Skagen Kon-Tiki		708	354
Solidar Agressiv PI		21	
Solidar Flex 100Plus		132	
Solidar Flex 40 Plus		36	
Solidar Flex 70 Plus		91	
SPDR MSCI ACWI ETF		37	
SPP Aktiefond Europa		1,393	
SPP Aktiefond Global		1,574	2
SPP Aktiefond Global Sustainability		1,726	
SPP Aktiefond Japan		375	1
SPP Aktiefond Stabil		127	
SPP Aktiefond Stabil - class A		383	383
SPP Aktiefond Sverige		3,689	4
SPP Aktiefond USA		2,456	4
SPP Emerging Markets SRI		2,004	1,087
SPP Generation 50-tal		11,035	
SPP Generation 60-tal		13,818	
SPP Generation 70-tal		5,840	
SPP Generation 80-tal		667	
SPP Global Plus		19	
SPP Global Plus - class A		552	
SPP Global Topp 100		671	
SPP Grön Obligationsfond		22	
SPP Mix 100		305	
SPP Mix 20		698	
SPP Mix 50		402	
SPP Mix 80		2,846	
SPP Sverige Plus - class A		200	
SPP Tillväxtmarknad Plus		12	
SPP Tillväxtmarknad Plus - class A		508	
SPP Tillväxtmarknad Plus - class A		4,913	2,622
Standard Life GARS		43	
Statoil Aksjer Europa		82	82
Statoil Aksjer Norge		358	358
Statoil Aksjer Pacific		47	47
Statoil Aksjer USA		233	233
Storebrand Delphi Europa		61	
Storebrand Delphi Norden		294	
Storebrand Delphi Verden		96	
Storebrand Emerging Private Equity Markets 2007 B3		245	245
Storebrand Emerging Private Equity Markets B3		227	227
Storebrand Global Indeks I		301	244

(NOK million)	Organisation number	Storebrand	Storebrand
		Livsforsikring group	Livsforsikring AS
		Fair value	Fair value
Storebrand Global Multifaktor		7,466	7,310
Storebrand Global Multifaktor NOK (ITP)		22	
Storebrand Global Verdi		372	372
Storebrand Indeks Alle Markeder		1,015	1,015
Storebrand Indeks Norge		4,188	4,188
Storebrand Indeks Nye Markeder		79	79
Storebrand Int. Private Eq. 15 Ltd - class B-1		12	
Storebrand Int. Private Eq. 15 Ltd - Class B-2		37	
Storebrand Int. Private Eq. 15 Ltd - Class B-4		181	181
Storebrand Int. Private Eq. 16 Ltd - Class B-3		12	
Storebrand Int. Private Eq. 16 Ltd - Class B-6		100	100
Storebrand International Private Equity 13 - B-3		86	
Storebrand International Private Equity 13 - B-4		309	286
Storebrand International Private Equity 14 - B-1		26	
Storebrand International Private Equity 14 - B-2		82	
Storebrand International Private Equity 14 - B-4		401	401
Storebrand International Private Equity IV - B2		55	55
Storebrand International Private Equity IX - B3		41	41
Storebrand International Private Equity IX - B3		247	
Storebrand International Private Equity V Ltd - B3		15	
Storebrand International Private Equity V Ltd - B3		370	370
Storebrand International Private Equity VI Ltd -B3		11	
Storebrand International Private Equity VI Ltd -B3		285	285
Storebrand International Private Equity VII Ltd-B3		19	
Storebrand International Private Equity VII Ltd-B3		436	436
Storebrand International Private Equity VIII LtdB3		345	
Storebrand International Private Equity VIII LtdB3		349	349
Storebrand International Private Equity X - B-2		40	
Storebrand International Private Equity X - B-3		652	443
Storebrand International Private Equity XI - B-2		51	
Storebrand International Private Equity XI - B-3		1,107	867
Storebrand International Private Equity XII - B-2		47	
Storebrand International Private Equity XII - B-3		163	
Storebrand International Private Equity XII - B-4		597	597
Storebrand Multi Strategy Limited - class C-5		14	
Storebrand Multi Strategy Ltd- class C-3		33	33
Storebrand Nordic Private Equity III Ltd.		142	117
Storebrand Norge		23	23
Storebrand Norge I		3,707	3,707
Storebrand Norwegian Private Equity 2006 Ltd. - B3		88	88
Storebrand Norwegian Private Equity 2007 Ltd. - B3		93	93
Storebrand Special Opportunities Ltd. - C3		104	104
Storebrand Trippel Smart		1,674	1,674
Storebrand Vekst		165	165
Storebrand Verdi		164	164
Svenska Bostadsfonden Institution 1 AB		57	
T Rowe Price US Smaller Companies		123	

(NOK million)	Organisation number	Storebrand	Storebrand
		Livsforsikring group	Livsforsikring AS
		Fair value	Fair value
T. Rowe Price US Large Cap Value Equity		29	
T. Rowe Price Asian ex-Japan Equity Fund		44	44
T. Rowe Price Global Natural Resources USD		48	
T. Rowe Price U.S. Large-Cap Value Equity A		61	61
Trygghet 75		3,148	
Trygghet 80		2,512	
Trygghet 85		786	
Trygghet 90		302	
Wand Partners		19	19
Wellington Global Health Care		307	
Wellington Global Health Care Equity Portfolio		147	147
Other units		1,029	314
Total units		107,922	32,536
Of which listed units		1,136	1,136
Total equities and other units		129,519	50,210

Note 35 - Bonds and other fixed-income securities

STOREBRAND LIVSFORSIKRING GROUP

(NOK million)	2016	2015
	Fair value	Fair value
Government bonds	46,095	53,361
Corporate bonds	31,632	33,904
Structured notes	29	
Collateralised securities	29,145	38,554
Bond funds	57,604	58,438
Total bonds and other fixed-income securities	164,506	184,257

	Storebrand Livsforsikring AS	SPP Pension & Försäkring AB	Euroben Life and Pension Ltd.
Modified duration	6.51	7.00	5.10
Average effective yield	1.8 %	0.9 %	0.5 %

The effective yield for each security is calculated using the observed market price. Calculated effective yields are weighted to give an average effective yield on the basis of each security's share of the total interest rate sensitivity.

STOREBRAND LIVSFORSIKRING AS

(NOK million)	2016	2015
	Fair value	Fair value
Government bonds	11,512	13,215
Corporate bonds	10,457	11,839
Collateralised securities	5,907	8,203
Bond funds	45,905	44,390
Total bonds and other fixed-income securities	73,780	77,647

Note 36 - Derivates

Storebrand Livsforsikring makes active use of financial derivatives. Derivative contracts are used in particular to make effective use of exposure to investment risk in order to create the potential for a sound long-term risk-adjusted investment return. Derivatives often provide a quicker, simpler and cheaper way to increase or reduce exposure to specific risks, and can also be used to protect the investment portfolio against adverse developments. The individual share and bond portfolios use financial derivatives to manage the overall risk exposure within the limits applied. Definitions of the various derivatives contracts used can be found in the "Terms and expressions" section.

NOMINAL VOLUME

Financial derivatives are related to underlying amounts which are not recognised in the statement of financial position. In order to quantify the scope of the derivatives, reference is made to amounts described as the underlying nominal principal, nominal volume, etc. Nominal volume is arrived at differently for different classes of derivatives, and provides some indication of the size of the position and risk the derivative presents.

Gross nominal volume principally indicates the size of the exposure, whilst net nominal volume provides some indication of the risk exposure. However, nominal volume is not a measure which necessarily provides a comparison of the risk represented by different types of derivatives. Unlike gross nominal volume, the calculation of net nominal volume also takes into account which direction of market risk exposure the instrument represents by differentiating between long (asset) positions and short (liability) positions.

A long position in an equity derivative produces a gain in value if the share price increases. For interest rate derivatives, a long position produces a gain if interest rates fall, as is the case for bonds. For currency derivatives, a long position results in a positive change in value if the relevant exchange rate strengthens against the NOK. Average gross nominal volume are based on daily calculations of gross nominal volume

STOREBRAND LIVSFORSIKRING GROUP

(NOK million)	Gross nominal volume ¹⁾	Gross booked value financial assets	Gross booked value financial liabilities	Net booked financial assets/liabilities	Amounts that can, but are not presented net in the balance sheet		Net amount
					Financial assets	Financial liabilities	
Interest derivatives	66,062	4,310	1,085		950	147	3,225
Currency derivatives	46,457	244	900		115	716	-657
Total derivatives 2016	112,519	4,553	1,985		1,065	864	2,568
Total derivatives 2015		4,252	3,020		3,024	1,812	1,232

1) Values 31.12.

STOREBRAND LIVSFORSIKRING AS

(NOK million)	Gross nominal volume ¹⁾	Gross booked value financial assets	Gross booked value financial liabilities	Net booked financial. assets/ liabilities	Amounts that can, but are not presented net in the balance sheet		Net amount
					Financial assets	Financial. liabilities	
Interest derivatives	18,765	1,002	199		950	147	803
Currency derivatives	38,786	132	848			716	-716
Total derivatives 2016		1,133	1,047		950	864	86
Total derivatives 2015		1,499	1,797		1,311	1,609	-298

1) Values 31.12.

Note 37 - Tangible fixed assets

STOREBRAND LIVSFORSIKRING GROUP

(NOK million)	Equipment	Vehicles	Fixtures & fittings	Real estate	2016	2015
Book value 01.01	8	1	25	428	462	408
Additions	4		6	16	27	24
Disposals	-3		-7	-3	-13	-1
Revaluation booked in balance sheet				13	13	26
Depreciation	-3		-12		-15	-20
Currency differences from converting foreign units			-1	-24	-25	26
Other changes			7	2	9	-2
Book value 31.12	6	1	19	432	458	462

DEPRECIATION PLAN AND FINANCIAL LIFETIME:

Deprecation plan:	Straight line
Equipment	3-10 year
Fixtures & fittings	3-5 year
Real estate	50 year

STOREBRAND LIVSFORSIKRING AS

(NOK million)	Equipment	Fixtures & fittings	2016	2015
Book value 01.01	4	10	14	19
Additions	4		4	5
Depreciation	-2	-5	-8	-10
Book value 31.12	5	6	11	14

DEPRECIATION PLAN AND FINANCIAL LIFETIME:

Deprecation plan:	Straight line
Equipment	3-5 years
Fixtures & fittings	5 years

Note 38 - Other receivables

(NOK million)	Storebrand Livsforsikring group		Storebrand Livsforsikring AS	
	2016	2015	2016	2015
Accounts receivable - not insurance related	75	97		
Receivables from brokers and clients' fund	459	242	372	88
Prepaid return tax	1,241	1,166		
Other current receivables	241	317	38	41
Total other receivables	2,015	1,822	410	129

Note 39 - Insurance liabilities by class of business

(NOK million)	Group pension	Group pension	Group life	Endowment	Annuity/ pension	Non-life	Storebrand Livsforsikring AS	
	private	public					2016	2015
	insurance	insurance	insurance	insurance	insurance	insurance		
Premium reserve	206,754	2,480	1,325	8,943	14,526		234,028	220,853
- of which RBNS	356	5	650	821	4		1,837	1,154
- of which IBNR	1,038	190	486	300	28		2,041	2,434
- of which premium income received in advance	1,665	11	130				1,806	1,912
Additional statutory reserves	5,550	173		214	857		6,794	5,160
Market value adjustment reserve	2,438	64	16	41	118		2,684	4,520
Premium fund	1,999	108					2,106	2,235
Deposit fund	553						553	475
Pensioners' surplus fund	12						12	3
Conditional bonus								
Other technical reserves						684	684	655
- of which RBNS						127	127	85
- of which IBNR						519	519	514
Total insurance liabilities	217,306	2,824	1,341	9,198	15,501	690	246,860	233,901

(NOK million)	BenCo		SPP Pension & Försäkring		Storebrand Livsforsikring group	
	2016	2015	2016	2015	2016	2015
Premium reserve	14,888	15,452	151,907	159,541	400,823	395,846
- of which RBNS	53	57	740	820	2,630	1,283
- of which IBNR					2,041	2,434
- of which premium income received in advance					1,806	1,912
Additional statutory reserves					6,794	5,160
Market value adjustment reserve					2,684	4,520
Premium fund					2,106	2,235
Deposit fund					553	475
Pensioners' surplus fund					12	3
Conditional bonus	1,579	2,879	5,663	6,457	7,241	9,336
Other technical reserves					684	655
- of which RBNS					127	85
- of which IBNR					519	514
Total insurance liabilities	16,467	18,331	157,570	165,998	420,897	418,229

ENDOWMENT INSURANCE

(NOK million)	Profit allocation	Not eligible for profit allocation	Investment choice	2016	2015
Premium reserve	2,527	1,434	4,983	8,943	7,790
Additional statutory reserves	214			214	211
Market value adjustment reserve	28	13		41	92
Total insurance liabilities	2,769	1,447	4,983	9,198	8,093

ANNUITY/PENSION INSURANCE

(NOK million)	Profit allocation	Investment choice	2016	2015
Premium reserve	10,946	3,580	14,526	15,115
Additional statutory reserves	857		857	716
Market value adjustment reserve	118		118	288
Total insurance liabilities	11,921	3,580	15,501	16,120

GROUP PENSION PRIVATE INSURANCE

(NOK million)	Company pension without investment choice	Paid-up policies without investment choice	Paid-up policies with investment choice	Company pension without profitsharing	Occupational pension without investment choice	Occupational pension with investment choice	Pension certificate without investment choice
Premium reserve	37,372	111,076	5,488	1,546	20	87	2
Additional statutory reserves	2,241	3,309					
Market value adjustment reserve	1,086	1,329		22			
Premium fund	1,984	13			1		
Deposit fund	5523						
Pensioners' surplus fund	12						
Total insurance liabilities	43,249	115,727	5,488	1,568	22	87	2

(NOK million)	Defined contribution pension with investment choice	Pension capital certificate without investment choice	Pension capital certificate with investment choice	2016	2015
Premium reserve	34,137	156	16,871	206,754	192,681
Additional statutory reserves				5,550	3,993
Market value adjustment reserve		2		2,438	4,047
Premium fund				1,999	2,042
Deposit fund				553	475
Pensioners' surplus fund				12	3
Total insurance liabilities	34,137	157	16,871	217,306	203,240

GROUP PENSION PUBLIC INSURANCE

(NOK million)	Defined benefit without investment choice	2016	2015
Premium reserve	2,480	2,480	4,041
Additional statutory reserves	173	173	240
Market value adjustment reserve	64	64	61
Premium fund	108	108	193
Total insurance liabilities	2,824	2,824	4 534

The table below shows the anticipated compensation payments (excl. repurchase and payment). The residual balance after 5 years is equal to the obligations.

TREND IN CLAIMS AND BENEFITS DISBURSED

(NOK mrd.)	Storebrand Livsforsikring AS	BenCo	SPP
0-1 year	10	6	2
1-5 years	20	11	3
More than 5 years	208	135	10
Total	237	152	15

NON-LIFE INSURANCE

(NOK million)	Storebrand Livsforsikring AS	
	2016	2015
Reinsurance share of technical insurance reserves	106	129
Total assets	106	129
Premium reserve	37	56
Claims reserve	646	598
- of which RBNS	127	85
- of which IBNR	519	514
Total assets	684	655
Market value adjustment reserve	6	13
Total insurance liabilities	690	668

MARKET VALUE ADJUSTMENT RESERVE

(NOK million)	2016	2015	Ending 2016
Equities and units	1,266	2,074	-808
Bond and other fixed income securities	1,417	2,446	-1,029
Total	2,684	4,520	-1,836

Note 40 - Change in insurance liabilities in life insurance

INSURANCE OBLIGATIONS IN LIFE INSURANCE - CONTRACTUAL OBLIGATIONS

(NOK million)	Premium-reserve	Additional statutory reserves	Market value adjustment reserve	Premium-, deposit-, and pension surplus fund
Book value 01.01	166,959	5,160	4,520	2,713
Changes in insurance obligations recognised in the Profit and Loss account				
2.1 Net realised reserves	1,510	1,490	-1,836	11
2.2 Profit on the return	119			382
2.3 The risk profit allocated to the insurance agreements				
2.4 Other allocation of profit	259			
2.5 Changes in insurance obligations from comprehensive income				
Total changes in insurance obligations recognised in the Profit and Loss account	1,889	1,490	-1,836	393
Non-realised changes in insurance liabilities				
3.1 Transfers between funds	85	145		-230
3.2 Transfers to/from the company				-205
Currency differences	-50			
Total non-realised changes in insurance liabilities	35	145		-435
Book value 31.12	168,884	6,794	2,684	2,671

(NOK million)	Other technical reserves non-life insurance	Storebrand Livsforsikring AS 2016	Storebrand Livsforsikring AS 2015
Book value 01.01	655	180,006	180,875
Changes in insurance obligations recognised in the Profit and Loss account			
2.1 Net realised reserves	34	1,209	-717
2.2 Profit on the return		501	329
2.3 The risk profit allocated to the insurance agreements			53
2.4 Other allocation of profit		259	
2.5 Changes in insurance obligations from comprehensive income			
Total changes in insurance obligations recognised in the Profit and Loss account	34	1,970	-335
Non-realised changes in insurance liabilities			
3.1 Transfers between funds			60
3.2 Transfers to/from the company	-5	-210	-639
Currency differences		-50	46
Total non-realised changes in insurance liabilities	-5	-260	-534
Book value 31.12	684	181,716	180,006

INSURANCE OBLIGATIONS IN LIFE INSURANCE - INVESTMENT CHOICE PORTFOLIO SEPARATELY

(NOK million)	Premie-reserve	Sum Storebrand Livsforsikring AS 2016	Sum Storebrand Livsforsikring AS 2015
Book value 01.01	53,894	53,894	41,893
Changes in insurance obligations recognised in the Profit and Loss account			
2.1 Net realised reserves	11,256	11,256	12,056
Total changes in insurance obligations recognised in the Profit and Loss account	11,256	11,256	12,056
Non-realised changes in insurance liabilities			
3.1 Transfers between funds			-60
Currency differences	-6	-6	5
Total non-realised changes in insurance liabilities	-6	-6	-55
Book value 31.12	65,144	65,144	53,894

Note 41 - Other liabilities

(NOK million)	Storebrand Livsforsikring group		Storebrand Livsforsikring AS	
	2016	2015	2016	2015
Accounts payable	132	159	43	31
Governmental fees and tax withholding	301	361	76	75
Received collateral in cash	2,953	2,296	763	894
Debt broker	458	279	458	279
Subordinated loan SPP Pension & Försäkring AB ¹⁾	663			
Other current liabilities	745	1,021	76	444
Total other current liabilities	5,252	4,116	1,415	1,722

1) Subordinated loan in SPP Pension & Försäkring AB of SEK 700 million MSEK that is reclassified to current liabilities. The loan is repaid in January 2017.

Note 42 - Hedge accounting

STOREBRAND LIVSFORSIKRING GROUP

FAIR VALUE HEDGING OF THE INTEREST RATE RISK AND CASH FLOW HEDGING OF THE CREDIT MARGIN

Storebrand uses fair value hedging for interest risk. The hedged items are financial assets and financial liabilities measured at amortised cost. Derivatives are recognised at fair value over profit or loss. Changes in the value of the hedged item that can be attributed to the hedged risk are adjusted in the book value of the hedged item and recognised in the income statement. The effectiveness of hedging is monitored at the individual security level.

Storebrand utilises cash flow hedging of its credit margin. The hedged items are liabilities that are measured at amortised cost. Derivatives are recognised at fair value in the accounts. The proportion of the gain or loss on the hedging instrument that is deemed to be effective hedging is recognised in total comprehensive income. The proportion is subsequently reclassified to profit or loss in step with the hedged item's effect on earnings.

Hedging instrument/hedged item

(NOK million)	2016					2015				
	Contract/ nominal value	Book value ¹⁾			Recognised in compre- hensive income	Contract/ nominal value	Book value ¹⁾			Recognised in compre- hensive income
		Assets	Liabilities	Booked			Assets	Liabilities	Booked	
Interest rate swaps	2,273	932			-197	2,273	1,137			234
Subordinated loans	-2,238		3,027	-13	137	-2,238		3,158	49	-207

1) Book values as at 31.12.

CURRENCY HEDGING OF NET INVESTMENT IN SPP

In 2016, Storebrand utilised cash flow hedging for the currency risk linked to Storebrand's net investment in SPP. 3 month rolling currency derivatives were used in which the spot element in these is used as the hedging instrument. In 2016, a time-limited subordinated loan of SEK 750 million was taken up. The loan was used as a hedging instrument relating to the hedging of the net investment in SPP. The effective share of hedging instruments is recognised in total profit. The net investment in SPP is partly hedged and therefore the expectation is that future hedge effectiveness will be around 100 per cent.

Hedging instrument/hedged item

(NOK million)	2016			2015		
	Contract/ nominal value	Book value ¹⁾		Contract/ nominal value	Book value ¹⁾	
		Assets	Liabilities		Assets	Liabilities
Currency derivatives	-4,700		51	-6,706		244
Subordinated loans as a hedge instrument	-750		722			
Underlying items		5,560			7,063	

1) Book values as at 31.12.

STOREBRAND LIVSFORSIKRING AS

FAIR VALUE HEDGING OF THE INTEREST RATE RISK AND CASH FLOW HEDGING OF THE CREDIT MARGIN

Storebrand uses fair value hedging for interest risk. The hedged items are financial assets and financial liabilities measured at amortised cost. Derivatives are recognised at fair value over profit or loss. Changes in the value of the hedged item that can be attributed to the hedged risk are adjusted in the book value of the hedged item and recognised in the income statement.

The effectiveness of hedging is monitored at the individual security level.

Storebrand utilises cash flow hedging of its credit margin. The hedged items are liabilities that are measured at amortised cost. Derivatives are recognised at fair value in the accounts. The proportion of the gain or loss on the hedging instrument that is deemed to be effective hedging is recognised in total comprehensive income. The proportion is subsequently reclassified to profit or loss in step with the hedged item's effect on earnings.

Hedging instrument/hedged item

(NOK million)	2016					2015				
	Contract/ nominal value	Book value ¹⁾		Recognised in compre- hensive income	Contract/ nominal value	Book value ¹⁾		Recognised in compre- hensive income		
		Assets	Liabilities			Booked	Assets		Liabilities	Booked
Interest rate swaps	2,273	932		-197	2,273	1,137		234		
Subordinated loans	-2,238		3,027	-13	137	-2,238	3,158	49	-207	

1) Book values as at 31.12.

Note 43 - Collateral

(NOK million)	Storebrand Livsforsikring group		Storebrand Livsforsikring AS	
	2016	2015	2016	2015
Collateral for Derivatives trading	2,179	1,719	1,102	722
Collateral received in connection with Derivatives trading	-3,087	-2,559	-763	-894
Total received and pledged collateral	-908	-840	339	-172

Collateral pledged in connection with futures and options are regulated on a daily basis in the daily margin clearing on individual contracts. Collateral is received and paid in the form of cash and securities.

Note 44 - Contingent liabilities

(NOK million)	Storebrand Livsforsikring group		Storebrand Livsforsikring AS	
	2016	2015	2016	2015
Uncalled residual liabilities re limited partnership	2,971	3,922	2,249	3,145
Total contingent liabilities	2,971	3,922	2,249	3,145

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

Note 45 - Transactions with related parties

Companies in the Storebrand Livsforsikring Group have 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 pensions savings, leasing of premises, and loans.

Internal transactions between group companies are eliminated in the consolidated financial statements, with the exception of transactions between the customer portfolio in Storebrand Livsforsikring AS and other units in the group. See further description in Note 1 Accounting Principles.

Also see note 24 Remuneration of senior employees and elected officers and note 32 Parent company's holding of equities in subsidiaries and associated companies.

(NOK million)	2016		2015	
	Sale/purchase of services	Receivables/liabilities	Sale/purchase of services	Receivables/liabilities
Group companies:				
Storebrand ASA	26	1	29	1
Storebrand Bank ASA	44	-10	34	-5
Storebrand Asset Management AS	-93	-2	-59	1
Storebrand Forsikring AS	108	13	79	31
Storebrand Baltic NUF			1	-3

Note 46 - Solvency II

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

Solvency II entered into force on 1 January 2016. In accordance with the Solvency II regulations, the first complete Solvency II annual report for 2016 will be reported to the financial markets in the first 6 months of 2017.

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

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

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

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

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

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

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

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

SOLVENCY CAPITAL

(NOK million)	31.12.16			
	Total	Tier 1 unlimited	Tier 1 limited	Tier 2
Share capital	3,540	3,540		
Share premium	9,711	9,711		
Reconciliation reserve	18,373	18,373		
<i>Including the effect of the transitional arrangement</i>	3,073	3,073		
Subordinated loans	7,198		2,575	4,623
Risk equalisation reserve	140			140
Total solvency capital	38,962	31,624	2,575	4,763
Total solvency capital available to cover the minimum capital requirement	35,529	31,624	2,575	1,330

The capital requirement in Solvency II appears as the total of changes in solvency capital calculated under different types of stress, less diversification. The largest part of the capital requirement appears from financial market stress and particularly relates to changes in interest rates and falls in the equity markets, as well as increased credit spreads. There is also the insurance risk, for which the most important capital requirement comes from stress relating to the transfer of existing customers within defined contribution pensions. The solvency capital requirement appears in the table below.

SOLVENCY CAPITAL REQUIREMENT AND -MARGIN

(NOK million)	31.12.16
Market	21,791
Counterparty	423
Life	5,180
Health	524
Operational	953
Diversification	-4,012
Loss-absorbing tax effect	-5,401
Total solvency requirement	19,457
Solvency margin	200.2 %
Minimum capital requirement	6,651
Minimum margin	534.2 %

Note 47 - Return on capital

STOREBRAND LIVSFORSIKRING AS

(NOK million)	2016		2015		2014		2013		2012	
	Booked return	Market return								
Contractual obligations total	6.0 %	4.8 %	5.2 %	4.3 %	5.2 %	6.3 %	3.0 %	4.6 %	5.6 %	6.2 %
As portfolio:										
Group defined benefit public			3.2 %	2.2 %	4.3 %	4.2 %				
Group defined benefit private	6.4 %	5.0 %	5.4 %	3.9 %	5.4 %	6.6 %				
Group defined benefit low							3.8 %	4.2 %	5.9 %	6.1 %
Group defined benefit standard							3.3 %	5.3 %	5.8 %	6.8 %
Group defined benefit high									5.7 %	7.1 %
Swedish branch	4.2 %	3.3 %	5.5 %	4.5 %	6.5 %	6.9 %	3.7 %	5.1 %	4.9 %	5.6 %
Paid-up policies	5.9 %	4.8 %	5.4 %	4.8 %	5.4 %	6.4 %	2.2 %	4.0 %	5.4 %	5.7 %
Individual	6.4 %	4.3 %	4.9 %	4.4 %	4.1 %	5.8 %	4.9 %	5.4 %	5.7 %	6.0 %

	2016	2015	2014	2013	2012
Return on capital company portfolio	4.7 %	3.0 %	5.0 %	4.2 %	5.4 %

Note 48 - Number of employees

(NOK million)	Storebrand Livsforsikring group		Storebrand Livsforsikring AS	
	2016	2015	2016	2015
Number of employees 31.12	1,383	1,555	786	843
Average number of employees	1,448	1,545	807	826
Fulltime equivalent positions 31.12	1,365	1,534	774	830
Average number of fulltime equivalents	1,426	1,524	794	814

The chief actuary's report

INSURANCE FUND AND RISK EQUALISATION FUND

With reference to the annual report for 2016 I confirm that the entered "Premium reserve", "Additional statutory reserves" and "Insurance obligations in life insurance" in the Statement of financial position have all been calculated in accordance with the Act on Insurance Activity and satisfy the requirements of the Financial Services Authority of Norway. This is also valid for the "Risk equalisation fund". From these calculations the corresponding allocations have been made in the Profit and Loss Account. The proposed allocations are in accordance with the Act on Insurance Activity.

Lysaker, 7 February 2017

- Translation - not to be signed -

Arne Kristian Hove
Chief Actuary

Declaration by the Members of the Board and the CEO

STOREBRAND LIVSFORSIKRING AS AND STOREBRAND LIVSFORSIKRING GROUP

On this date, the Board and CEO have discussed and approved the annual report and annual financial statements for Storebrand Livsforsikring AS and Storebrand Livsforsikring Group for the 2016 financial year and as per 31 December 2016.

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

In the best judgment of the Board and CEO the annual financial statements and consolidated financial statements for 2016 have been prepared in accordance with applicable accounting standards, and the information in the financial statements provides a fair and true picture of the assets, liabilities, financial standing and results as a whole of the parent company and the group as per 31 December 2016. In the best judgment of the Board and CEO the annual report provides a fair and true overview of important events during the accounting period and their effects on the annual financial statements and consolidated financial statements. In the best judgment of the Board and CEO the descriptions of the most important risk and uncertainty factors the group faces in the next accounting period, as well as the descriptions of related parties' significant transactions, also provide a fair and true overview.

Lysaker, 7 February 2017

The Board of Directors of Storebrand Livsforsikring AS

- Translation – not to be signed -

Odd Arlid Grefstad
- Chairman of the Board -

Ole Peik Norenberg

Tove Margrethe Storrødvann

Bodil Catherine Valvik

Erik Haug Hansen

Hans Henrik Klouman

Jan Otto Risebrobakken

Geir Holmgren (sign.)
- Chief Executive Officer -



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Translation from the original Norwegian version

To the General Meeting of Storebrand Livsforsikring AS

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Storebrand Livsforsikring AS. The financial statements comprise:

- The financial statements of the parent company, which comprise the statement of financial position as at 31 December 2016, and statement of comprehensive income, statement of changes in equity, cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the statement of financial position as at 31 December 2016, and statement of comprehensive income, statement of changes in equity, cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the parent company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying financial statements give a true and fair view of the financial position of the group as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, included International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

IT-systems and control activities relevant to financial reporting

Key audit matter	How the matter was addressed in the audit
The group Storebrand Livsforsikring AS (Storebrand Livsforsikring) has an extensive IT environment which includes several IT systems. The IT systems are	Storebrand Livsforsikring has established an overall governance model and control activities related to its IT- systems. We have gained an understanding of Storebrand Livsforsikring's

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Organisasjonsnummer: 980 211 282

IT-systems and control activities relevant to financial reporting, cont.

Key audit matter	How the matter was addressed in the audit
<p>both internally developed and standardized systems with varying degree of customizations and modifications.</p> <p>The operation of the IT systems is largely outsourced to various service providers.</p> <p>Storebrand Livsforsikring's IT systems are essential for the accounting and reporting of completed transactions, in order to provide the basis for important estimates and calculations, and to provide relevant notes. We refer to note 7 for a more detailed description of management and operation of IT systems in Storebrand Livsforsikring.</p> <p>Effective internal controls related to IT systems both at Storebrand and at the service providers is vital to ensure accurate, complete and reliable financial reporting and is therefore a key audit matter.</p>	<p>overall governance model for the IT-systems relevant to financial reporting.</p> <p>We assessed and tested the design of selected control activities relevant to financial reporting related to IT-operations, change management and information security. For a sample of these control activities, we tested if they operated effectively in the reporting period.</p> <p>We assessed and tested the design of selected automated control activities within the IT- systems related to calculations, reconciliations and settlement of transactions. For a sample of these control activities, we tested if they operated effectively in the reporting period.</p> <p>We assessed third-party confirmations (ISAE 3402 reports) from two of Storebrand Livsforsikring's service providers to assess whether these service providers had adequate internal controls in areas that are important for Storebrand's financial reporting.</p> <p>We used our own IT specialists to understand the overall governance model for IT and in the assessment and testing of the control activities related to IT.</p>

Measurement of insurance liabilities

Key audit matter	How the matter was addressed in the audit
<p>Measurement of the Group's insurance liabilities is based on various methods and models and on complex calculations and many assumptions related to future development and estimates which are uncertain.</p> <p>Note 1 includes a description of the relevant accounting policies, note 2 describes important accounting estimates and judgement, note 8 describes insurance risk and note 39 specifies the insurance liabilities.</p> <p>The calculation models, assumptions and estimates will be of particular significance for the measurement of the IBNS reserves related to risk products in life insurance. The calculation models and assumptions used to estimate future expected payments</p>	<p>Storebrand Livsforsikring has established various control activities related to the measurement of IBNS reserves for risk products in life insurance ("IBNS reserves"), and for insurance liabilities related to insurance contracts with guaranteed interest in the Swedish operations.</p> <p>For IBNS reserves we assessed and tested the design of selected control activities related to the input data, calculation models and determination of some assumptions. For a sample of these control activities, we tested if they operated effectively in the reporting period.</p> <p>For the measurement of the insurance liabilities related to insurance contracts with guaranteed interest in the Swedish operations, we assessed and tested the design of selected control activities related to the determination of certain assumptions about future expected payments and the determination of the yield curve used in the</p>

Measurement of insurance liabilities, cont.

Key audit matter	How the matter was addressed in the audit
<p>and to determine the yield curve used in the discounting, will be of particular significance for the measurement of the insurance liabilities related to insurance contracts with guaranteed interest in the Swedish operations. The calculation models, assumptions and estimates are crucial for the measurement of these insurance liabilities and therefore they are a key audit matter.</p>	<p>discounting. For a sample of these control activities, we tested if they operated effectively in the reporting period.</p> <p>We challenged the choice of models and assumptions used in measuring the IBNS reserves by performing our own simplified calculations of selected parts of the IBNS reserves. We used Storebrand's input data for the calculations.</p> <p>For the insurance liabilities related to insurance contracts with guaranteed interest in the Swedish operations we assessed selected assumptions related to future expected payments. We also compared the models and assumptions used by Storebrand Livsforsikring to determine the yield curve used in the discounting to the requirements in the Swedish regulations.</p> <p>We assessed whether the notes for the IBNS reserves and insurance liabilities related to insurance contracts with guaranteed interest in the Swedish operations were adequate.</p> <p>We have used our own actuaries to assess the choice of models, assumptions and estimates as well as when performing our own simplified calculations of selected parts of the IBNS reserves.</p>

Valuation of financial instruments and investment property (level 3)

Key audit matter	How the matter was addressed in the audit
<p>The value of financial instruments and investment property classified as level 3 investments according to IFRS («investments») amount to NOK mill 38.720 as of 31 December 2016, of which NOK mill 27.024 in investment property.</p> <p>Note 2 and 13 describes important accounting estimates and judgement related to valuation of level 3 investments.</p> <p>The valuation of investments not traded in active markets, level 3 investments, are uncertain and the valuations are based on several assumptions and estimates.</p> <p>The assumptions and estimates are crucial to the valuation, and the valuation of level</p>	<p>Storebrand Livsforsikring has established various control activities related to the valuation of investments classified as Level 3 in IFRS.</p> <p>We assessed and tested the design of selected control activities related to the determination of fair value of investment properties. For a sample of investment properties, we tested if these controls operated effectively in the reporting period.</p> <p>We assessed whether the valuation methods applied for investment properties and financial instruments were in accordance with industry valuation standards and practice.</p> <p>For a sample of investment properties and financial instruments, we compared the reported fair value to the valuations.</p>

Valuation of financial instruments and investment property (level 3), cont.

Key audit matter	How the matter was addressed in the audit
3 investments are therefore a key audit matter.	<p>For a sample of investment properties we assessed the changes in the applied discount rates and fair value changes throughout the year. We obtained and assessed Storebrand Livsforsikring's reasoning for the changes.</p> <p>We also assessed whether the notes related to the financial instruments and investment properties classified as Level 3 investments were adequate.</p>

Solvency II notes to the financial statements

Key audit matter	How the matter was addressed in the audit
<p>The new European solvency regulation for insurance companies, Solvency II entered into force 1 January 2016. The Solvency II directive is implemented in Norwegian law through the Norwegian Act on Financial Undertakings and Financial Groups and the Norwegian Solvency II regulation.</p> <p>The regulation of 18 December 2015 on Financial Statements for life insurance companies requires disclosures about Solvency II in the financial statements. Note 2 describes important accounting estimates and judgement and note 46 describes solvency capital including transitional rules, solvency capital requirement and solvency margin with transitional rules and important models, assumptions and estimates used in the calculations of these numbers.</p> <p>The models used as a basis for the calculation of solvency capital requirement and solvency capital including transitional rules are based on a number of requirements and assumptions that are partly specified in the regulations and partly interpreted by Storebrand Livsforsikring based on the regulations. The calculations of the solvency capital including transitional rules and solvency capital requirement are complex and are based on several uncertain assumptions and estimates. This also includes assumptions regarding future profit margins on insurance products. The models, assumptions and estimates used are crucial to the calculation of the solvency margin.</p>	<p>Storebrand Livsforsikring has established various control activities related to the calculation of solvency capital including transitional rules, solvency capital requirement, and solvency margin including transitional rules. We assessed and tested the design of selected control activities related to some of the calculations and to the determination of some assumptions and estimates, including selected assumptions resulting in the future profit margins on insurance products. For a sample of these control activities, we tested if they operated effectively in the reporting period.</p> <p>For selected parts of the Solvency II regulations, we assessed Storebrand Livsforsikring's interpretations against the Norwegian Act on Financial Undertakings and Financial Groups, the Norwegian Solvency II regulation and guidance from The Financial Supervisory Authority of Norway.</p> <p>We tested the accuracy of Storebrand Livsforsikring's calculation for selected expected cash flows for two insurance products. We used contract information received from Storebrand Livsforsikring, applied Storebrand Livsforsikring's assumptions and interpretations of the Solvency II regulations and performed a simplified calculation of the expected cash flows. We reconciled our estimates with Storebrand Livsforsikring's and evaluated the results.</p> <p>We tested the accuracy of selected parts of one type of asset stress included in Storebrand Livsforsikring's calculation of the solvency capital requirement. We used information received from Storebrand Livsforsikring regarding the fair value and allocation to the different insurance products, applied Storebrand Livsforsikring's assumptions and interpretations of the Solvency II regulations and performed a simplified calculation of the asset stress and the aggregation to the solvency capital</p>

Solvency II notes to the financial statements, cont.

Key audit matter	How the matter was addressed in the audit
The fact that compliance with the solvency capital requirement and the minimum capital requirement according to the Norwegian Act on Financial Undertakings and Financial Groups is a basis for the going concern assumption and that the calculations are complex and are based on several assumptions and estimates causes it to be a key audit matter.	<p>requirement. We reconciled our calculations with Storebrand Livsforsikring's and evaluated the results.</p> <p>We assessed whether the solvency margin with transitional rules and the minimum margin met the solvency capital requirement and the minimum capital requirement in the Norwegian Act on Financial Undertakings and Financial Groups.</p> <p>We assessed the adequacy of the notes on Solvency II with regards to the requirement in the regulation as of 18. December 2015 on Financial statements for life insurance companies.</p> <p>We used our own actuaries when performing the work.</p>

Other information

Management is responsible for the other information. The other information comprises the Annual Report for 2016, but does not include the financial statements and the auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation and fair presentation of the financial statements of the parent company in accordance with Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the financial statements of the group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the parent company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The financial statements of the group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee

that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, included International Standards on Auditing (ISAs), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (*ISAE*) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 7 February 2017
Deloitte AS

Henrik Woxholt

State Authorised Public Accountant (Norway)

Translation has been made for information purposes only

Terms and expressions

GENERAL

Subordinated loan capital

Subordinated loan capital is loan capital that ranks after all other debt. Subordinated loan capital forms part of the tier 2 capital for solvency capital calculations.

Duration

Average remaining term to maturity of the cash flow from interest-bearing securities. The modified duration is calculated based on the duration and expresses the sensitivity to the underlying interest rate changes.

Equity

Equity consists of paid-in capital, retained earnings and minority interests. Paid-in capital includes share capital, share premium reserve and other paid-in capital. Retained earnings include other equity and reserves.

Solvency II

Solvency II is a common set of European regulatory requirements for the insurance industry. Under Solvency II, the size of the capital requirement will be determined by the amount of risk the company is exposed to.

INSURANCE

Reinsurance (Reassurance)

The transfer of part of the risk to another insurance company.

IBNR reserves (incurred but not reported)

Reserves for the compensation of insured events that have occurred, but not yet been reported to the insurance company.

RBNS reserves (reported but not settled)

Reserves for the compensation of reported, but not yet settled claims.

LIFE INSURANCE

RETURN ON CAPITAL

The booked return on capital shows net realised income from financial assets and changes in the value of real estate and exchange rate changes for financial assets, expressed as a percentage of the year's average capital in customer funds with guarantees and in the company portfolio, respectively. The market return shows the total income realised from financial assets, changes in the value of real estate and the year's change in unrealised gains or losses, expressed as a percentage of the year's average total capital in customer funds with guarantees and in the company portfolio, respectively, at market value.

GROUP CONTRACTS

Group defined benefit pensions (DB)

Guaranteed pension payments from a specified age for as long as the insured person lives. Alternatively, it can be agreed that the pension will end at a specified age. The product is offered in both the private and public sectors. The cover includes retirement, disability and survivor pensions.

Group defined contribution pensions (defined contribution – DC)

In group defined contribution pensions the premium is stated as a percentage of pay, while the payments are unknown. The customer bears all the financial risk during the saving period.

Group one-year risk cover

These products involve guaranteed payments upon death or disability, and a waiver of premiums in the event of disability.

Paid-up policies (benefit) and pension capital certificate (contribution)

These are contracts with earned rights that are issued upon withdrawal from or the termination of pension contracts.

Group life insurance

Group life insurance in which an insured sum is payable on the death of a member of the group. Such insurance can be extended to cover disability insurance.

Unit Linked

Life insurance offering an investment choice, whereby the customer can influence the level of risk and return by selecting in which funds assets are to be invested. Applies to both individual policies and group defined contribution pensions.

INDIVIDUAL CONTRACTS

Individual allocated annuity or pension insurance

Contracts with guaranteed payments for as long as the insured person lives. Alternatively, it can be agreed that the pension will end at a specified age.

Individual endowment insurance

Contracts involving a single payment in the event of attaining a specified age, death or disability.

Individual Unit Linked insurance

Endowment insurance or allocated annuity in which the customer bears the financial risk.

Contractual liabilities

Allocations to premium reserves for contractual liabilities shall, as a minimum, equal the difference between the capital value of the company's future liabilities and the capital value of future net premiums (prospective calculation method). Additional benefits due to an added surplus are included.

RESULT

Administration result

The administration result is the difference between the premiums paid by customers pursuant to the tariff and the company's actual operating costs. The income consists of fees based on the size of customer assets, premium volumes or numbers in the form of unit prices. Operating costs consist of, among other things, personnel costs, marketing, commissions and IT costs.

Financial result

The financial result consists of the net financial income from financial assets for the group portfolio (group and individual products without any investment choice) less the guaranteed return.

Risk result

The risk result consists of premiums the company charges to cover insurance risks less the actual costs in the form of insurance reserves and payments for insured events such as death, pensions, disability and accidents.

Profit sharing and profit allocated to owner

See note 4.

OTHER TERMS

Insurance reserves – life insurance

For a more detailed description of the technical insurance reserves and accrual accounting for premiums and compensation, see note 1 – accounting policies.

Solidity capital

The term solidity capital includes equity, subordinated loan capital, market value adjustment reserve, additional statutory reserves, conditional bonuses, surplus/deficit related to bonds at amortised cost and retained earnings. The solvency capital is also calculated as a percentage of total customer funds, excluding additional statutory reserves and conditional bonuses.

FINANCIAL DERIVATIVES

The term "financial derivatives" embraces a wide range of financial instruments for which the current value and future price movements are determined by equities, bonds, foreign currencies or other traditional financial instruments. Derivatives require less capital than is the case for traditional financial instruments, such as equities and bonds, and are used as a flexible and cost-effective supplement to traditional instruments in portfolio management. Financial derivatives can be used to hedge against unwanted financial risks, or to create a desired risk exposure in place of using traditional financial instruments.

Share options

The purchase of share options confers a right (but not an obligation) to buy or sell shares at a pre-determined price. Share options may be related to stock market indices as well as to specific individual stocks. The sale of share options implies the equivalent one-sided obligation. In general, exchange traded and cleared options are used.

Stock futures (stock index futures)

Stock futures contracts can be related to individual shares, but are normally related to stock market indices. Stock futures contracts are standardised futures contracts, which are exchange traded, and are subject to established clearing arrangements. Profits and losses on futures contracts are recognised daily, and are settled on the following day.

Cross currency swaps

A cross currency swap is an agreement to exchange principal and interest rate terms in different currencies. At the maturity of the contract, the principal and interest rate terms are exchanged back to the original currency. Cross currency swaps are used, for example, to hedge returns in a specific currency or to hedge foreign currency exposure.

Forward Rate Agreements (FRA)

FRAs are agreements to pay or receive the difference between an agreed fixed rate of interest and the actual rate for a fixed amount and period of time. This difference is settled at the start of the future interest period. FRA contracts are particularly appropriate for the management of short-term interest rate exposure.

Credit derivatives

Credit derivatives are financial contracts that transfer all or part of the credit risk associated with loans, bonds and similar instruments from the purchaser of the protection (seller of the risk) to the seller of the protection (purchaser of the risk). Credit derivatives are transferable instruments that make it possible to transfer the credit risk associated with particular assets to a third party without selling the assets.

Interest rate futures

Interest rate futures contracts are related to government bond rates or short-term benchmark interest rates. Interest rate futures are standardised contracts which are exchange traded and are subject to established clearing arrangements. Profits and losses on futures contracts are recognised daily and settled on the following day.

Interest rate swaps/asset swaps

Interest rate swaps/asset swaps are agreements between two parties to exchange interest rate terms for a specified period. This is normally an agreement to exchange fixed rate payments for floating rate payments. This instrument is used to manage or change the interest rate risk.

Interest rate options

Interest rate options can be related to either bond yields or money market rates. The purchase of interest rate options related to bonds (also known as bond options) confers a right (but not an obligation) to buy or sell bonds at a pre-determined price. Interest rate options can be used as a flexible instrument for the management of both long and short-term interest rate exposure.

Forward foreign exchange contracts/swaps

Forward foreign exchange contracts/swaps relate to the purchase or sale of a currency for an agreed price at a future date. These contracts are principally used to hedge the currency exposure arising from securities, bank deposits, subordinated loans and insurance reserves. These contracts also include spot foreign exchange transactions.

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