



# Interim report 2018

Storebrand Livsforsikring AS (unaudited)

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# Storebrand Livsforsikring group

Storebrand Livsforsikring AS is a wholly owned subsidiary of the listed company Storebrand ASA. For information about the Storebrand Group's 1st quarter result please refer to the Storebrand Group's interim report for the 1st quarter of 2018. Storebrand Group's ambition is to be the best provider of pension savings. The Group offers an integrated product range spanning from life insurance, P&C insurance, asset management and banking to private individuals, companies and public sector entities. The Group is divided into the segments Savings, Insurance, Guaranteed Pension and Other.

## PROFIT STOREBRAND LIVSFORSIKRING GROUP

| (NOK million)                                  | 2018       |            | 2017       |            |            | 1.1 - 31.03 |            | Full year    |
|--|------------|------------|------------|------------|------------|-------------|------------|--------------|
|  | 1Q         | 4Q         | 3Q         | 2Q         | 1Q         | 2018        | 2017       | 2017         |
| Fee and administration income                  | 786        | 803        | 780        | 776        | 743        | 786         | 743        | 3,101        |
| Insurance result                               | 234        | 172        | 250        | 224        | 191        | 234         | 191        | 837          |
| Operational cost                               | -598       | -651       | -579       | -590       | -604       | -598        | -604       | -2,424       |
| <b>Operating profit</b>                        | <b>423</b> | <b>323</b> | <b>451</b> | <b>411</b> | <b>329</b> | <b>423</b>  | <b>329</b> | <b>1,514</b> |
| Financial items and risk result life & pension | 302        | -148       | 137        | 297        | 191        | 302         | 191        | 477          |
| <b>Profit before amortisation</b>              | <b>725</b> | <b>175</b> | <b>588</b> | <b>707</b> | <b>521</b> | <b>725</b>  | <b>521</b> | <b>1,992</b> |

The profit before amortisation was NOK 725m (NOK 521m) in the 1st quarter 2018. The figures in parenthesis are from the corresponding period last year. Total fee and administration income amounted to NOK 786m (NOK 743m) for the 1st quarter representing an increase of 5.8% compared with the same period last year. Adjusted for foreign currency, the income increased 4.8%. Savings had increased revenues of 7.8% in the quarter compared with the same period last year, and 5.0% adjusted for currency. The Insurance result had a total combined ratio of 82 % (89%) in the quarter.

The operating costs in the 1st quarter were NOK 598m (NOK 604m). The underlying cost control is strong. Volume growth within the Savings has resulted in a larger part of the Group's costs being allocated to this segment.

On the whole, the operating profit for the 1st quarter increased by 39% compared to the same period last year. The financial items and risk result is stable compared to the same period last year, but is driven by a non recurring reserve release in the guaranteed segment of NOK 149m in the quarter.

## PROFIT STOREBRAND LIVSFORSIKRING GROUP - BY BUSINESS AREA

| (NOK million)                     | 2018       |            | 2017       |            |            | 1.1 - 31.03 |            | Full year    |
|-----------------------------------|------------|------------|------------|------------|------------|-------------|------------|--------------|
|                                   | 1Q         | 4Q         | 3Q         | 2Q         | 1Q         | 2018        | 2017       | 2017         |
| Savings                           | 109        | 134        | 135        | 152        | 115        | 109         | 115        | 536          |
| Insurance                         | 155        | 0          | 186        | 149        | 126        | 155         | 126        | 462          |
| Guaranteed pensions               | 401        | 31         | 244        | 290        | 201        | 401         | 201        | 766          |
| Other                             | 60         | 10         | 24         | 117        | 78         | 60          | 78         | 228          |
| <b>Profit before amortisation</b> | <b>725</b> | <b>175</b> | <b>588</b> | <b>707</b> | <b>521</b> | <b>725</b>  | <b>521</b> | <b>1 992</b> |

The Savings segment reported a profit of NOK 109m (NOK 115m) in the 1st quarter 2018. Investments in growth increases costs in the Norwegian Unit linked business.

The Insurance segment reported a profit of NOK 155m (NOK 126m) in the 1st quarter. The risk result gives a claims ratio of 68% (72%) in the quarter, mainly due to reserves releases. The cost ratio is also reduced due to fewer FTEs allocated to the area.

The Guaranteed Pension segment achieved a profit before amortisation of NOK 401m (NOK 201m) for the 1st quarter. Fee and administration income increased by 2,8% compared with the same period last year. The products within Guaranteed Pension are in long-term runoff and reduced earnings from this segment are expected over time. Reserve releases related to longevity strengthens the risk results with NOK 149m and return from credit and real estate increase the financial results.

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

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

The Solvency II regulations were introduced on 1 January 2016. The Storebrand 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 165% at the end of the 1st quarter, including the transitional rules. Without transitional rules, the solvency margin was 160%. Storebrand uses the standard model for the calculation of Solvency II. The solvency margin without transitional rules were strengthened due to increased interest rates and strong results. Storebrand has reduced its subordinated debt by approximately NOK 600 million in the quarter, which has decreased the Solvency position with 2,5%-points. Increased interest rates and volatility adjustment, decreases the value of the technical provisions under Solvency II, and hence reduces the value of the transitional measures. This explains the reduction in the Solvency position including transitional measures.

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

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

On 7 February 2018, the Ministry of Finance invited interested parties to submit comments on a proposal to amend the tax regulations for insurance and pension undertakings with effect from FY 2018. If implemented as proposed, the preliminary analysis is that this will have limited impact for the Storebrand Livsforsikring Group.

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

The growth in Unit linked savings is driven by premium payments for existing contracts, returns and conversion from defined benefit schemes and increased savings levels. Assets under management in the United Linked business in Norway increased by NOK 21bn (32%) relative to the 1st quarter of 2017. In Norway, Storebrand is the market leader in Unit Linked occupational pension with 31% of the market share of gross premiums written (at the end of the 4th quarter 2017).

SPP has a market share of 14% in the Swedish market for other occupational pensions ("Övrig Tjänstepension", at the end of 4th quarter). Customer assets increased by SEK 0,3bn (0,4%) in the 1st quarter and SEK 5,3bn (6%) from the 1st quarter previous year.

The introduction of Individual Pension Savings (IPS) opened in November with satisfactory sales, and Storebrand appears to be the market leader. There have been converted around NOK 150m into paid up policies with investment choice during the first quarter.

The Silver transaction closed in the quarter. Around 20 thousand customers with NOK 10bn of assets have been moved and is fully intergrated into Storebrand.

# Savings

- Increased income due to higher volumes
- Increased costs due to growth in the business

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

## SAVINGS

| (NOK million)                                  | 2018       |            | 2017       |            |            | 1.1 - 31.03 |            | Full year<br>2017 |
|--|------------|------------|------------|------------|------------|-------------|------------|-------------------|
|  | 1Q         | 4Q         | 3Q         | 2Q         | 1Q         | 2018        | 2017       |                   |
| Fee and administration income                  | 398        | 407        | 382        | 385        | 369        | 398         | 369        | 1,543             |
| Insurance result                               |            |            |            |            |            |             |            |                   |
| - Insurance premiums f.o.a.                    |            |            |            |            |            |             |            |                   |
| - Claims f.o.a.                                |            |            |            |            |            |             |            |                   |
| Operational expenses                           | -283       | -273       | -244       | -243       | -253       | -283        | -253       | -1,013            |
| <b>Operating profit</b>                        | <b>116</b> | <b>134</b> | <b>138</b> | <b>141</b> | <b>116</b> | <b>116</b>  | <b>116</b> | <b>530</b>        |
| Financial items and risk result life & pension | -6         | 1          | -3         | 10         | -1         | -6          | -1         | 7                 |
| - Risk result life & pension                   | -4         | 1          | -3         | 10         | -1         | -4          | -1         | 7                 |
| - Financial result                             | -2         |            |            |            |            | -2          |            |                   |
| - Net profit sharing                           |            |            |            |            |            |             |            |                   |
| <b>Profit before amortisation</b>              | <b>109</b> | <b>134</b> | <b>135</b> | <b>152</b> | <b>115</b> | <b>109</b>  | <b>115</b> | <b>536</b>        |

## PROFIT

The Savings segment reported a profit before amortisation and tax of NOK 109m (NOK 115m) for the 1st quarter. Fee- and administration income increased by 7.8% for the quarter, 5.0% adjusted for currency. Income growth is driven by good returns, customer conversion from defined-benefit to defined-contribution pension schemes, new business and higher savings rates. For the Norwegian Unit linked products, increased competition contributes to margin pressure, while there are relatively stable margins in the Swedish business.

Operating expenses increased compared to 1st quarter previous year due to underlying growth in the business.

## MARKET AND SALES PERFORMANCE

The premiums for non-guaranteed occupational pensions were NOK 4.0bn in the 1st quarter, an increase of 6% from the same period last year. Total reserves within the Unit Linked business have increased by

17% over the last year and amounted to NOK 172bn at the end of the quarter. NOK 8.5bn was caused by the acquisition of Silver AS. Assets under management in the United Linked business in Norway increased by NOK 21bn (32%) relative to the 1st quarter of 2017. The growth is driven by premium payments for existing contracts, returns and conversion from defined benefit schemes and increased savings levels. In Norway, Storebrand is the market leader in Unit Linked occupational pension with 31% of the market share of gross premiums written (at the end of the 4th quarter 2017).

SPP has a market share of 14% in the Swedish market for other occupational pensions ("Övrig Tjänstepension", at the end of 4th quarter). Customer assets increased by SEK 0,3bn (0,4%) in the 1st quarter and SEK 5,3bn (6%) from the 1st quarter previous year.

## KEY FIGURES

| (NOK million)        | 2018    |         | 2017    |         |         |
|----------------------|---------|---------|---------|---------|---------|
|                      | 1Q      | 4Q      | 3Q      | 2Q      | 1Q      |
| Unit Linked Reserves | 171,749 | 167,849 | 157,984 | 151,425 | 147,311 |
| Unit Linked Premiums | 3,947   | 3,981   | 3,670   | 3,649   | 3,716   |

# Insurance

- Underlying risk development satisfying
- Run-off gains for Group Life improves result
- Less FTEs explains decrease in cost ratio

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

## INSURANCE

| (NOK million)                                  | 2018       |           | 2017       |            |            | 1.1 - 31.03 |            | Full year<br>2017 |
|--|------------|-----------|------------|------------|------------|-------------|------------|-------------------|
|  | 1Q         | 4Q        | 3Q         | 2Q         | 1Q         | 2018        | 2017       |                   |
| Fee and administration income                  |            |           |            |            |            |             |            |                   |
| Insurance result                               | 234        | 172       | 250        | 224        | 191        | 234         | 191        | 837               |
| - Insurance premiums f.o.a.                    | 742        | 699       | 720        | 705        | 673        | 742         | 673        | 2,797             |
| - Claims f.o.a.                                | -508       | -528      | -470       | -480       | -482       | -508        | -482       | -1,960            |
| Operational expenses                           | -99        | -124      | -113       | -119       | -117       | -99         | -117       | -472              |
| <b>Operating profit</b>                        | <b>135</b> | <b>48</b> | <b>137</b> | <b>106</b> | <b>74</b>  | <b>135</b>  | <b>74</b>  | <b>365</b>        |
| Financial items and risk result life & pension | 20         | -48       | 49         | 43         | 53         | 20          | 53         | 97                |
| - Risk result life & pension                   |            |           |            |            |            |             |            |                   |
| - Financial result                             | 20         | -48       | 49         | 43         | 53         | 20          | 53         | 97                |
| - Net profit sharing                           |            |           |            |            |            |             |            |                   |
| <b>Profit before amortisation</b>              | <b>155</b> | <b>0</b>  | <b>186</b> | <b>149</b> | <b>126</b> | <b>155</b>  | <b>126</b> | <b>462</b>        |

## PROFIT

Insurance delivered a profit before amortisation of NOK 155m (NOK 126m) for the 1st quarter. Overall combined ratio for the quarter was 82% (89%).

The combined risk result gives a claims ratio of 68% (72%) for the 1st quarter. Individual insurance coverage has a claims ratio lower than last year. Group Life delivers an underlying low risk result, however the claims ratio decrease due to run-off gains. The risk result for Group Disability Pension is significantly improved. During the period, there has been low disability, most likely due to recovery of economic conditions in Norway.

The cost ratio ended at 13% (17%) for the 1st quarter. Less FTEs allocated to Insurance explains the decrease from previous year.

Insurance's investment portfolio in Norway was NOK 6.6bn as of the 1st quarter, which is primarily invested in fixed income securities with a short to medium duration. The negative return last quarter explained by realization of losses. Return on investments is satisfying this quarter. <sup>1)</sup>

## MARKET AND SALES PERFORMANCE

Premium (annual) amounts to NOK 2.701m (NOK 2.692m) in the 1st quarter.

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

## PORTFOLIO PREMIUM (ANNUAL)

| (NOK million)                            | 2018         |              | 2017         |              |              |
|--|--------------|--------------|--------------|--------------|--------------|
|  | 1Q           | 4Q           | 3Q           | 2Q           | 1Q           |
| Individual life *                        | 641          | 642          | 640          | 637          | 635          |
| Group life **                            | 898          | 899          | 894          | 880          | 874          |
| Pension related disability insurance *** | 1,163        | 1,164        | 1,183        | 1,176        | 1,184        |
| <b>Portfolio premium</b>                 | <b>2,701</b> | <b>2,704</b> | <b>2,717</b> | <b>2,694</b> | <b>2,692</b> |

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

## KEY FIGURES

| (NOK million)         | 2018        |             | 2017        |             |             |
|-----------------------|-------------|-------------|-------------|-------------|-------------|
|                       | 1Q          | 4Q          | 3Q          | 2Q          | 1Q          |
| Claims ratio          | 68 %        | 75 %        | 65 %        | 68 %        | 72 %        |
| Cost ratio            | 13 %        | 18 %        | 16 %        | 17 %        | 17 %        |
| <b>Combined ratio</b> | <b>82 %</b> | <b>93 %</b> | <b>81 %</b> | <b>85 %</b> | <b>89 %</b> |

<sup>1)</sup> NOK 2.9bn of the investment portfolio is linked to disability coverages where the investment result goes to the customer reserves and not as a result element in the P&L.

# Guaranteed pension

- Long-term run off portfolio
- Risk result affected by release of longevity reserves

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

## GUARANTEED PENSION

| (NOK million)                                  | 2018       | 2017       |            |            |            | 1.1 - 31.03 |            | Full year  |
|--|------------|------------|------------|------------|------------|-------------|------------|------------|
|  | 1Q         | 4Q         | 3Q         | 2Q         | 1Q         | 2018        | 2017       | 2017       |
| Fee and administration income                  | 368        | 376        | 380        | 369        | 358        | 368         | 358        | 1,483      |
| Insurance result                               |            |            |            |            |            |             |            |            |
| - Insurance premiums f.o.a.                    |            |            |            |            |            |             |            |            |
| - Claims f.o.a.                                |            |            |            |            |            |             |            |            |
| Operational expenses                           | -200       | -240       | -212       | -216       | -221       | -200        | -221       | -889       |
| <b>Operating profit</b>                        | <b>168</b> | <b>136</b> | <b>169</b> | <b>153</b> | <b>137</b> | <b>168</b>  | <b>137</b> | <b>595</b> |
| Financial items and risk result life & pension | 233        | -105       | 75         | 137        | 64         | 233         | 64         | 171        |
| - Risk result life & pension                   | 183        | 18         | 9          | 6          | 34         | 183         | 34         | 67         |
| - Financial result                             |            |            |            |            |            |             |            |            |
| - Net profit sharing                           | 51         | -123       | 66         | 131        | 30         | 51          | 30         | 104        |
| <b>Profit before amortisation</b>              | <b>401</b> | <b>31</b>  | <b>244</b> | <b>290</b> | <b>201</b> | <b>401</b>  | <b>201</b> | <b>766</b> |

## PROFIT

Guaranteed Pension achieved a profit before amortisation of NOK 401m (NOK 201m) in the 1st quarter.

Fee and administration income has performed in line with the fact that a large part of the portfolio is mature and in long-term decline. Income was NOK 368m (NOK 358m) in the 1st quarter. This is equivalent to a growth of 2.8% compared with the previous year.

Operating costs amounted to NOK 200m (NOK 221m) in the 1st quarter. Operating costs are being reduced over time as a result of the area being in long-term run off.

The risk result amounted to NOK 183m (NOK 34) in the 1st quarter. The risk result generated in the Swedish business shows stable development. The risk result in the Norwegian business has over the last few year

been restricted as a result of the business volume decreasing, reserve strengthening due to the introduction of new collective disability pension and general disability developments during this period. In the 1st quarter the risk result was affected positively by dissolution of NOK 149m of longevity reserves.

The result from profit sharing and loan losses in the Guaranteed Pension segment consists of profit sharing and financial effects. The result was NOK 51m (NOK 30m) in the 1st quarter. The result was generated in the Swedish business and in turbulent equity markets, the good development in property and credit portfolios contributed to profit sharing. The Norwegian business is prioritising the build-up of buffers and reserves prior to profit sharing between customers and owners.

## BALANCE SHEET AND MARKET TRENDS

The majority of products are closed for new business, and the customers' choices of transferring from guaranteed to non-guaranteed products are in line with the Group's strategy. Customer reserves for guaranteed pensions amounted to NOK 259bn at the end of the 1st quarter, which represents a decrease of NOK 4.9bn in the quarter. The total premium income for guaranteed pensions (excluding transfers) was NOK 2.0bn (NOK 2.0bn) in the 1st quarter. Premiums have decreased over the last years.

In the Norwegian business, reserves for defined-benefit pensions in Norway amounted to NOK 34bn at the end of the 1st quarter, representing a reduction of NOK 2.5bn since year end 2017. The paid up policies, which amounted to 132bn at the end of the quarter grows due to the conversion from defined-benefit to defined contribution

pension schemes and NOK 1.5bn from the acquisition of Silver AS. As of the 4th quarter of 2014, customers were offered the opportunity to convert from traditional paid-up policies to paid-up policies with investment options. Paid-up policies with investment options are included in the Savings segment.

Guaranteed portfolios in the Swedish business totalled NOK 80bn at the end of the 1st quarter, which corresponds to a decrease of NOK 5.6bn in the quarter primarily due to weakening of SEK/NOK.

## KEY FIGURES

| (NOK million)                                       | 2018    |         | 2017    |         |         |
|---|---------|---------|---------|---------|---------|
|   | 1Q      | 4Q      | 3Q      | 2Q      | 1Q      |
| Guaranteed reserves                                 | 259,426 | 264,320 | 261,652 | 260,459 | 261,148 |
| Guaranteed reserves in % of total reserves          | 60.2 %  | 61.2 %  | 62.4 %  | 63.2 %  | 63.9 %  |
| Transfer out of guaranteed reserves                 | 118     | 117     | 103     | 199     | 541     |
| Buffer capital in % of customer reserves Storebrand | 6.2 %   | 7.2 %   | 5.2 %   | 5.3 %   | 5.4 %   |
| Buffer capital in % of customer reserves SPP        | 9.0 %   | 9.0 %   | 9.3 %   | 8.9 %   | 6.7 %   |



# Other

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

## OTHER

| (NOK million)                                  | 2018      |           | 2017      |            |           | 1.1 - 31.03 |           | Full year  |
|--|-----------|-----------|-----------|------------|-----------|-------------|-----------|------------|
|  | 1Q        | 4Q        | 3Q        | 2Q         | 1Q        | 2018        | 2017      | 2017       |
| Fee and administration income                  | 20        | 20        | 17        | 22         | 16        | 20          | 16        | 75         |
| Insurance result                               |           |           |           |            |           |             |           |            |
| - Insurance premiums f.o.a.                    |           |           |           |            |           |             |           |            |
| - Claims f.o.a.                                |           |           |           |            |           |             |           |            |
| Operational expenses                           | -16       | -15       | -10       | -12        | -13       | -16         | -13       | -50        |
| <b>Operating profit</b>                        | <b>5</b>  | <b>6</b>  | <b>7</b>  | <b>10</b>  | <b>3</b>  | <b>5</b>    | <b>3</b>  | <b>25</b>  |
| Financial items and risk result life & pension | 56        | 4         | 17        | 106        | 75        | 56          | 75        | 203        |
| - Risk result life & pension                   | 16        | -2        | 1         | -5         | 2         | 16          | 2         | -4         |
| - Financial result                             | 42        | 6         | 16        | 111        | 73        | 42          | 73        | 207        |
| - Net profit sharing                           | -3        |           |           |            |           | -3          |           |            |
| <b>Profit before amortisation</b>              | <b>60</b> | <b>10</b> | <b>24</b> | <b>117</b> | <b>78</b> | <b>60</b>   | <b>78</b> | <b>228</b> |

## PROFIT

The Other segment reported a profit of NOK 60m (NOK 78m) for the 1st quarter. Fee and administration income is associated to BenCo's business being wound down over a long-term.

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

The Storebrand Life Insurance Group is funded by a combination of equity and subordinated loans. Given the interest rate level at the end of the

1st quarter, interest expenses of approximately NOK 80m per quarter are expected. The company portfolios in the Norwegian and Swedish life insurance companies amounted to NOK 23bn at end of the quarter.

The investments are primarily in interest-bearing securities, with short maturities, in Norway and Sweden. The Norwegian company portfolio reported a return of 0.58% for the quarter. The Swedish company portfolio provided a return of 0.05% in the quarter.

# Balance sheet and capital situation

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

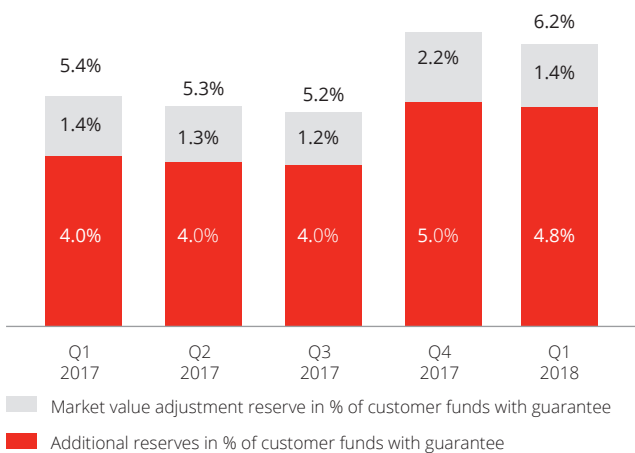
## STOREBRAND LIVSFORSIKRING GROUP

The Solidity capital<sup>1)</sup> measures the amount of IFRS capital available to cover customer liabilities. The solidity capital was 23.6% of guaranteed reserves, an increase of 0.7 percentage point from the previous quarter. The solidity capital amounted to NOK 58.8bn at the end of 1st quarter 2018, a decrease of NOK 5.1bn in 1st quarter. The change in the quarter is due to decreased customer buffers in the Swedish business (due to FX) and the Norwegian business and dividend to Storebrand ASA.

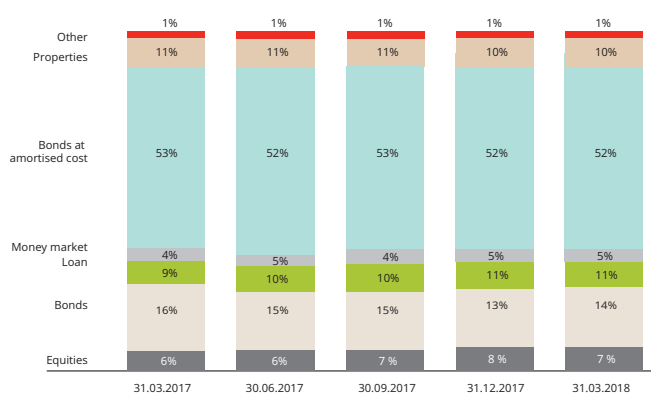
## STORBRAND LIVSFORSIKRING AS

The market value adjustment reserve decreased during the 1st quarter by 1.4bn and amounted to NOK 2.3bn at the end of the 1st quarter of 2018. The additional statutory reserves is almost unchanged in the 1st quarter and amounted to NOK 8.1bn at the end of the 1st quarter of 2018. The excess value of bonds and loans valued at amortised cost has been reduced by 2.2bn in the 1st quarter and amounted to NOK 6.3bn at the end of 1st quarter 2018. The excess value of bonds and loans at amortised cost is not included in the financial statements.

## CUSTOMER BUFFERS



## ALLOCATION OF GUARANTEED CUSTOMER ASSETS

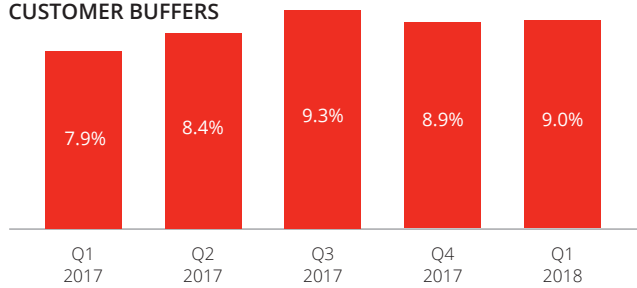


Customer assets increased by NOK 9.7bn in the 1st quarter due to positive returns and acquisition of Storebrand Silver's pension portfolio. Customer assets totalled NOK 269bn at the end of the 1st quarter of 2018. Customer assets within non-guaranteed savings increased NOK 9.0bn during the 1st quarter. Guaranteed customer assets increased NOK 0.7bn during the 1st quarter.

<sup>2)</sup> Consists of equity, subordinated loan capital, market value adjustment reserve, risk equalisation reserve, unrealised gains/losses on bonds and loans at amortised cost, additional statutory reserves, conditional bonuses.

**SPP**

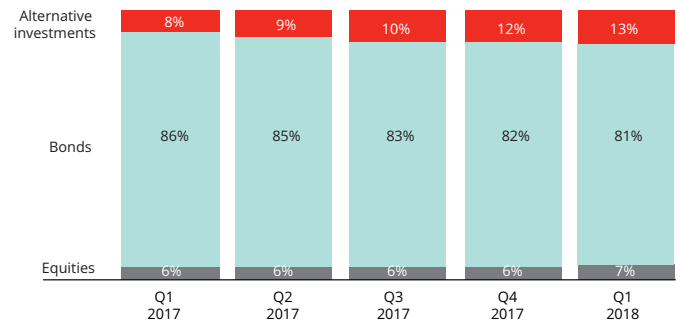
**CUSTOMER BUFFERS**



■ Conditional bonus in % of customer fund with guarantee

The buffer capital amounted to SEK 7bn (SEK 6.4bn) at the close of the 1st quarter.

**ALLOCATION OF GUARANTEED CUSTOMER ASSETS**



Total assets under management in SPP were SEK 170bn for the 1st quarter. This corresponds to an increase of 2.59% compared with the 1st quarter of 2017. For customer assets in non-guaranteed savings, assets under management totalled SEK 87.9bn (SEK 82.6bn) in the 1st quarter, which corresponds to an increase of 6.42%, compared with the 1st quarter of 2017.

# Outlook

## FINANCIAL PERFORMANCE

Storebrand is the market leader 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 total reserves within Unit Linked increased by 17% in the last 12 months. Continued good growth for defined-contribution pensions is expected in the future.

The loyalty programme for employees with companies that have a pension scheme at Storebrand remains an important area of focus. The competition in the market has resulted in pressure on margins, that in turn sets requirements for cost reductions and efficiency improvements 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 run off and the combined reserves for the Guaranteed Defined Benefit solutions are decreasing. However, there is continued growth in the reserves linked to paid-up policies due to companies choosing to convert existing defined-benefit schemes to defined-contribution schemes. It is expected that the growth in paid-up policies will decline in the the next few years and that there will be flat growth in reserves over several years before the reserves start to fall. The portfolio of paid-up policies makes a limited contribution towards the Group results with the present interest rates. Guaranteed reserves represent an increasingly smaller share of the Group's total pension reserves and were 60.2% at the end of the quarter, a 3.8%-point reduction from the previous year.

## 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 cautious

investments and building up buffer capital.

The level of the annual interest rate guarantee is gradually 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 adjusted its assets by building a robust portfolio with bonds at amortised cost to achieve the guaranteed interest rate. For insurance risk, increased longevity and the development in disability are the factors that have greatest influence on solvency. Operational risk is closely monitored and may also have an effect on solvency.

## INDIVIDUAL PENSION ACCOUNT

The consultation period for the Norwegian Ministry of Finance proposal for legislation regarding pension accounts was concluded 21 February 2018. The ministry is proposing a scheme for separate pension accounts that is based on existing pension accounts in active defined contribution schemes. Defined contribution capital certificates issued by previous employers would be transferred into the active scheme based on a principle of "negative acceptance". This means the customer actively has to make a choice to stay with its current provider. There is broad support for the main principles of the ministry's proposals in the consultation round.

All employees are members of the company's scheme, but it should be possible to opt to transfer retirement pension capital to be managed by other suppliers. An individual right to transfer of this kind that also applies to the active part of the pension account will be administratively demanding, and the Ministry of Finance is asking as part of its consultation whether the individual right to transfer should only apply to previous earnings. A majority of the consultation bodies support that individual retirement rights for the active part of the pension account should be considered later. The Ministry has announced that a bill will probably be presented to the Parliament in the autumn of 2018.

### **NEW PUBLIC SERVICE PENSION**

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

### **REPORT ON PAID-UP POLICIES**

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

The Working Group will be assessing the regulations for profit sharing, market value adjustment reserve and additional statutory reserves, as well as the transfer of pension assets. Changes in these parameters leading to more long term investment strategies are expected to have positive effects for customers and shareholders. The Working Groups report is expected summer 2018. Next step in a potential legislative process would be a proposal from the Ministry of Finance with a consultation period preceding a bill to parliament.

### **SOLVENCY II**

The standard model used for calculating capital requirements under Solvency II is under review. In this connection, the European Supervisory Authority, EIOPA, has consulted and delivered advice to the Commission on the basis of this. Among the most important questions for Storebrand are the treatment of the risk module for interest rate risk, loss-absorbing ability for deferred tax and risk margin. The proposal on the interest risk module from EIOPA is to a limited extent calibrated against other currencies than euro, and efforts are being made to illustrate the effects for NOK and SEK towards the Commis-

sion. Storebrand is working on analyzing the effects and possible adjustments. Final decisions are expected from the Commission during the year.

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

A proposal from the Ministry of Finance for changes in tax rules for insurance companies is being consulted until 7 May. The aim of the proposals is to establish a distinction between customer and corporate funds in terms of taxation. It is proposed that the changes will apply with effect from the tax year 2018. If implemented as proposed, the preliminary analysis is that this will have limited impact for the Storebrand Group.

### **CAPITAL MANAGEMENT**

Storebrand Group has established a framework for capital management that links dividends to the solvency margin and published a new dividend policy for 2018 and onwards. The goal is a solvency margin of above 150%, including transitional rules. The solvency margin at the end of the 1st quarter was 165% for the Storebrand group. 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. Reduction in capital requirements from guaranteed business and results from the Group are expected to gradually improve solvency. Volatility from financial markets and change in regulatory input parameters can lead to short term movements in the solvency margin. To reflect this, the Board's ambition is to pay a stable and growing base dividend combined with special dividends to reflect financial markets volatility and capital release. The expected capital release will lead to increased pay out ratio over time.

Lysaker, 24 April 2018

Board of directors Storebrand Livsforsikring AS

# Storebrand Livsforsikring group

## Statement of comprehensive income

| (NOK million)  | 01.01 - 31.03 |               |                |
|--|---------------|---------------|----------------|
|  | 2018          | 2017          | Year 2017      |
| <b>Technical account</b>   |               |               |                |
| Gross premiums written   | 6,986         | 6,733         | 23,173         |
| Reinsurance premiums ceded   | -10           | -22           | -54            |
| Premium reserves transferred from other companies  | 981           | 581           | 2,457          |
| <b>Premiums for own account</b>  | <b>7,957</b>  | <b>7,293</b>  | <b>25,577</b>  |
| Income from investments in subsidiaries, associated companies and joint ventures companies                           | 120           | 60            | 210            |
| Interest income and dividends etc. from financial assets   | 1,934         | 1,290         | 7,164          |
| Net operating income from properties   | 216           | 222           | 976            |
| Changes in investment value  | -1,404        | 1,277         | 1,775          |
| Realised gains and losses on investments   | 198           | 1,091         | 3,076          |
| <b>Total net income from investments in the collective portfolio</b>   | <b>1,063</b>  | <b>3,941</b>  | <b>13,200</b>  |
| Income from investments in subsidiaries, associated companies and joint ventures companies                           | 40            | 7             | 22             |
| Interest income and dividends etc. from financial assets   | -1            | -6            | 1,598          |
| Net operating income from properties   | 28            | 25            | 106            |
| Changes in investment value  | -1,980        | 4,859         | 10,698         |
| Realised gains and losses on investments   | 469           | 505           | 2,525          |
| <b>Total net income from investments in the investment selection portfolio</b>                                       | <b>-1,443</b> | <b>5,390</b>  | <b>14,950</b>  |
| <b>Other insurance related income</b>  | <b>551</b>    | <b>407</b>    | <b>1,963</b>   |
| Gross claims paid  | -5,178        | -4,533        | -18,802        |
| Claims paid - reinsurance  | 6             | 3             | 35             |
| Gross change in claims reserve   | -25           | 3             |                |
| Premium reserves etc. transferred to other companies   | -1,581        | -2,896        | -5,452         |
| <b>Claims for own account</b>  | <b>-6,778</b> | <b>-7,423</b> | <b>-24,219</b> |
| To (from) premium reserve, gross   | -379          | -261          | 1,205          |
| To/from additional statutory reserves  | 20            | 35            | -1,376         |
| Change in value adjustment fund  | 1,394         | 362           | -1,024         |
| Change in premium fund, deposit fund and the pension surplus fund  |               | -18           | -23            |
| To/from technical reserves for non-life insurance business   | 8             | -23           | 9              |
| Change in conditional bonus  | 40            | -515          | -1,527         |
| Transfer of additional statutory reserves and value adjustment fund from other insurance companies/<br>pension funds | -4            | -3            | -16            |
| <b>Changes in insurance obligations recognised in the Profit and Loss Account - contractual obligations</b>          | <b>1,079</b>  | <b>-422</b>   | <b>-2,752</b>  |
| Change in pension capital  | -786          | -6,349        | -23,673        |
| <b>Changes in insurance obligations recognised in the Profit and Loss Account - investment portfolio separately</b>  | <b>-786</b>   | <b>-6,349</b> | <b>-23,673</b> |
| Profit on investment result  |               |               | -441           |
| Risk result allocated to insurance contracts   |               |               | 4              |
| Other allocation of profit   | -1            |               | -129           |
| Unallocated profit   | -403          | -1,586        |                |
| <b>Funds allocated to insurance contracts</b>  | <b>-404</b>   | <b>-1,586</b> | <b>-566</b>    |

# Storebrand Livsforsikring group

## Statement of comprehensive income continue

| (NOK million)  | 01.01 - 31.03 |             |               |
|--|---------------|-------------|---------------|
|  | 2018          | 2017        | Year 2017     |
| Management expenses  | -51           | -141        | -221          |
| Selling expenses   | -175          | -167        | -727          |
| Change in pre-paid direct selling expenses   | 2             | 30          | 8             |
| Insurance-related administration expenses (incl. commissions for reinsurance received)     | -372          | -361        | -1,507        |
| <b>Insurance-related operating expenses</b>  | <b>-595</b>   | <b>-638</b> | <b>-2,447</b> |
| <b>Other insurance related expenses</b>  | <b>-68</b>    | <b>-117</b> | <b>-254</b>   |
| <b>Technical insurance profit</b>  | <b>577</b>    | <b>496</b>  | <b>1,778</b>  |
| <b>Non-technical account</b>   |               |             |               |
| Income from investments in subsidiaries, associated companies and joint ventures companies | 11            | -3          | 75            |
| Interest income and dividends etc. from financial assets                                   | 82            | 85          | 329           |
| Changes in investment value  | 19            | 58          | 37            |
| Realised gains and losses on investments   | -85           | 31          | 249           |
| <b>Net income from investments in company portfolio</b>                                    | <b>28</b>     | <b>171</b>  | <b>690</b>    |
| <b>Other income</b>  | <b>199</b>    | <b>141</b>  | <b>179</b>    |
| Management expenses  | -5            | -8          | -19           |
| Other expenses   | -124          | -374        | -1,027        |
| <b>Management expenses and other costs linked to the company portfolio</b>                 | <b>-128</b>   | <b>-382</b> | <b>-1,046</b> |
| <b>Profit or loss on non-technical account</b>   | <b>98</b>     | <b>-70</b>  | <b>-177</b>   |
| <b>Profit before tax</b>   | <b>675</b>    | <b>426</b>  | <b>1,601</b>  |
| Tax expenses   | -97           | -75         | 204           |
| <b>Profit before other comprehensive income</b>  | <b>579</b>    | <b>351</b>  | <b>1,805</b>  |
| Change in actuarial assumptions  | -2            | -3          | -91           |
| Change in value adjustment reserve own properties  | 23            | 94          | 130           |
| Adjustment of insurance liabilities  | -23           | -5          | -130          |
| Tax on other profit elements not to be classified to profit/loss                           |               | -94         | -4            |
| <b>Other comprehensive income not to be classified to profit/loss</b>                      | <b>-2</b>     | <b>-9</b>   | <b>-95</b>    |
| Profit/loss cash flow hedging  | -20           |             | 23            |
| Currency translation differences   | -448          | 108         | 379           |
| <b>Other profit comprehensive income that may be classified to profit /loss</b>            | <b>-468</b>   | <b>108</b>  | <b>402</b>    |
| <b>Other comprehensive income</b>  | <b>-471</b>   | <b>99</b>   | <b>307</b>    |
| <b>TOTAL COMPREHENSIVE INCOME</b>  | <b>108</b>    | <b>450</b>  | <b>2,112</b>  |
| <b>Profit is attributable to:</b>  |               |             |               |
| Majority share of profit   | 576           | 347         | 1,800         |
| Minority share of profit   | 3             | 4           | 5             |
| <b>Comprehensive income is attributable to:</b>  |               |             |               |
| Majority share of profit   | 109           | 445         | 2,105         |
| Minority share of profit   | -1            | 5           | 7             |

# Storebrand Livsforsikring group

## Statement of financial position

| (NOK million)   | 31.03.2018    | 31.03.2017    | 31.12.2017    |
|---|---------------|---------------|---------------|
| <b>Assets</b>   |               |               |               |
| <b>Assets in company portfolio</b>  |               |               |               |
| Goodwill  | 1,023         | 769           | 797           |
| Other intangible assets   | 3,290         | 3,721         | 3,573         |
| <b>Total intangible assets</b>  | <b>4,313</b>  | <b>4,489</b>  | <b>4,370</b>  |
| Properties at fair value  | 50            | 51            | 50            |
| Equities and units in subsidiaries, associated companies and joint ventures companies | 97            | 252           | 88            |
| Loans at amortised cost   | 2             | 1             | 2             |
| Bonds at amortised cost   | 3,111         | 3,173         | 3,023         |
| Deposits at amortised cost  | 1,228         | 584           | 400           |
| Equities and fund units at fair value   | 30            | 81            | 26            |
| Bonds and other fixed-income securities at fair value                                 | 21,610        | 22,793        | 24,977        |
| Derivatives at fair value   | 1,274         | 984           | 1,145         |
| <b>Total investments</b>  | <b>27,401</b> | <b>27,918</b> | <b>29,711</b> |
| Receivables in connection with direct business transactions                           | 788           | 798           | 581           |
| Receivables in connection with reinsurance transactions                               | 10            | 10            | 40            |
| Receivables with group company  | 71            | 81            | 81            |
| Other receivables   | 6,608         | 3,631         | 3,270         |
| <b>Total receivables</b>  | <b>7,477</b>  | <b>4,520</b>  | <b>3,973</b>  |
| Tangible fixed assets   | 344           | 465           | 504           |
| Cash, bank  | 2,100         | 1,806         | 2,139         |
| Tax assets  | 759           | 237           | 487           |
| Other assets designated according to type   | 846           | 778           | 858           |
| <b>Total other assets</b>   | <b>4,050</b>  | <b>3,285</b>  | <b>3,988</b>  |
| Pre-paid direct selling expenses  | 507           | 511           | 537           |
| Other pre-paid costs and income earned and not received                               | 184           | 158           | 124           |
| <b>Total pre-paid costs and income earned and not received</b>                        | <b>691</b>    | <b>669</b>    | <b>662</b>    |
| <b>Total assets in company portfolio</b>  | <b>43,932</b> | <b>40,881</b> | <b>42,704</b> |



# Storebrand Livsforsikring group

## Statement of financial position continue

| (NOK million)   | 31.03.2018     | 31.03.2017     | 31.12.2017     |
|---|----------------|----------------|----------------|
| <b>Assets in customer portfolios</b>  |                |                |                |
| Properties at fair value  | 24,186         | 22,141         | 24,450         |
| Properties for own use  | 1,347          | 2,689          | 1,408          |
| Equities and units in subsidiaries, associated companies and joint ventures companies | 2,690          | 1,711          | 2,513          |
| Loans to and securities issued by subsidiaries, associated companies                  | 37             | 38             | 39             |
| Bonds held to maturity  | 15,166         | 15,688         | 15,128         |
| Bonds at amortised cost   | 84,829         | 83,183         | 84,071         |
| Loans at amortised cost   | 21,445         | 17,548         | 21,425         |
| Deposits at amortised cost  | 4,397          | 3,818          | 4,603          |
| Equities and fund units at fair value   | 23,894         | 19,969         | 24,556         |
| Bonds and other fixed-income securities at fair value                                 | 96,968         | 110,914        | 101,623        |
| Financial derivatives at fair value   | 2,482          | 3,072          | 2,690          |
| Loans at fair value   | 4,733          | 2,462          | 4,940          |
| <b>Total investments in collective portfolio</b>                                      | <b>282,173</b> | <b>283,232</b> | <b>287,446</b> |
| <b>Reinsurance share of insurance obligations</b>                                     | <b>63</b>      | <b>106</b>     | <b>63</b>      |
| Properties at fair value  | 3,153          | 2,584          | 2,954          |
| Properties for own use  |                | 194            |                |
| Equities and units in subsidiaries, associated companies and joint ventures companies | 518            | 217            | 600            |
| Loans   |                | 833            |                |
| Deposits at amortised cost  | 282            | 290            | 355            |
| Equities and fund units at fair value   | 130,218        | 116,788        | 131,514        |
| Bonds and other fixed-income securities at fair value                                 | 38,481         | 27,975         | 33,419         |
| Loans at fair value   | 153            |                | 165            |
| Financial derivatives at fair value   | 91             | 17             | 33             |
| <b>Total investments in investment selection portfolio</b>                            | <b>172,894</b> | <b>148,897</b> | <b>169,040</b> |
| <b>Total assets in customer portfolio</b>   | <b>455,131</b> | <b>432,235</b> | <b>456,548</b> |
| <b>TOTAL ASSETS</b>   | <b>499,062</b> | <b>473,116</b> | <b>499,253</b> |
| <b>Equity and liabilities</b>   |                |                |                |
| Share capital   | 3,540          | 3,540          | 3,540          |
| Share premium   | 9,711          | 9,711          | 9,711          |
| <b>Total paid in equity</b>   | <b>13,251</b>  | <b>13,251</b>  | <b>13,251</b>  |
| Risk equalisation fund  | 34             | 139            | 143            |
| Other earned equity   | 11,310         | 10,739         | 12,370         |
| Minority's share of equity  | 116            | 120            | 114            |
| <b>Total earned equity</b>  | <b>11,460</b>  | <b>10,998</b>  | <b>12,627</b>  |
| Perpetual subordinated loan capital   | 2,104          | 2,099          | 2,103          |
| Dated subordinated loan capital   | 5,711          | 3,628          | 4,982          |
| Hybrid tier 1 capital   | 1,390          | 1,503          | 1,506          |
| <b>Total subordinated loan capital and hybrid tier 1 capital</b>                      | <b>9,204</b>   | <b>7,230</b>   | <b>8,591</b>   |

# Storebrand Livsforsikring group

## Statement of financial position continue

| (NOK million)  | 31.03.2018     | 31.03.2017     | 31.12.2017     |
|--|----------------|----------------|----------------|
| Premium reserves   | 258,766        | 260,803        | 262,513        |
| Additional statutory reserves  | 8,114          | 6,814          | 8,254          |
| Market value adjustment reserve  | 2,313          | 2,321          | 3,707          |
| Premium fund, deposit fund and the pension surplus fund                                | 2,402          | 2,550          | 2,564          |
| Conditional bonus  | 8,518          | 7,840          | 9,176          |
| Unallocated profit to insurance contracts  | 406            | 1,586          |                |
| Other technical reserve  | 623            | 707            | 631            |
| <b>Total insurance obligations in life insurance - contractual obligations</b>         | <b>281,144</b> | <b>282,620</b> | <b>286,845</b> |
| Pension capital  | 172,845        | 148,589        | 168,949        |
| <b>Total insurance obligations in life insurance - investment portfolio separately</b> | <b>172,845</b> | <b>148,589</b> | <b>168,949</b> |
| Pension liabilities etc.   | 134            | 96             | 143            |
| Deferred tax   | 92             | 267            | 96             |
| Other provisions for liabilities   |                | 3              |                |
| <b>Total provisions for liabilities</b>  | <b>226</b>     | <b>366</b>     | <b>239</b>     |
| Liabilities in connection with direct insurance  | 1,316          | 1,367          | 1,448          |
| Liabilities in connection with reinsurance   | 53             | 27             | 30             |
| Financial derivatives  | 2,065          | 1,967          | 1,876          |
| Liabilities to group companies   | 825            | 30             | 24             |
| Other liabilities  | 6,287          | 6,179          | 4,908          |
| <b>Total liabilities</b>   | <b>10,546</b>  | <b>9,570</b>   | <b>8,286</b>   |
| Other accrued expenses and received, unearned income                                   | 386            | 492            | 464            |
| <b>Total accrued expenses and received, unearned income</b>                            | <b>386</b>     | <b>492</b>     | <b>464</b>     |
| <b>TOTAL EQUITY AND LIABILITIES</b>  | <b>499,062</b> | <b>473,116</b> | <b>499,253</b> |

# Storebrand Livsforsikring group

## Statement of change in equity

| (NOK million)                                    | Majority's share of equity |               |                      |                        |               |                    |               | Total equity |
|--|----------------------------|---------------|----------------------|------------------------|---------------|--------------------|---------------|--------------|
|  | Share capital              | Share premium | Total paid in equity | Risk equalisation fund | Other equity  | Minority interests |               |              |
| <b>Equity at 31.12.2016</b>                      | <b>3,540</b>               | <b>9,711</b>  | <b>13,251</b>        | <b>140</b>             | <b>10,290</b> | <b>114</b>         | <b>23,796</b> |              |
| Profit for the period                            |                            |               |                      | -1                     | 348           | 4                  | 351           |              |
| Other comprehensive income                       |                            |               |                      |                        | 99            | 1                  | 99            |              |
| <b>Total comprehensive income for the period</b> |                            |               |                      | <b>-1</b>              | <b>446</b>    | <b>5</b>           | <b>450</b>    |              |
| <b>Equity transactions with owner:</b>           |                            |               |                      |                        |               |                    |               |              |
| Share issue                                      |                            |               |                      |                        |               |                    |               |              |
| Group contributions                              |                            |               |                      |                        |               |                    |               |              |
| Other  |                            |               |                      |                        | 2             |                    | 3             |              |
| <b>Equity at 31.03.2017</b>                      | <b>3,540</b>               | <b>9,711</b>  | <b>13,251</b>        | <b>139</b>             | <b>10,739</b> | <b>120</b>         | <b>24,249</b> |              |
| Profit for the period                            |                            |               |                      | 2                      | 1,798         | 5                  | 1,805         |              |
| Other comprehensive income                       |                            |               |                      |                        | 305           | 2                  | 307           |              |
| <b>Total comprehensive income for the period</b> |                            |               |                      | <b>2</b>               | <b>2,102</b>  | <b>7</b>           | <b>2,112</b>  |              |
| <b>Equity transactions with owner:</b>           |                            |               |                      |                        |               |                    |               |              |
| Share issue                                      |                            |               |                      |                        | -102          | 3                  | -99           |              |
| Group contributions                              |                            |               |                      |                        | 79            | -12                | 68            |              |
| Other  |                            |               |                      |                        |               | 1                  | 1             |              |
| <b>Equity at 31.12.2017</b>                      | <b>3,540</b>               | <b>9,711</b>  | <b>13,251</b>        | <b>143</b>             | <b>12,370</b> | <b>114</b>         | <b>25,878</b> |              |
| Profit for the period                            |                            |               |                      | -109                   | 684           | 3                  | 579           |              |
| Other comprehensive income                       |                            |               |                      |                        | -467          | -4                 | -471          |              |
| <b>Total comprehensive income for the period</b> |                            |               |                      | <b>-109</b>            | <b>217</b>    | <b>-1</b>          | <b>108</b>    |              |
| <b>Equity transactions with owner:</b>           |                            |               |                      |                        |               |                    |               |              |
| Share issue                                      |                            |               |                      |                        |               | 4                  | 4             |              |
| Dividend paid                                    |                            |               |                      |                        | -1,300        |                    | -1,300        |              |
| Other  |                            |               |                      |                        | 23            | -1                 | 22            |              |
| <b>Equity at 31.03.2018</b>                      | <b>3,540</b>               | <b>9,711</b>  | <b>13,251</b>        | <b>34</b>              | <b>11,310</b> | <b>116</b>         | <b>24,711</b> |              |

# Storebrand Livsforsikring

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

| Storebrand Livsforsikring<br>group           |               |  | Storebrand Livsforsikring AS |               |
|--|---------------|--|------------------------------|---------------|
| 2017   | 2018          | (NOK million)  | 2018                         | 2017          |
| <b>Cash flow from operational activities</b> |               |  |                              |               |
| 6,396  | 6,800         | Net received - direct insurance  | 4,873                        | 4,743         |
| -4,385                                       | -5,281        | Net claims/benefits paid - direct insurance                              | -2,879                       | -2,356        |
| -2,315                                       | -601          | Net receipts/payments - policy transfers                                 | -516                         | -2,218        |
| -343   | -5,630        | Net change insurance liabilities   | 374                          | -74           |
| 435  | 551           | Receipts - interest, commission and fees from customers                  | 144                          | 127           |
| -224   | -68           | Payments - interest, commission and fees to customers                    | -47                          | -214          |
| -615   | -595          | Net receipts/payments operations   | -349                         | -345          |
| -1,488                                       | -1,917        | Net receipts/payments - other operational activities                     | 322                          | -735          |
| <b>-2,539</b>                                | <b>-6,740</b> | <b>Net cash flow from operational activities before financial assets</b> | <b>1,922</b>                 | <b>-1,073</b> |
| -1,000                                       | -2,227        | Net receipts/payments - loans to customers                               | -20                          | -1,653        |
| 3,131  | 9,531         | Net receipts/payments - financial assets                                 | -1,515                       | 2,103         |
| -293,4                                       | 53,8          | Net receipts/payments - property activities                              |                              |               |
| 440  | 281           | Net change bank deposits insurance customers                             | 627                          | 499           |
| <b>2,278</b>                                 | <b>7,639</b>  | <b>Net cash flow from operational activities from financial assets</b>   | <b>-908</b>                  | <b>949</b>    |
| <b>-261</b>                                  | <b>899</b>    | <b>Net cash flow from operational activities</b>                         | <b>1,014</b>                 | <b>-123</b>   |
| <b>Cash flow from investment activities</b>  |               |  |                              |               |
|  | -520          | Net payments - sale/purchase of subsidiaries                             | -520                         |               |
| -15  | 158           | Net receipts/payments - sale/purchase of fixed assets                    |                              | -2            |
| <b>-15</b>                                   | <b>-362</b>   | <b>Net cash flow from investment activities</b>                          | <b>-520</b>                  | <b>-2</b>     |
| <b>Cash flow from financing activities</b>   |               |  |                              |               |
|  | 847           | Payment of subordinated loan capital                                     | 847                          |               |
|  | -118          | Repayment of subordinated loan capital                                   |                              |               |
| -236   | -47           | Payments - interest on subordinated loan capital                         | -47                          | -236          |
|  | -500          | Payment of dividend  | -500                         |               |
| <b>-236</b>                                  | <b>182</b>    | <b>Net cash flow from financing activities</b>                           | <b>182</b>                   | <b>-236</b>   |
| -512   | 719           | Net cash flow for the period   | 676                          | -361          |
| -2,790                                       | -6,920        | of which net cash flow for the period before financial assets            | 1,584                        | -1,310        |
| -512   | 719           | Net movement in cash and cash equivalent assets                          | 676                          | -361          |
|  | 35            | Cash at start of the period purchased/sold companies                     | 35                           |               |
| 2,915  | 2,540         | Cash and cash equivalents at start of the period                         | 1,265                        | 1,787         |
| -14  | 35            | Currency translation differences   |                              |               |
| <b>2,389</b>                                 | <b>3,328</b>  | <b>Cash and cash equivalent assets at the end of the period</b>          | <b>1,976</b>                 | <b>1,427</b>  |

# Storebrand Livsforsikring AS

## Statement of comprehensive income

| (NOK million)  | 01.01 - 31.03 |               |                |
|--|---------------|---------------|----------------|
|  | 2018          | 2017          | Year 2017      |
| <b>Technical account</b>   |               |               |                |
| Gross premiums written   | 5,078         | 5,058         | 16,357         |
| Reinsurance premiums ceded   | -5            | -6            | -31            |
| Premium reserves transferred from other companies  | 483           | 327           | 1,203          |
| <b>Premiums for own account</b>  | <b>5,556</b>  | <b>5,379</b>  | <b>17,529</b>  |
| Income from investments in subsidiaries, associated companies and joint ventures companies                           | 350           | 492           | 1,819          |
| of which from investment in property companies   | 382           | 478           | 1,750          |
| Interest income and dividends etc. from financial assets   | 1,386         | 494           | 5,035          |
| Changes in investment value  | -1,413        | 1,036         | 637            |
| Realised gains and losses on investments   | 115           | 744           | 2,073          |
| <b>Total net income from investments in the collective portfolio</b>   | <b>438</b>    | <b>2,765</b>  | <b>9,565</b>   |
| Income from investments in subsidiaries, associated companies and joint ventures companies                           | 75            | 77            | 271            |
| of which from investment in rproperty companies  | 76            | 77            | 271            |
| Interest income and dividends etc. from financial assets   | -4            | -7            | 1,581          |
| Changes in investment value  | -1,867        | 1,653         | 3,827          |
| Realised gains and losses on investments   | 436           | 505           | 2,520          |
| <b>Total net income from investments in the investment selection portfolio</b>                                       | <b>-1,359</b> | <b>2,229</b>  | <b>8,199</b>   |
| <b>Other insurance related income</b>  | <b>144</b>    | <b>127</b>    | <b>551</b>     |
| Gross claims paid  | -2,805        | -2,566        | -10,268        |
| Claims paid - reinsurance  | 8             | 3             | 13             |
| Premium reserves etc. transferred to other companies   | -999          | -2,545        | -3,829         |
| <b>Claims for own account</b>  | <b>-3,796</b> | <b>-5,107</b> | <b>-14,084</b> |
| To (from) premium reserve, gross   | -811          | -724          | -832           |
| To/from additional statutory reserves  | 20            | 33            | -1,371         |
| Change in value adjustment fund  | 1,394         | 362           | -1,024         |
| Change in premium fund, deposit fund and the pension surplus fund  |               | -18           | -23            |
| To/from technical reserves for non-life insurance business   | 8             | -23           | 9              |
| Transfer of additional statutory reserves and value adjustment fund from other insurance companies/<br>pension funds | -4            | -3            | -16            |
| <b>Changes in insurance obligations recognised in the Profit and Loss Account - contractual obligations</b>          | <b>607</b>    | <b>-372</b>   | <b>-3,257</b>  |
| Change in pension capital  | -407          | -2,708        | -15,232        |
| <b>Changes in insurance obligations recognised in the Profit and Loss Account - investment portfolio separately</b>  | <b>-407</b>   | <b>-2,708</b> | <b>-15,232</b> |
| Profit on investment result  |               |               | -441           |
| Risk result allocated to insurance contracts   |               |               | 4              |
| Other allocation of profit   |               |               | -131           |
| Unallocated profit   | -403          | -1,586        |                |
| <b>Funds allocated to insurance contracts</b>  | <b>-403</b>   | <b>-1,586</b> | <b>-568</b>    |

# Storebrand Livsforsikring AS

## Statement of comprehensive income continue

| (NOK million)  | 01.01 - 31.03 |             |               |
|--|---------------|-------------|---------------|
|  | 2018          | 2017        | Year 2017     |
| Management expenses  | -51           | -45         | -189          |
| Selling expenses   | -63           | -64         | -283          |
| Insurance-related administration expenses (incl. commissions for reinsurance received)     | -235          | -238        | -937          |
| <b>Insurance-related operating expenses</b>  | <b>-349</b>   | <b>-347</b> | <b>-1,409</b> |
| Other insurance related expenses after reinsurance share                                   | -47           | -107        | -138          |
| <b>Technical insurance profit</b>  | <b>384</b>    | <b>272</b>  | <b>1,156</b>  |
| <b>Non-technical account</b>   |               |             |               |
| Income from investments in subsidiaries, associated companies and joint ventures companies | -335          | 90          | 464           |
| of which from investment in property companies   |               |             |               |
| Interest income and dividends etc. from financial assets                                   | 87            | 88          | 345           |
| Changes in investment value  | 18            | 50          | 17            |
| Realised gains and losses on investments   | 254           | -20         | -55           |
| <b>Net income from investments in company portfolio</b>                                    | <b>24</b>     | <b>209</b>  | <b>771</b>    |
| <b>Other income</b>  | <b>145</b>    | <b>6</b>    | <b>16</b>     |
| Management expenses  | -4            | -4          | -17           |
| Other expenses   | -3            | -116        | -466          |
| <b>Total management expenses and other costs linked to the company portfolio</b>           | <b>-8</b>     | <b>-121</b> | <b>-483</b>   |
| <b>Profit or loss on non-technical account</b>   | <b>162</b>    | <b>94</b>   | <b>304</b>    |
| <b>Profit before tax</b>   | <b>546</b>    | <b>366</b>  | <b>1,460</b>  |
| Tax expenses   | -94           | -75         | 210           |
| <b>Profit before other comprehensive income</b>  | <b>452</b>    | <b>291</b>  | <b>1,670</b>  |
| Change in actuarial assumptions  |               |             | -7            |
| Tax on other profit elements not to be classified to profit/loss                           |               |             | -4            |
| <b>Other comprehensive income not to be classified to profit/loss</b>                      |               |             | <b>-11</b>    |
| Profit/loss cash flow hedging  | -20           | -5          | 23            |
| <b>Other comprehensive income that may be classified to profit /loss</b>                   | <b>-20</b>    | <b>-5</b>   | <b>23</b>     |
| Other comprehensive income   | -20           | -5          | 12            |
| <b>TOTAL COMPREHENSIVE INCOME</b>  | <b>431</b>    | <b>285</b>  | <b>1,682</b>  |

# Storebrand Livsforsikring AS

## Statement of financial position

| (NOK million)   | 31.03.2018     | 31.03.2017     | 31.12.2017     |
|---|----------------|----------------|----------------|
| <b>ASSETS</b>   |                |                |                |
| <b>ASSETS IN COMPANY PORTFOLIO</b>  |                |                |                |
| Goodwill  | 274            |                |                |
| Other intangible assets   | 91             | 125            | 94             |
| <b>Total intangible assets</b>  | <b>365</b>     | <b>125</b>     | <b>94</b>      |
| Equities and units in subsidiaries, associated companies and joint ventures companies | 12,832         | 13,515         | 13,168         |
| of which investment in property companies   |                |                |                |
| Loans at amortised cost   | 1              | 1              | 1              |
| Bonds at amortised cost   | 3,111          | 3,173          | 3,023          |
| Deposits at amoritised cost   | 1,224          | 578            | 400            |
| Equities and fund units at fair value   | 22             | 80             | 17             |
| Bonds and other fixed-income securities at fair value                                 | 14,999         | 13,377         | 15,801         |
| Derivatives at fair value   | 1,274          | 984            | 1,145          |
| <b>Total investments</b>  | <b>33,465</b>  | <b>31,708</b>  | <b>33,555</b>  |
| Receivables in connection with direct business transactions                           | 706            | 727            | 503            |
| Receivables in connection with reinsurance transactions                               |                | 10             | 4              |
| Receivables with group company  | 55             | 64             | 59             |
| Other receivables   | 1,277          | 631            | 782            |
| <b>Total receivables</b>  | <b>2,038</b>   | <b>1,432</b>   | <b>1,347</b>   |
| Tangible fixed assets   | 6              | 11             | 7              |
| Cash, bank  | 751            | 848            | 865            |
| Tax assets  | 661            | 100            | 381            |
| <b>Total other assets</b>   | <b>1,418</b>   | <b>959</b>     | <b>1,253</b>   |
| Other pre-paid costs and income earned and not received                               | 46             | 47             | 18             |
| <b>Total pre-paid costs and income earned and not received</b>                        | <b>46</b>      | <b>47</b>      | <b>18</b>      |
| <b>Total assets in company portfolio</b>  | <b>37,331</b>  | <b>34,272</b>  | <b>36,267</b>  |
| <b>Assets in customer portfolios</b>  |                |                |                |
| Equities and units in subsidiaries, associated companies and joint ventures companies | 19,953         | 21,362         | 19,532         |
| of which investment in property companies   |                | 20,568         |                |
| Bonds held to maturity  | 15,166         | 15,688         | 15,128         |
| Bonds at amortised cost   | 84,829         | 83,183         | 84,071         |
| Loans at amoritised cost  | 21,445         | 17,548         | 21,425         |
| Deposits at amoritised cost   | 2,044          | 1,590          | 2,530          |
| Equities and fund units at fair value   | 14,083         | 10,955         | 14,455         |
| Bonds and other fixed-income securities at fair value                                 | 31,562         | 34,726         | 30,050         |
| Financial derivatives at fair value   | 159            | 152            | 221            |
| <b>Total investments in collective portfolio</b>                                      | <b>189,241</b> | <b>185,202</b> | <b>187,412</b> |

# Storebrand Livsforsikring AS

## Statement of financial position continue

| (NOK million)  | 31.03.2018     | 31.03.2017     | 31.12.2017     |
|--|----------------|----------------|----------------|
| <b>Reinsurance share of insurance obligations</b>                                      | <b>63</b>      | <b>106</b>     | <b>63</b>      |
| Equities and units in subsidiaries, associated companies and joint ventures companies  | 3,847          | 3,065          | 3,885          |
| of which investment in property companies  |                | 3,065          |                |
| Lendings at amoritised cost  |                | 833            |                |
| Deposits at amoritised cost  | 218            | 227            | 300            |
| Equities and fund units at fair value  | 52,666         | 41,536         | 48,963         |
| Bonds and other fixed-income securities at fair value                                  | 32,679         | 22,490         | 27,550         |
| Financial derivatives at fair value  | 91             | 17             | 33             |
| <b>Total investments in investment selection portfolio</b>                             | <b>89,502</b>  | <b>68,168</b>  | <b>80,731</b>  |
| <b>Total assets in customer portfolios</b>   | <b>278,806</b> | <b>253,477</b> | <b>268,206</b> |
| <b>TOTAL ASSETS</b>  | <b>316,137</b> | <b>287,748</b> | <b>304,473</b> |
| <b>Equity and liabilities</b>  |                |                |                |
| Share capital  | 3,540          | 3,540          | 3,540          |
| Share premium  | 9,711          | 9,711          | 9,711          |
| <b>Total paid in equity</b>  | <b>13,251</b>  | <b>13,251</b>  | <b>13,251</b>  |
| Risk equalisation fund   | 34             | 139            | 143            |
| Other earned equity  | 11,984         | 11,329         | 11,422         |
| <b>Total earned equity</b>   | <b>12,019</b>  | <b>11,468</b>  | <b>11,564</b>  |
| Perpetual subordinated loan capital  | 2,104          | 2,099          | 2,103          |
| Dated subordinated loan capital  | 5,711          | 3,628          | 4,982          |
| Hybrid tier 1 capital  | 1,390          | 1,503          | 1,506          |
| <b>Total subordinated loan capital and hybrid tier 1 capital</b>                       | <b>9,204</b>   | <b>7,230</b>   | <b>8,591</b>   |
| Premium reserves   | 172,256        | 169,513        | 169,843        |
| Additional statutory reserves  | 8,114          | 6,815          | 8,254          |
| Market value adjustment reserve  | 2,313          | 2,321          | 3,707          |
| Premium fund, deposit fund and the pension surplus fund                                | 2,402          | 2,550          | 2,564          |
| Unallocated profit to insurance contracts  | 406            | 1,586          |                |
| Other technical reserve  | 623            | 707            | 631            |
| <b>Total insurance obligations in life insurance - contractual obligations</b>         | <b>186,115</b> | <b>183,492</b> | <b>184,999</b> |
| Pension capital  | 89,340         | 67,853         | 80,372         |
| <b>Total insurance obligations in life insurance - investment portfolio separately</b> | <b>89,340</b>  | <b>67,853</b>  | <b>80,372</b>  |
| Pension liabilities etc.   | 42             | 59             | 42             |
| <b>Total provisions for liabilities</b>  | <b>42</b>      | <b>59</b>      | <b>42</b>      |
| Liabilities in connection with direct insurance  | 993            | 1,104          | 1,079          |
| Liabilities in connection with reinsurance   | 8              |                | 4              |
| Financial derivatives  | 1,166          | 1,109          | 1,007          |
| Liabilities to group companies   | 824            | 29             | 1,323          |
| Other liabilities  | 3,040          | 1,947          | 2,108          |
| <b>Total liabilities</b>   | <b>6,031</b>   | <b>4,190</b>   | <b>5,521</b>   |
| Other accrued expenses and received, unearned income                                   | 135            | 206            | 133            |
| <b>Total accrued expenses and received, unearned income</b>                            | <b>135</b>     | <b>206</b>     | <b>133</b>     |
| <b>TOTAL EQUITY AND LIABILITIES</b>  | <b>316,137</b> | <b>287,748</b> | <b>304,473</b> |



# Storebrand Livsforsikring AS

## Statement of change in equity

| (NOK million)                                    | Share capital <sup>1)</sup> | Share premium reserve | Total paid in equity | Risk equalisation fund | Other equity  | Total equity  |
|--|-----------------------------|-----------------------|----------------------|------------------------|---------------|---------------|
| <b>Equity at 31.12.2016</b>                      | <b>3,540</b>                | <b>9,711</b>          | <b>13,251</b>        | <b>140</b>             | <b>11,042</b> | <b>24,433</b> |
| Profit for the period                            |                             |                       |                      | -1                     | 292           | 291           |
| Other comprehensive income                       |                             |                       |                      |                        | -5            | -5            |
| <b>Total comprehensive income for the period</b> |                             |                       |                      | <b>-1</b>              | <b>287</b>    | <b>285</b>    |
| <b>Equity transactions with owner:</b>           |                             |                       |                      |                        |               |               |
| Other  |                             |                       |                      |                        |               |               |
| <b>Equity at 31.03.2017</b>                      | <b>3,540</b>                | <b>9,711</b>          | <b>13,251</b>        | <b>139</b>             | <b>11,329</b> | <b>24,719</b> |
| Profit for the period                            |                             |                       |                      | 2                      | 1,668         | 1,670         |
| Other comprehensive income                       |                             |                       |                      |                        | 12            | 12            |
| <b>Total comprehensive income for the period</b> |                             |                       |                      | <b>2</b>               | <b>1,680</b>  | <b>1,682</b>  |
| <b>Equity transactions with owner:</b>           |                             |                       |                      |                        |               |               |
| Dividend paid                                    |                             |                       |                      |                        | -1,300        | -1,300        |
| <b>Equity at 31.12.2017</b>                      | <b>3,540</b>                | <b>9,711</b>          | <b>13,251</b>        | <b>143</b>             | <b>11,422</b> | <b>24,815</b> |
| Profit for the period                            |                             |                       |                      | -109                   | 560           | 452           |
| Other comprehensive income                       |                             |                       |                      |                        | -20           | -20           |
| <b>Total comprehensive income for the period</b> |                             |                       |                      | <b>-109</b>            | <b>540</b>    | <b>431</b>    |
| <b>Equity transactions with owner:</b>           |                             |                       |                      |                        |               |               |
| Other  |                             |                       |                      |                        | 23            | 23            |
| <b>Equity at 31.03.2018</b>                      | <b>3,540</b>                | <b>9,711</b>          | <b>13,251</b>        | <b>34</b>              | <b>11,984</b> | <b>25,270</b> |

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

# Notes

## Storebrand Livsforsikring group

### Note 01 | Accounting policies

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

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

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

Storebrand Livsforsikring AS - the company's financial statements

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

During the quarter no changes were made to the classification in the accounts. Storebrand Livsforsikring AS has completed a merger with the fully owned subsidiary Storebrand Silver Pensjonsforsikring AS. See note 4 for further information.

### Note 02 | Estimates

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

Actual results may differ from these estimates.

A description of the most critical estimates and judgements that can affect recognised amounts is included in the 2017 annual report in note 2, insurance risk, in note 7 and valuation of financial instruments and real estate at fair value is described in note 12 and in the interim financial statements note 11 Solvency II.

## Note 03 | Acquisition

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

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

The amount of NOK 520 million has been transferred to Silver's customers, and in the acquisition analysis the excess value of the acquisition will be allocated to the insurance contracts (VIF –value of business in force) amounted NOK 281 million, which are amortised over 10 years, reserve strength due to transition to Storebrand's tariffs amounted NOK 97 million, deferred tax asset amounted NOK 374 million and negative goodwill amounted NOK 37 million.

| (NOK million)                                  | Book values in the company | Payment for financing insurance liabilities | Excess value upon acquisition | Book values   |
|--|----------------------------|---|-------------------------------|---------------|
| <b>Assets</b>                                  |                            |   |                               |               |
| - VIF  |                            |   | 281                           | 281           |
| - Deferred tax assets                          |                            |   | 374                           | 374           |
| Intangible assets                              |                            |   | 654                           | 654           |
| Financial assets                               | 9,525                      |   |                               | 9,525         |
| Other assets                                   |                            | 520   |                               | 520           |
| Bank deposits                                  | 35                         |   |                               | 35            |
| <b>Total assets</b>                            | <b>9,560</b>               | <b>520</b>                                  | <b>655</b>                    | <b>10,735</b> |
| <b>Liabilities</b>                             |                            |   |                               |               |
| Insurance liabilities                          | 10,026                     |   |                               | 10,026        |
| Current liabilities                            | 34                         | 20  |                               | 54            |
| <b>Net identifiable assets and liabilities</b> | <b>-500</b>                | <b>500</b>                                  | <b>655</b>                    | <b>655</b>    |
| Reserve strengthening                          |                            |   |                               | -97           |
| Goodwill                                       |                            |   |                               | -37           |
| <b>Fair value at acquisition date</b>          |                            |   |                               | <b>520</b>    |

## Note 04 | Merger

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

| (NOK million)   | Storebrand Livsforsikring | Purchase of insurance portfolio | Purchase price* | Storebrand Silver Pensjonsforsikring | 01.01.2018 Total |
|---|---------------------------|---------------------------------|-----------------|--------------------------------------|------------------|
| <b>ASSETS</b>   |                           |                                 |                 |                                      |                  |
| <b>ASSETS IN COMPANY PORTFOLIO</b>  |                           |                                 |                 |                                      |                  |
| Intangible assets   | 94                        |                                 |                 |                                      | 94               |
| Investments   | 33,555                    |                                 |                 | 49                                   | 33,604           |
| Receivables   | 1,347                     |                                 |                 |                                      | 1,347            |
| Other assets  | 1,271                     |                                 | -520            | 3                                    | 754              |
| <b>Total assets in company portfolio</b>                                  | <b>36,267</b>             |                                 | <b>-520</b>     | <b>52</b>                            | <b>35,799</b>    |
| <b>ASSETS IN CUSTOMER PORTFOLIOS</b>                                      |                           |                                 |                 |                                      |                  |
| Investments in collective portfolio                                       | 187,412                   | 9,190                           | 520             |                                      | 197,122          |
| Reinsurance share of insurance obligations                                | 63                        |                                 |                 | 8                                    | 71               |
| Investments in investment selection portfolio                             | 80,731                    |                                 |                 | 309                                  | 81,040           |
| <b>Total assets in customer portfolios</b>                                | <b>268,206</b>            | <b>9,190</b>                    | <b>520</b>      | <b>318</b>                           | <b>278,233</b>   |
| <b>TOTALT ASSETS</b>  | <b>304,473</b>            | <b>9,190</b>                    |                 | <b>370</b>                           | <b>314,033</b>   |
| <b>EQUITY AND LIABILITIES</b>   |                           |                                 |                 |                                      |                  |
| Paid in equity  | 13,251                    |                                 |                 |                                      | 13,251           |
| Earned equity   | 11,564                    |                                 |                 |                                      | 11,564           |
| <b>Total equity</b>   | <b>24,815</b>             |                                 |                 |                                      | <b>24,815</b>    |
| Subordinated loan capital and hybrid tier 1 capital                       | 8,591                     |                                 |                 |                                      | 8,591            |
| Insurance obligations in life insurance - contractual obligations         | 184,999                   | 9,710                           |                 |                                      | 194,709          |
| Insurance obligations in life insurance - investment portfolio separately | 80,372                    |                                 |                 | 307                                  | 80,679           |
| Provisions for liabilities  | 42                        |                                 |                 |                                      | 42               |
| Accrued expenses and received, unearned income                            | 5,654                     | -520                            |                 | 63                                   | 5,197            |
| <b>Total liabilities</b>  | <b>279,657</b>            | <b>9,190</b>                    |                 | <b>370</b>                           | <b>289,217</b>   |
| <b>TOTAL EQUITY AND LIABILITIES</b>                                       | <b>304,473</b>            | <b>9,190</b>                    |                 | <b>370</b>                           | <b>314,033</b>   |

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

## Note 05 | Profit by segments

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

### SAVINGS

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

### INSURANCE

Insurance segment consists of products that include personal risk products in the Norwegian and Swedish retail market and employee- and pension-related insurances in the Norwegian and Swedish corporate market

### GUARANTEED PENSION

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

### OTHER

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

### RECONCILIATION WITH THE OFFICIAL PROFIT AND LOSS ACCOUNTING

Profit in the segments are reconciled with the corporate profit and loss account before amortisation and write-downs of intangible assets. The corporate profit and loss account includes gross income and gross costs linked to both the insurance customers and owners. In addition are the savings element in premium income and in costs related to insurance. The various segments are to a large extent followed up on net profit margins, including risk and administration results. The result lines that are used in segment reporting will therefore not be identical with the result lines in the corporate profit and loss account. See note 4 in 2017 Annual report for more information.

### PROFIT BY SEGMENTS

| (NOK million)                     | 1.1 - 31.03 |            |              |
|-----------------------------------|-------------|------------|--------------|
|                                   | 2018        | 2017       | Year 2017    |
| Savings                           | 109         | 115        | 536          |
| Insurance                         | 155         | 126        | 462          |
| Guaranteed pension                | 401         | 201        | 766          |
| Other                             | 60          | 78         | 228          |
| <b>Profit before amortisation</b> | <b>725</b>  | <b>521</b> | <b>1 992</b> |
| Amortisation intangible assets    | -50         | -95        | -391         |
| <b>Profit before tax</b>          | <b>675</b>  | <b>425</b> | <b>1 601</b> |

## SEGMENT INFORMATION AS AT 31.03

| (NOK million)                                  | Savings    |            | Insurance  |            | Guaranteed pension |            |
|--|------------|------------|------------|------------|--------------------|------------|
|  | 2018       | 2017       | 2018       | 2017       | 2018               | 2017       |
| Fee and administration income                  | 398        | 369        |            |            | 368                | 358        |
| Insurance result                               |            |            | 234        | 191        |                    |            |
| - Insurance premiums for own account           |            |            | 742        | 673        |                    |            |
| - Claims for own account                       |            |            | -508       | -482       |                    |            |
| Operational cost                               | -283       | -253       | -99        | -117       | -200               | -221       |
| <b>Operating profit</b>                        | <b>116</b> | <b>116</b> | <b>135</b> | <b>74</b>  | <b>168</b>         | <b>137</b> |
| Financial items and risk result life & pension | -6         | -1         | 20         | 53         | 233                | 64         |
| - Risk result life & pensions                  | -4         | -1         |            |            | 183                | 34         |
| - Financial result                             | -2         |            | 20         | 53         |                    |            |
| - Net profit sharing                           |            |            |            |            | 51                 | 30         |
| <b>Profit before amortisation</b>              | <b>109</b> | <b>115</b> | <b>155</b> | <b>126</b> | <b>401</b>         | <b>201</b> |
| Amortisation of intangible assets              |            |            |            |            |                    |            |
| <b>Profit before tax</b>                       | <b>109</b> | <b>115</b> | <b>155</b> | <b>126</b> | <b>401</b>         | <b>201</b> |

| (NOK million)                                  | Other     |           | Storebrand Livsforsikring group |            |
|--|-----------|-----------|---------------------------------|------------|
|  | 2018      | 2017      | 2018                            | 2017       |
| Fee and administration income                  | 20        | 16        | 786                             | 743        |
| Insurance result                               |           |           | 234                             | 191        |
| - Insurance premiums for own account           |           |           | 742                             | 673        |
| - Claims for own account                       |           |           | -508                            | -482       |
| Operational cost                               | -16       | -13       | -598                            | -604       |
| <b>Operating profit</b>                        | <b>5</b>  | <b>3</b>  | <b>423</b>                      | <b>329</b> |
| Financial items and risk result life & pension | 56        | 75        | 302                             | 191        |
| - Risk result life & pensions                  | 16        | 2         | 194                             | 35         |
| - Financial result                             | 42        | 73        | 60                              | 126        |
| - Net profit sharing                           | -3        |           | 48                              | 30         |
| <b>Profit before amortisation</b>              | <b>60</b> | <b>78</b> | <b>725</b>                      | <b>521</b> |
| Amortisation of intangible assets              |           |           | -50                             | -95        |
| <b>Profit before tax</b>                       | <b>60</b> | <b>78</b> | <b>675</b>                      | <b>425</b> |

## Financial market risk and insurance risk

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

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

The most significant market risks for Storebrand are share market risk, credit risk, property price risk, interest rate risk and exchange rate risk. For the life insurance companies, the financial assets are invested in a variety of sub-portfolios. Market risk affects Storebrand's income and profit differently in the different portfolios. There are three main types of sub-portfolio: company portfolios, customer portfolios without a guarantee (unit linked) and customer portfolios with a guarantee.

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

The market risk in customer portfolios without a guarantee is at the customers' risk and expense, meaning Storebrand is not directly affected by changes in value. Nevertheless, changes in value do affect Storebrand's profit indirectly. Income is based largely on the size of the reserves, while the costs tend to be fixed. Lower returns on the financial market than expected will therefore have a negative effect on Storebrand's income and profit.

For customer portfolios with a guarantee, the net risk for Storebrand will be lower than the gross market risk. The extent of measures to reduce risk depends on several factors, the most important being the size and flexibility of the customer buffers and level and duration of the return guarantee. If the investment return is not sufficiently high to meet the guaranteed interest rate, the shortfall will be met by using customer buffers in the form of risk capital built up from previous years' surpluses. Risk capital primarily consists of unrealised gains, additional statutory reserves and conditional bonuses. The owner is responsible for meeting any shortfall that cannot be covered. For guaranteed customer portfolios, the risk is affected by changes in the interest rate level. Falling interest rates are positive for the investment return in the short term due to price appreciation for bonds, but negative in the long term because it reduces the probability of achieving a return higher than the guarantee.

The equity market started the year on a positive note, but during February and March the uncertainty and volatility have increased. Initially the market was afraid that a stronger labor market and less accommodating central banks could trigger higher interest rates. Towards the end of the quarter the main concern has been trade war and tariffs. The global index fell 2 % during the first quarter. The Norwegian equity market fell 1 %. The market for corporate bonds has also been affected, and there has been an increase in credit spreads.

Interest rates rose at the start of the year across all markets, but then fell back later in the quarter in many markets. For the first quarter the Norwegian 10-year interest rate swap increased by 0.3 percentage point. The Swedish 10-year interest rate swap was largely unchanged for the quarter. The majority of the interest rate investments in the Norwegian customer portfolios are classified as bonds at amortised cost. Changes in interest rates have therefore a limited effect on expected returns in the short term. However, with the present interest rates, new bond investments provide a lower return than the average interest rate guarantee. Higher interest rates are a positive factor for the solvency position.

The Norwegian krone has strengthened during the first quarter. The change is 4 % compared to the American dollar and 6 % compared to the Swedish krona. A high degree of currency hedging of the portfolio results in a modest effect on both profit and risk from the fluctuations in the exchange rates.

There are only minor changes in investment allocations during the first quarter.

Guaranteed portfolios in Norway provided returns that were lower than the interest rate guarantee in the first quarter due to weak equity-markets and higher interest rates and credit spreads, but the effect was mainly absorbed by the market adjustment reserve. The investment return has therefore only a minor impact on the profits. Excess values of the bonds in the portfolios classified as bonds at amortised cost also fell. Investments in the guaranteed portfolios in Sweden provided returns that were approximately in line with the increase in value of insurance liabilities.

On average, unit linked insurance customers had negative returns during the first quarter. The main reason was weak equity markets.

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

The insurance risk is almost unchanged year to date.

## Note 07 | Liquidity risk

### SPECIFICATION OF SUBORDINATED LOAN CAPITAL

| (NOK million)  | Nominal value | Currency | Interest rate | Call date | Book value   |
|--|---------------|----------|---------------|-----------|--------------|
| <b>Issuer</b>  |               |          |               |           |              |
| <b>Hybrid tier 1 capital</b>                                     |               |          |               |           |              |
| Storebrand Livsforsikring AS                                     | 1,500         | NOK      | Variable      | 2018      | 1,390        |
| <b>Perpetual subordinated loan capital</b>                       |               |          |               |           |              |
| Storebrand Livsforsikring AS                                     | 1,000         | NOK      | Variable      | 2020      | 1,000        |
| Storebrand Livsforsikring AS                                     | 1,100         | NOK      | Variable      | 2024      | 1,103        |
| <b>Dated subordinated loan capital</b>                           |               |          |               |           |              |
| Storebrand Livsforsikring AS                                     | 1,000         | SEK      | Fixed         | 2023      | 944          |
| Storebrand Livsforsikring AS                                     | 300           | EUR      | Variable      | 2021      | 3,215        |
| Storebrand Livsforsikring AS                                     | 750           | SEK      | Variable      | 2025      | 708          |
| Storebrand Livsforsikring AS                                     | 900           | SEK      | Variable      | 2022      | 844          |
| <b>Total subordinated loan capital and hybrid tier 1 capital</b> |               |          |               |           |              |
| <b>31.03.2018</b>  |               |          |               |           | <b>9,204</b> |
| <b>Total subordinated loan capital and hybrid tier 1 capital</b> |               |          |               |           |              |
| <b>31.12.2017</b>  |               |          |               |           | <b>8,591</b> |

## Note 08 | Valuation of financial instruments and properties

The Group categorises financial instruments valued at fair value on three different levels. Criteria for the categorisation and processes associated with valuing are described in more detail in note 12 in the annual report for 2017.

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

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

| (NOK million)                             | Fair value<br>31.03.2018 | Fair value<br>31.12.17 | Book value<br>31.03.2018 | Book value<br>31.12.17 |
|---|--------------------------|------------------------|--------------------------|------------------------|
| <b>Financial assets</b>                   |                          |                        |                          |                        |
| Loans to customers - corporate            | 5,803                    | 6,202                  | 5,832                    | 6,210                  |
| Loans to customers - retail               | 15,614                   | 15,217                 | 15,614                   | 15,217                 |
| Bonds held to maturity                    | 16,680                   | 16,933                 | 15,166                   | 15,128                 |
| Bonds classified as loans and receivables | 92,781                   | 93,837                 | 87,940                   | 87,094                 |
| <b>Financial liabilities</b>              |                          |                        |                          |                        |
| Subordinated loan capital                 | 9,303                    | 8,711                  | 9,204                    | 8,591                  |



## VALUATION OF FINANCIAL INSTRUMENTS AND PROPERTIES AT FAIR VALUE

### STOREBRAND LIVSFORSIKRING GROUP

| (NOK million)   | Level 1       | Level 2                | Level 3                    | Total          | Total          |
|---|---------------|------------------------|----------------------------|----------------|----------------|
|   | Quoted prices | Observable assumptions | Non-observable assumptions | 31.03.2018     | 31.12.2017     |
| <b>Assets</b>   |               |                        |                            |                |                |
| <b>Equities and fund units</b>                                |               |                        |                            |                |                |
| - Equities  | 23,104        | 320                    | 634                        | 24,058         | 23,316         |
| - Fund units  | 85            | 122,450                | 7,549                      | 130,085        | 132,780        |
| <b>Total equities and fund units</b>                          | <b>23,189</b> | <b>122,770</b>         | <b>8,183</b>               | <b>154,142</b> |                |
| <b>Total equities and fund units 31.12.17</b>                 | <b>22,271</b> | <b>125,396</b>         | <b>8,429</b>               |                | <b>156,096</b> |
| <b>Total loans to customers</b>                               |               |                        |                            |                |                |
| - Loans to customers - corporate                              |               |                        | 4,885                      | 4,885          | 5,104          |
| <b>Bonds and other fixed income securities</b>                |               |                        |                            |                |                |
| - Government bonds  | 21,124        | 20,162                 |                            | 41,285         | 47,460         |
| - Corporate bonds   | 6             | 47,294                 | 94                         | 47,393         | 47,823         |
| - Structured notes  |               | 77                     |                            | 77             | 81             |
| - Collateralised securities                                   |               | 24,882                 |                            | 24,882         | 25,632         |
| - Bond funds  |               | 43,341                 | 81                         | 43,421         | 39,023         |
| <b>Total bonds and other fixed income securities</b>          | <b>21,129</b> | <b>135,755</b>         | <b>174</b>                 | <b>157,059</b> |                |
| <b>Total bonds and other fixed income securities 31.12.17</b> | <b>23,792</b> | <b>136,119</b>         | <b>108</b>                 |                | <b>160,019</b> |
| <b>Derivatives:</b>   |               |                        |                            |                |                |
| - Equity derivatives  |               |                        |                            |                |                |
| - Interest derivatives  |               | 2,340                  |                            | 2,340          | 2,742          |
| - Currency derivatives  |               | -558                   |                            | -558           | -751           |
| - Credit derivatives  |               |                        |                            |                |                |
| <b>Total derivatives</b>                                      |               | <b>1,782</b>           |                            | <b>1,782</b>   |                |
| - derivatives with a positive market value                    |               | 3,847                  |                            | 3,847          | 3,868          |
| - derivatives with a negative market value                    |               | -2,065                 |                            | -2,065         | -1,876         |
| <b>Total derivatives 31.12.17</b>                             |               | <b>1,991</b>           |                            |                | <b>1,991</b>   |
| <b>Properties:</b>  |               |                        |                            |                |                |
| - investment properties                                       |               |                        | 27,389                     | 27,389         | 27,453         |
| - Owner-occupied properties                                   |               |                        | 1,347                      | 1,347          | 1,408          |
| <b>Total properties</b>                                       |               |                        | <b>28,735</b>              | <b>28,735</b>  |                |
| <b>Total properties 31.12.17</b>                              |               |                        | <b>28,861</b>              |                | <b>28,861</b>  |

There are no significant movement between level 1 and level 2 in the first quarter 2018.

### MOVEMENT LEVEL 3

| (NOK million)                    | Equities   | Fund units   | Loans to customers | Corporate bonds | Investment properties | Owner-occupied properties |
|----------------------------------|------------|--------------|--------------------|-----------------|-----------------------|---------------------------|
| Book value 01.01                 | 750        | 7,679        | 5,104              | 108             | 27,453                | 1,408                     |
| Net profit/loss                  | -3         | -96          | 116                | 3               | 160                   | 19                        |
| Supply/disposal                  | 5          | 412          | 129                |                 | 338                   | 44                        |
| Sales/overdue/settlement         | -102       | -299         | -151               | -14             |                       | 0                         |
| Currency translation differences | -16        | -147         | -315               | -4              | -692                  | -124                      |
| <b>Other</b>                     |            |              |                    |                 | 129                   |                           |
| <b>Book value 31.03.18</b>       | <b>634</b> | <b>7,549</b> | <b>4,885</b>       | <b>94</b>       | <b>27,389</b>         | <b>1,347</b>              |

As of 31.03.18, Storebrand Life Insurance had NOK 3,165 million invested in Storebrand Eiendomsfond Norge KS and Rusetløkveien 26, Oslo. The investments are classified as "Investment in Associated Companies and joint ventures" in the Consolidated Financial Statements.

### SENSITIVITY ASSESSMENTS

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

### STOREBRAND LIVSFORSIKRING AS

| (NOK million)   | Level 1       | Level 2                | Level 3                    | Total<br>31.03.2018 | Total<br>31.12.2017 |
|---|---------------|------------------------|----------------------------|---------------------|---------------------|
|   | Quoted prices | Observable assumptions | Non-observable assumptions |                     |                     |
| <b>Assets</b>   |               |                        |                            |                     |                     |
| <b>Equities and fund units</b>                                |               |                        |                            |                     |                     |
| - Equities  | 19,634        | 150                    | 489                        | 20,274              | 19,179              |
| - Fund units  |               | 41,461                 | 5,037                      | 46,498              | 44,256              |
| <b>Total equities and fund units</b>                          | <b>19,634</b> | <b>41,611</b>          | <b>5,526</b>               | <b>66,771</b>       |                     |
| <b>Total equities and fund units 31.12.17</b>                 | <b>18,512</b> | <b>39,135</b>          | <b>5,788</b>               |                     | <b>63,436</b>       |
| <b>Bonds and other fixed income securities</b>                |               |                        |                            |                     |                     |
| - Government bonds  | 11,521        | 9                      |                            | 11,530              | 12,578              |
| - Corporate bonds   |               | 26,567                 | 36                         | 26,604              | 25,138              |
| - Structured notes  |               |                        |                            |                     |                     |
| - Collateralised securities                                   |               | 8,173                  |                            | 8,173               | 7,792               |
| - Bond funds  |               | 32,934                 |                            | 32,934              | 27,893              |
| <b>Total bonds and other fixed income securities</b>          | <b>11,521</b> | <b>67,683</b>          | <b>36</b>                  | <b>79,240</b>       |                     |
| <b>Total bonds and other fixed income securities 31.12.17</b> | <b>12,569</b> | <b>60,790</b>          | <b>42</b>                  |                     | <b>73,401</b>       |
| <b>Derivatives:</b>   |               |                        |                            |                     |                     |
| - Equity derivatives  |               |                        |                            |                     |                     |
| - Interest derivatives  |               | 547                    |                            | 547                 | 1,122               |
| - Currency derivatives  |               | -188                   |                            | -188                | -730                |
| <b>Total derivatives</b>                                      |               | <b>358</b>             |                            | <b>358</b>          |                     |
| - derivatives with a positive market value                    |               | 1,524                  |                            | 1,524               |                     |
| - derivatives with a negative market value                    |               | -1,166                 |                            | -1,166              |                     |
| <b>Total derivatives 31.12.17</b>                             |               | <b>392</b>             |                            |                     | <b>392</b>          |

### MOVEMENT LEVEL 3

| (NOK million)              | Equities   | Fund units   | Corporate bonds |
|----------------------------|------------|--------------|-----------------|
| Book value 01.01           | 488        | 5,300        | 42              |
| Net profit/loss            | -3         | -144         | 2               |
| Supply/disposal            | 5          | 101          |                 |
| Sales/overdue/settlement   | -1         | -220         | -7              |
| <b>Book value 31.03.18</b> | <b>489</b> | <b>5,037</b> | <b>36</b>       |

#### Note 09

### Tax

The tax rate for the Storebrand Livsforsikring Group will vary from quarter to quarter depending on the individual legal entities' contribution to earnings. The net income tax expense for the quarter and year also reflects effects that each give a higher or lower effective tax rate. The effective tax rate is influenced by the fact that the Group has operations in countries with tax rates that are different from Norway.

In December 2017, the Norwegian Parliament (Stortinget) agreed to reduce the company tax rate from 24 to 23 per cent with effect from 1 January 2018. It was also agreed to maintain the tax rate at 25 per cent for companies subject to the financial tax. 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.

#### Note 10

### Contingent liabilities

| (NOK million)   | Storebrand Livsforsikring group |              | Storebrand Livsforsikring AS |              |
|---|---------------------------------|--------------|------------------------------|--------------|
|   | 31.03.18                        | 31.12.17     | 31.03.18                     | 31.12.17     |
| Uncalled residual liabilities re limited partnership                    | 5,231                           | 5,451        | 4,478                        | 4,647        |
| Debt note to Silver Pensjonsforsikring in conjunction with acquisitions |                                 | 520          |                              | 520          |
| <b>Total contingent liabilities</b>                                     | <b>5,231</b>                    | <b>5,971</b> | <b>4,478</b>                 | <b>5,167</b> |

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

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

#### Note 11

### Solvency II

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

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

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

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

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

The solvency capital is divided into three capital groups in accordance with Section 6 of the Solvency II Regulations. Group 1 capital consists of paid-in capital and reconciliation reserve <sup>2</sup>. It also includes perpetual subordinated loans (perpetual hybrid Tier 1 capital) with up to 20 per cent of Group 1 capital.

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

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

### SOLVENCY CAPITAL <sup>3</sup>

| (NOK million)  | 31.03.18      |                   |                 |              | 31.12.17 |               |
|--|---------------|-------------------|-----------------|--------------|----------|---------------|
|  | Total         | Group 1 unlimited | Group 1 limited | Group 2      | Group 3  | Total         |
| Share capital  | 3,540         | 3,540             |                 |              |          | 3,540         |
| Share premium  | 9,711         | 9,711             |                 |              |          | 9,711         |
| Reconciliation reserve   | 19,181        | 19,181            |                 |              |          | 22,088        |
| Including the effect of the transitional arrangement                             | 609           | 609               |                 |              |          | 4,513         |
| Subordinated loans   | 7,704         |                   | 2,519           | 6,573        |          | 8,547         |
| Deferred tax asset   |               |                   |                 |              |          |               |
| Risk equalisation reserve  | 34            |                   |                 | 34           |          | 143           |
| Expected dividend  | -335          | -335              |                 |              |          |               |
| <b>Total solvency capital</b>  | <b>39,835</b> | <b>32,097</b>     | <b>2,519</b>    | <b>6,607</b> |          | <b>42,728</b> |
| <b>Total solvency capital available to cover the minimum capital requirement</b> | <b>35,871</b> | <b>32,097</b>     | <b>2,519</b>    | <b>1,254</b> |          | <b>37,928</b> |

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

2) 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.

3) The subordinated note that will be redeemed on 29th of May 2018 is not included in the Solvency capital. The Solvency margin including the subordinated note would have been 217,8 percent.

## SOLVENCY CAPITAL REQUIREMENT AND - MARGIN

| (NOK million)                      | 31.03.18      | 31.12.16      |
|------------------------------------|---------------|---------------|
| Market                             | 20,112        | 20,336        |
| Counterparty                       | 471           | 449           |
| Life                               | 6,519         | 6,434         |
| Health                             | 530           | 540           |
| P&C                                |               |               |
| Operational                        | 982           | 990           |
| Diversification                    | -4,686        | -4,646        |
| Loss-absorbing tax effect          | -5,003        | -5,015        |
| <b>Total solvency requirement</b>  | <b>18,925</b> | <b>19,088</b> |
| <b>Solvency margin</b>             | <b>210.5%</b> | <b>223.8%</b> |
| <b>Minimum capital requirement</b> | <b>6,271</b>  | <b>6,240</b>  |
| <b>Minimum margin</b>              | <b>572.0%</b> | <b>607.8%</b> |

### Note 12 | Information about related parties

Storebrand conducts transactions with related parties as part of its normal business activities. These transactions take place on commercial terms. The terms for transactions with management and related parties are stipulated in notes 23 and 44 in the 2017 annual report.

Storebrand Livsforsikring has not carried out any material transactions other than normal business transactions with related parties during the first quarter, other than Storebrand Livsforsikring AS having acquired mortgages from the sister company Storebrand Bank ASA. The mortgages were transferred on commercial terms. The portfolio of loans that have been transferred in the first quarter totaled NOK 1.3 billion. The total portfolio of loans bought as of 31 March 2018 is NOK 21.9 billion. Storebrand Livsforsikring AS pays management fees to Storebrand Bank ASA for management of the portfolios, the expense for the first quarter 2018 is NOK 14.8 million.

# Financial calendar 2018



**13 July:** Results Q2 2018

**24 October:** Results Q3 2018

**February 2019:** Results Q4 2018

## Investor Relations contacts



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