storebrand

Interim Report 2017

Storebrand Group

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Storebrand Group

- **Group result[1] of NOK 618m for the 4th quarter, NOK 2,940m for full year 2017**
- **Acquisition of Skagen and Silver completed**
- **Solvency II 172%**
- **NOK 2.5 dividend per share (NOK 2.1 ordinary dividend, 0.4 special dividend per share)**
- **New dividend policy from 2018**

Storebrand'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.

GROUP RESULT[2]

	2017					Full year	
(NOK million)	4Q	3Q	2Q	1Q	4Q	2017	2016
Fee and administration income	1,534	1,118	1,093	1,034	1,145	4,779	4,294
Insurance result	261	320	290	275	251	1,146	945
Operational cost	-992	-842	-819	-845	-868	-3,498	-3,250
Operating profit	**803**	**596**	**565**	**463**	**528**	**2,427**	**1,989**
Financial items and risk result life	-185	177	313	208	384	513	924
Result before amortisation	**618**	**773**	**878**	**671**	**912**	**2,940**	**2,913**
Amortisation and write-downs of intangible assets	-237	-101	-100	-98	-95	-536	-406
Profit before tax	**381**	**672**	**778**	**573**	**816**	**2,404**	**2,506**
Tax	113	27	-29	-109	-140	2	-364
Profit after tax	**494**	**698**	**749**	**465**	**676**	**2,405**	**2,143**

Storebrand continues the shift into a savings dominated financials group. The strong organic growth in the business together with the acquisitions of Skagen and Silver increases assets under management with 25% compared to the same period last year. The Group result before amortisation was NOK 618m[3] (NOK 912m) in the 4th quarter, and NOK 2,940m (NOK 2,913m) for 2017. The figures in parenthesis are from the corresponding period last year.

Total fee and administration income amounted to NOK 1,534m (NOK 1,145m) for 4th quarter and, NOK 4,779m (NOK 4,294m) for 2017 and has increased by 34% compared with the same period last year, when adjusted for foreign currency. The growth stems primarily from the aquistion of Skagen in the 4th quarter. Adjusted for the transaction, fee and administration income grew by 5%. Income within Guaranteed Pension declined, while Savings had increased revenues of 12,7% compared with the same period last year. The Insurance result had a total combined ratio of 93% (91%) in the quarter.

Adjusted for the increased financial payroll tax, special items and the consolidation of Skagen, the Group's operating costs has increased by around 3% compared to last year. The additional financial payroll tax cost amounted to NOK 60m. This has, in isolation, led to a 1.9% nominal increase compared with the same period last year. Costs related to the Skagen and Silver transactions and additional cost related to new savings products have further increased costs. The goal of reduced costs in 2018 compared with 2015 remains in place, adjusted for the costs base from Skagen[4].

On the whole, the operating profit for 2017 increased by 22%, driven by revenue from the consolidation of Skagen and growth in actively sold products. The financial result is negative, mainly due to a NOK 200m provision in expected regulatory reduction of the ultimate forward rate in SPP.

An amortisation of NOK 136m of surplus values related to the acquisition of Skagen increases the level of amortisation in the quarter and for 2017. Normal amortisation of these intangible assets are expected to remain at around NOK 100m pr. quarter in 2018. Tax is described under 'capital situation and tax' below.

[1] Earnings before amortisation and tax. www.storebrand.no/ir provides an overview of APMs used in financial reporting.
[2] The income statement is based on reported IFRS results for the individual group companies. The statement differs from the official accounts layout.
[3] The abbreviations NOK for Norwegian kroner, m for million, bn for billion and % for per cent are used throughout the report.
[4] A change has been made to align elimination principles in the Group, this has led to an increase in costs and income of NOK 14m (7m) in the quarter and NOK 58m (59m) for the full year. The change has no impact on results. For more information see www.storebrand.no/ir.

GROUP RESULT BY RESULT AREA

	2017					Full year	
(NOK million)	4Q	3Q	2Q	1Q	4Q	2017	2016
Savings - non-guaranteed	639	314	319	240	321	1,511	1,063
Insurance	32	221	184	171	143	608	575
Guaranteed pension	31	244	290	201	492	766	870
Other	-84	-5	85	59	-45	55	405
Result before amortisation	**618**	**773**	**878**	**671**	**912**	**2,940**	**2,913**

The Savings segment reported a profit of NOK 639m for the 4th quarter (NOK 321m) and, NOK 1,511m for 2017 (NOK 1,063m). Profits increased due to consolidation of the newly acquired Skagen. Growth in assets under management in pension and growth in Storebrand Bank's lending volume also contribute to the profit growth. Operating costs increased due to acquisitions and development and marketing of new product lines.

The Insurance segment reported a profit of NOK 32m (NOK 143m) in the quarter and, NOK 608m for 2017 (NOK 575m). The claims ratio decreased from 74% to 73% compared with the same period last year. The combined ratio was 93% (91%) for the quarter. The full year combined ratio was 89% (91%) This is better than the target of 90-92%. The financial result was negatively affected by a lower booked return in the quarter and a corresponding increase in buffers for future returns.

The Guaranteed Pension segment achieved a profit before amortisation of NOK 31m (NOK 492m) for the 4th quarter and NOK 766m for 2017 (NOK 870m). Fee and administration income was stable in the quarter, but fell by 5% compared with 2016. The products within Guaranteed Pension are in long-term run off and reduced earnings from this segment are expected. The financial result is negatively affected by a provision of NOK 200m that takes into account that the regulatory set ultimate forward rate is expected to reduce in the coming years.

The Other segment reported a profit of NOK - 84m (NOK -45m) for the 4th quarter and NOK 55m for 2017 (NOK 405m)

DIVIDEND FOR 2017

Storebrand aims to pay an annual dividend of more than 35% of the group profit after tax adjusted for amortisation costs. The dividend policy is subject to a sustainable solvency margin of above 150 %, including a minimum threshold of 110% solvency margin without the use of transitional measures. The Board has proposed to the General Meeting a dividend of NOK 1,168m consisting of an ordinary dividend of NOK 2.1 per share and a special dividend of NOK 0.4 per share for the 2017 financial year. The special dividend is paid based on strong financial results and strong post tax results.

NEW DIVIDEND POLICY FROM 2018

The proposed dividend policy intends to reflect the strong growth in fee based earnings, the more volatile financial markets related earnings and the future capital release from the guaranteed book. 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.

The New Storebrand dividend policy from 2018: *Storebrand aims to pay a dividend of more than 50% of Group result after tax. The Board of Directors ambition is to pay ordinary dividends per share of at least the same nominal amount as the previous year. Ordinary dividends are subject to a sustainable solvency margin of above 150%. If the solvency margin is above 180%, the Board of Directors intend to propose special dividends or share buy backs.*

CAPITAL SITUATION AND TAX

The Solvency II regulations were introduced on 1 January 2016. The Group's target solvency margin in accordance with the new regulations is a minimum of 150%, including use of the transitional rules. The solvency margin for the Storebrand Group was calculated at 172% at the end of the 4th quarter, including the transitional rules. Without transitional rules, the solvency margin was 155%. Storebrand uses the standard model for the calculation of Solvency II. The solvency margin without transitional rules was strengthened due to strong investment results, retained earnings, issuance of subordinated debt capital and some model improvements. The model changes lead to decreased own funds that were fully compensated by the transitional measures and hence explains the increased value of the transitional measures.

The Group reported a tax income of NOK 113m for the 4th quarter and NOK 2m for the full year 2017. The effective tax rate is influenced by the fact that the Group has operations in countries with tax rates that are different from Norway's, and it varies from quarter to quarter depending on each legal entity's contribution to the Group result. The tax rate is estimated to be in the range of 19-23% for 2018.

A reduced company tax rate from 24 to 23% with effect from 1 January 2017 affects Group companies that are not subject to the 25% financial tax. The Group's investment properties are owned by companies that receive a reduced tax rate from 2018, resulting in lower deferred tax on temporary differences relating to the investment properties of NOK 105m. In addition, sale of properties have resulted in the reversal of associated taxable temporary differences, which gives a reduction in the tax expense for the year of approximately NOK 750m.

Storebrand Livsforsikring has received a notice of amendment of the 2015 tax return. Storebrand disagrees with the arguments used and will respond to the tax authorities within the deadline. Based on the notice, a provision for an uncertain tax position has been made in the annual accounts for 2017. For more information on the amount and associated uncertainty, see note 9.

STRENGTHENING RESERVES FOR INCREASED LONGEVITY

In the 4th quarter of 2015, Storebrand decided to charge the remaining estimated direct contribution to expected increased longevity. The remaining reserve strengthening is expected to be covered by the surplus return and loss of profit sharing. The strengthening of reserves for increased longevity has been concluded in 2017.

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 15.2bn (23%) relative to the 4th quarter of 2016. In Norway, Storebrand is the market leader within occupational pension with 32% of the market share of gross premiums written. SPP has a market share of 14% in the Swedish market for other occupational pensions ("Övrig Tjänstepension"). Customer assets increased by SEK 12.3bn (17%) from the previous year.

After the acquisition of Skagen the Storebrand Group has a 14.5% market share within retail mutual funds. Sales of savings products and loans to private individuals are good. The introduction of Individual Pension Savings (IPS) opened in November with satisfactory sales, and Storebrand appears to be the market leader. The lending volume at Storebrand Bank increased by 19% compared with the same period previous year.

Financial targets	Target	Actual
Return on equity (after tax)[1)]	> 10%	11%
Dividend [1)]	> 35%	40%
Solvency II margin Storebrand Group	> 150%	172%

GROUP - KEY FIGURES

	2017					Full year	
(NOK million)	4Q	3Q	2Q	1Q	4Q	2017	2016
Earnings per share adjusted[1)]	1.56	1.77	1.89	1.25	1.64	6.47	5.63
Equity	30,832	29,088	28,559	28,208	27,637	30,832	27,637
Quarterly adjusted ROE, annualised[1)]	11.3 %	12.4 %	13.4 %	8.8 %	11.9 %	11.0 %	9.5 %
Solvency II	172%	160%	163%	159%	157%	172%	157%

[1)] After tax, adjusted for write-downs and amortisation of intangible assets.

Savings

- **Increased earnings due to higher volumes**
- **Acquisition of Skagen adds volume**
- **Increased costs due to development and marketing of new pension product**

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

SAVINGS - NON GUARENTEED

	2017					Full year	
NOK million	4Q	3Q	2Q	1Q	4Q	2017	2016
Fee and administration income	1,192	763	747	700	744	3,402	2,758
Operational cost	-557	-445	-438	-459	-426	-1,899	-1,700
Operating profit	**635**	**318**	**309**	**241**	**319**	**1,503**	**1,058**
Financial items and risk result life	4	-4	10	-2	3	8	5
Profit before amortisation	**639**	**314**	**319**	**240**	**321**	**1,511**	**1063**

FINANCIAL PERFORMANCE

The Savings segment reported a profit before amortisation and tax of NOK 639m for the 4th quarter, including Skagen with NOK 259m. The Skagen acquisition closed 7. December 2017. The majority of this years result contribution occurred before the Groups ownership period started. NOK 136m is amortised in the Group's profit statetment for 2017 to reflect allocated surplus values related to acquisition and Skagens expected variable income at the time of the acquisition. Profit exclusive Skagen is NOK 380m, which is equivalent to a profit increase of 18% from the 4th quarter 2016. Fee- and administration income increased by 21% for the quarter and 13% accumulated for the year (exclusive Skagen). 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 and Asset Management. Increased interest rate margins have resulted in growth in net interest income in the banking business for the quarter compared to 2016. For the quarter, net interest income was 1.22% of average total assets compared with 1.03% for the same period last year.

Operating expenses for the 4th quarter and accumulated for the year increase due to underlying growth in the business, new products (ASK and IPS) and costs related to the Skagen and Silver transactions. In addition operating expenses accumulated for 2016 include a positive effect of NOK 34m in connection with the transition to a new disability pension scheme for employees.

BALANCE SHEET AND MARKET TRENDS

The premiums for non-guaranteed occupational pensions were NOK 4,0bn in the 4th quarter, an increase of 15% from the same period last year. Total reserves within the Unit Linked business have increased by 20% over the last year and amounted to NOK 168bn at the end of the quarter. Assets under management in the United Linked business in Norway increased by NOK 15.2bn (23%) relative to the 4th quarter of 2016. 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 with 32% of the market share of gross premiums written (at the end of the 3rd quarter).

SPP has a market share of 14% in the Swedish market for other occupational pensions (”Övrig Tjänstepension”). Customer assets increased by SEK 2.4bn (3%) in the 4th quarter and SEK 12.3bn (17%) from the previous year. In Storebrand Asset Management the assets under management increased by NOK 19bn (3%) to NOK 644bn in the 4th quarter and by NOK 68bn (12%) from the 4th quarter of 2016. This growth was driven by good sales to institutional customers and good returns. The numbers are exclusive of Skagen (NOK 78bn).

The bank lending portfolio in the retail market is developing positively and grew by NOK 1.1bn (3%) in the 4th quarter and NOK 6.7bn (19%) from the same period the previous year. The portfolio consists of low-risk home mortgages. NOK 15.2bn of the mortgages are booked on Storebrand Life Insurance's balance sheet.

SAVINGS - KEY FIGURES

	2017		2016		
(NOK million)	4Q	3Q	2Q	1Q	4Q
Unit linked Reserves	167,849	157,984	151,425	147,311	139,822
Unit linked Premiums	3,981	3,670	3,649	3,716	3,466
AuM Asset Management	721,165	625,840	620,584	599,111	576,704
Retail Lending	42,133	40,996	39,464	37,585	35,400

Insurance

- **Seasonal variations increase claims in Q4**
- **Growth initiatives increase costs**
- **Negative financial result due to realization of losses**

The Insurance segment provides health insurance in the Norwegian and Swedish corporate and retail markets, P&C insurance and personal risk products in the Norwegian retail market and employer's liability insurance and pension-related insurance in the Norwegian and Swedish corporate markets.

INSURANCE

	2017					Full year	
NOK million	4Q	3Q	2Q	1Q	4Q	2017	2016
Insurance premiums f.o.a.	968	993	971	940	957	3,872	3,828
Claims f.o.a.	-707	-674	-681	-665	-706	-2,726	-2,883
Operational cost	-193	-175	-171	-172	-168	-711	-602
Operating profit	**68**	**145**	**119**	**103**	**83**	**435**	**342**
Financial result	-36	76	65	68	60	173	233
Contribution from SB Helseforsikring AS	*5*	*19*	*12*	*4*	*11*	*39*	39
Profit before amortisation	**32**	**221**	**184**	**171**	**143**	**608**	**575**
Claims ratio	73%	68%	70%	71%	74%	70%	75%
Cost ratio	20%	18%	18%	18%	18%	18%	16%
Combined ratio	93%	85%	88%	89%	91%	89%	91%

FINANCIAL PERFORMANCE

In the 4th quarter, Insurance delivered a result before amortisation of NOK 32m (NOK 143m). The combined ratio for the quarter was 93% (91%).

The 4th quarters claims ratio was 73% (74%) and the underlying risk development is satisfying. P&C insurance has a satisfying claims development. The claims ratio was further improved due to run-off gains on provisions. Individual insurance coverage has a claims ratio lower than last year. Group Life delivers a weak risk result on disability and satisfying results on death risk. Health Insurance experiences lower frequency on claims. The risk result for Group Disability Pension is equivalent to the same period last year.

The cost ratio ended at 20% (18%) for the 4th quarter. As planned, growth initiatives have temporarily resulted in higher costs for the insurance area, including direct and allocated cost items, which has increased the cost ratio.

Insurance's investment portfolio in Norway was NOK 8.3bn as of the 4th quarter, which is primarily invested in fixed income securities with a short to medium duration. There is a negative return on the investment portfolio for Group life and individual insurance coverage due to lower booked return in the quarter, and corresponding strengthening of buffers for future return.

[1] Health insurance is owned 50% each by Storebrand ASA and Munich Health
[2] NOK 2,7bn 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.

BALANCE SHEET AND MARKET TRENDS

Storebrand aims to grow in the retail market, but strong competition and shift in distribution strategy resulted in lower growth than in the previous years. A number of initatives to improve pricing, products, sales and service solutions are being implemented in order to strenghten competitiveness. The Akademiker portfolio is an important driver for growth and delivers as expected. Rema Forsikring has been established as a white label solution and the portfolio is growing. The partner strategy is expected to contribute to cost effective growth in the coming years. Health related insurance is growing and Storebrand is succeeding well in the market.

INSURANCE - KEY FIGURES

	2017					Full year	
NOK million	4Q	3Q	2Q	1Q	4Q	2017	2016
P&C & Individual life	1,731	1,750	1,732	1,725	1,729	1,731	1,729
Health & Group life 1)	1,568	1,541	1,532	1,504	1,507	1,568	1,507
Pension related disability insurance	1,164	1,183	1,176	1,184	1,266	1,164	1,266
Total written premiums	**4,462**	**4,474**	**4,440**	**4,413**	**4,502**	**4,462**	**4,502**

* Individual life and accident, property and casualty insurance.
** Group accident, occupational injury and health insurance.
*** Nordic disability cover related to defined contribution pensions.

Guaranteed pension

- **Income reduction in line with strategy and product run-off**
- **NOK 200m provision in effect from expected regulatory reduction of the ultimate forward rate in SPP**

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

	2017					Full year	
NOK million	4Q	3Q	2Q	1Q	4Q	2017	2016
Fee and administration income	376	380	369	358	376	1,483	1,566
Operational cost	-240	-212	-216	-221	-260	-889	-981
Operating profit	**136**	**169**	**153**	**137**	**116**	**595**	**585**
Risk result life & pensions	18	9	6	34	-13	67	-37
Net profit sharing and loan losses	-123	66	131	30	389	104	322
Profit before amortisation	**31**	**244**	**290**	**201**	**492**	**766**	**870**

RESULT

Guaranteed Pension achieved a profit before amortisation of NOK 31m (NOK 492m) in the 4th quarter and NOK 766m (NOK 870m) in 2017.

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 376m (NOK 376m) in the 4th quarter and NOK 1,483m (NOK 1,566m) in 2017. This is equivalent to a reduction of 5.3% in 2017 compared with the previous year.

Operating costs amounted to NOK 240m (NOK 260m) in the 4th quarter and NOK 889m (NOK 981m) in 2017. 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 18m (NOK -13m) in the 4th quarter and NOK 67m (NOK -37m) for the year. The risk result generated in the Swedish business shows good development. The risk result in the Norwegian business was restricted as a result of the business volume decreasing, reserve strengthening due to the introduction of new collective disability pension and general disability developments during this period.

The result from profit sharing and loan losses in the Guaranteed Pension segment consists of profit sharing and financial effects. The result was minus NOK 123m (NOK 389m) in the 4th quarter and NOK 104m (NOK 322m) in 2017. In the 4th quarter, profit sharing in the Norwegian business provided a NOK 40m (NOK 139m) contribution to the result, which was driven by solid returns and a good buffer situation. In the Swedish business, the result in the 4th quarter was minus NOK 164 m (NOK 250m). In the 4th quarter, reserves were strengthened by approximately NOK 200m as a result of the transition to new UFR (Ultimate Forward Rate). Generally, there were good profits and profit sharing in the portfolios.

BALANCE SHEET AND MARKET TRENDS

The majority of products are closed for new business, and the customers' choices about transferring from guaranteed to non-guaranteed products are in line with the Group's strategy. Customer reserves for guaranteed pensions amounted to NOK 264bn at the end of the 4th quarter, which represents an increase of NOK 5.6bn over 2017. Adjusted for currency the increase is NOK 1.1bn. The total premium income for guaranteed pensions (excluding transfers) was NOK 1bn (NOK 1bn) in the 4th quarter. In 2017 there was an overall reduction in premium income of 16%.

In the Norwegian business, Reserves for defined-benefit pensions in Norway amounted to NOK 36bn at the end of the 4th quarter, a decline of NOK 10bn since the end of 2016. This decline fuels the increase in paid up policies, which amounted to an additional 12.7bn during the course of 2017. The total portfolio amounts to NOK 128bn at the end of the 4th quarter. 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, which are included in the Savings segment, amounted to NOK 6.8bn at the end of the 4th quarter.

Guaranteed portfolios in the Swedish business totalled NOK 86bn at the end of the 4th quarter, which corresponds to an increase of NOK 3.7bn in 2017.

GUARANTEED PENSION - KEY FIGURES

	2017					Full year	
NOK million	4Q	3Q	2Q	1Q	4Q	2017	2016
Guaranteed reserves	264,320	261,652	260,459	261,148	258,723	264,320	258,723
Guaranteed reserves in % of total reserves	61.2 %	62.4 %	63.2 %	63.9 %	64.9 %	61.2 %	64.9 %
Net transfers	-117	-103	-199	-541	-245	-959	-3,306
Buffer capital in % of customer reserves Norway	7.2 %	5.2 %	5.3 %	5.4 %	5.7 %	7.2 %	5.7 %
Buffer capital in % of customer reserves Sweden	9.0 %	9.3 %	8.4 %	7.9 %	6.7 %	9.0 %	6.7 %

Other/Eliminations

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

RESULT EXCLUDING ELIMINATIONS

	2017					Full year	
NOK million	4Q	3Q	2Q	1Q	4Q	2017	2016
Fee and administration income	20	19	23	21	43	83	145
Operational cost	-56	-53	-39	-39	-33	-188	-141
Operating profit	**-36**	**-35**	**-16**	**-18**	**10**	**-105**	**4**
Financial items and risk result life	-48	30	102	77	-54	161	401
Profit before amortisation	**-84**	**-5**	**85**	**59**	**-45**	**55**	**405**

ELIMINATIONS

	2017					Full year	
NOK million	4Q	3Q	2Q	1Q	4Q	2017	2016
Fee and administration income	-54	-44	-46	-46	-18	-190	-174
Operational cost	54	44	46	46	18	190	174
Financial result							
Profit before amortisation							

The Other segment reported a profit of NOK -36m (NOK 10m) for the 4th quarter. Fee and administration income declined in comparison with the same quarter last year due to a planned reduction of corporate loans at Storebrand Bank.

The financial result for the Other segment includes the company portfolios of SPP and Storebrand Life Insurance, and the financial result of Storebrand ASA. The financial result in Storebrand ASA is negatively affected by pay out of earn out in relation to the Skagen transaction.

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 4th 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 24bn at end of 2017.

The investments are primarily in interest-bearing securities, with short maturities, in Norway and Sweden. The Norwegian company portfolio reported a return of 0.42% for the quarter and 2.61% for 2017. The Swedish company portfolio provided a return of 0.0% in the quarter and 0.4% for 2017.

Balance sheet, solidity and capital situation

Continuous monitoring and active risk management is core to Storebrand's business. Risk and capital adequacy are both monitored at Group level and in the legal entities. Regulatory requirements for capital adequacy and risk management follow the legal entities. The section is thus divided by legal entities.

STOREBRAND GROUP

The Solvency II margin in the Storebrand Group was 172% (incl. transitional rules) at the end of the 4th quarter, an increase of 10 percentage points during the quarter.

STOREBRAND ASA

Storebrand ASA (holding company) held liquid assets of NOK 1.4bn at the end of the quarter. Liquid assets consist primarily of short-term fixed income securities with a good credit rating and bank deposits. Storebrand ASA's total interest-bearing liabilities were NOK 2.3bn at the end of the quarter. This corresponds to a net debt-equity ratio of 4%. The next maturity date for bond debt is in October 2018. In addition to the liquidity portfolio, the company has an unused credit facility of EUR 240m that runs until December 2019.

Storebrand ASA owned 0.20% (973 672) of the company's own shares at the end of the quarter.

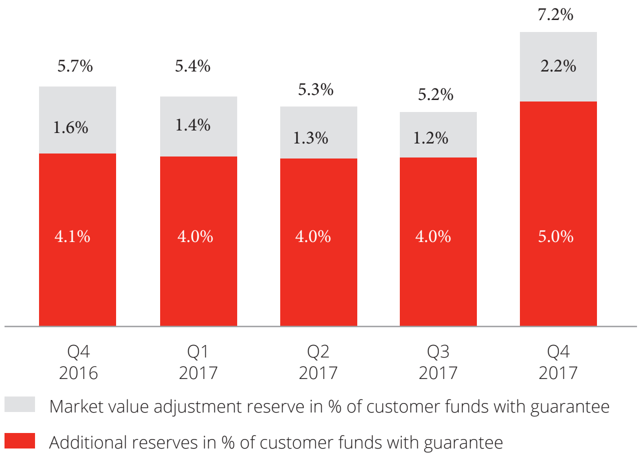
STOREBRAND LIFE INSURANCE GROUP[1)]

The solidity capital[1)] amounted to NOK 64bn at the end of 4th quarter 2017, an increase of NOK 4.6bn in 4th quarter and NOK 7.6bn year to date. The change in the quarter and year to date is due to increased customer buffers in the Swedish business and the Norwegian business.

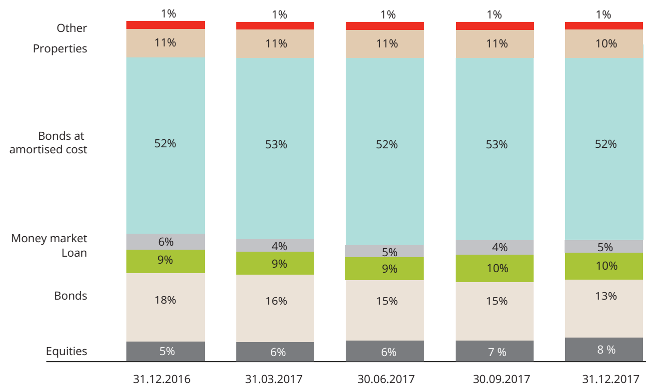
STOREBRAND LIVSFORSIKRING AS

The market value adjustment reserve increased during the 4th quarter by 1,6bn and 1,0bn for the year, and amounted to NOK 3.7bn at the end of the 4th quarter of 2017. A strong booked return has contributed to increasing the additional statutory reserves in the 4th quarter and year to date by 1,5bn and amounted to NOK 8,3bn at the end of the 4th quarter of 2017. The excess value of bonds and loans valued at amortised cost has been reduced by 0,1bn in the 4th quarter and by 0,3bn year to date and amounted to NOK 8.5bn at the end of 4th quarter 2017. The excess value of bonds and loans at amortised cost is not included in the financial statements.

CUSTOMER BUFFERS



ALLOCATION OF GUARANTEED CUSTOMER ASSETS

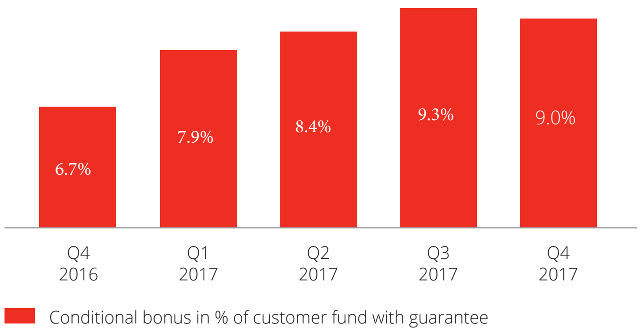


Customer assets increased by NOK 5.3bn in the 4th quarter and NOK 17.1bn year to date due to positive returns. Customer assets totalled NOK 259bn at the end of the 4th quarter of 2017. Customer assets within non-guaranteed savings increased NOK 5.0bn during the 4th quarter and NOK 15.2bn for the year to date. Guaranteed customer assets increased NOK 0.4bn during the 4th quarter and NOK 1.9bn for the year to date.

1) Storebrand Life Insurance, SPP and BenCo.
2) The term solidity capital encompasses equity, subordinated loan capital, the risk equalisation fund, the market value adjustment reserve, additional statutory reserves, conditional bonuses.

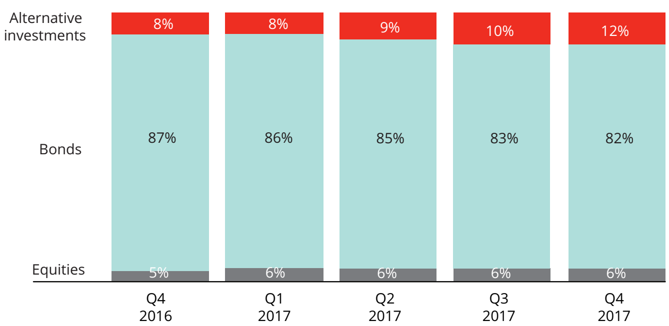
SPP

CUSTOMER BUFFERS - SPP



The buffer capital amounted to SEK 7bn (SEK 6bn) as of the 4th quarter.

ALLOCATION OF GUARANTEED CUSTOMER ASSETS



Total assets under management in SPP were SEK 170bn for the 4th quarter. This corresponds to an increase of 4.84% compared with the 4th quarter of 2016. For customer assets in non-guaranteed savings, assets under management totalled SEK 87,6bn (SEK 78,8) in the 4th quarter, which corresponds to an increase of 11.1%, compared with the 4th quarter of 2016.

STOREBRAND BANK

The lending portfolio in the retail market, including loans managed on behalf of Storebrand Livsforsikring AS amounted to NOK 42.1bn, of which NOK 26.9bn consisted of retail market loans at Storebrand Bank. The corporate market portfolio amounted to NOK 0.4bn.

The Storebrand Bank Group had a net capital base of NOK 2.3bn at the end of the quarter. The capital adequacy ratio was 18.9%, and the core equity tier 1 ratio was 14.8% at the end of the quarter.

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 20% in 2017. 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 sale of banking products and P&C insurance contributes to growth within the Savings and Insurance segment. The competition in the market has resulted in pressure on margins within these segments, that in turn sets requirements for cost reductions and 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.

Asset management is an important business area within the Savings segment. Asset management has had stable growth in reserves and good earnings development. With the acquisition of Skagen, Storebrand becomes a top three mutual fund provider in Norway. The asset management platform is competitive and scalable for further growth.

The Guaranteed Pension segment is in long-term run off and the combined reserves for the Guaranteed Defined Benefit solution 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 61% at the end of the quarter, a 4 percentage point reduction from the previous year.

It is targeted that nominal costs will be lower in 2018 compared with the level at the end of 2015. Storebrand will still make selected investments in growth. The partnership with Cognizant is expected to continue to provide lower costs for the Group in the coming years.

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 Norwegian Ministry of Finance proposal for legislation regarding pension accounts is subject to consultation until 21 February 2018.

The ministry is proposing a scheme for separate pension accounts that is based on existing pension accounts in active deposit schemes. Defined contribution plan statements 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.

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

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

All employees should be members of the company's scheme, but it should be possible to opt to transfer retirement pension capital to be managed by other 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.

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

NEW PUBLIC SERVICE PENSION

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

REPORT ON PAID-UP POLICIES

The Ministry of Finance has provided an interdepartmental working group with participants from the Ministry of Finance, Labour and Social Affairs and the Financial Supervisory Authority of Norway, which is tasked with investigating possible changes in the regulations for guaranteed paid-up policies. The report will be complete in May 2018.

The Working Group will be assessing the regulations for profit sharing, foreign exchange adjustment funds and additional provisions, as well as the transfer of pension assets. Also under consideration is whether companies ought to have the opportunity to add customer funds from equity as a concession for opting out of the interest rate guarantee. The ministry is emphasizing that changes in the contracts between customers and companies must be made through increased choices on offer to customers. This is in line with the ministry's earlier stance on changes to these rules. However, it is considered positive that a study is now being initiated that will illuminate possible changes.

CAPITAL MANAGEMENT AND DIVIDENDS

Storebrand 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 4th quarter was 172%. The solvency level shows that the Group is robust for the risks the business faces. A gradual improvement is expected in the underlying solvency margin in the coming years. Reduction in capital requirements from guaranteed business and results from the Group are expected to gradually improve solvency. Volatilty 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.

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

Lysaker, 6 February 2018

Storebrand Group
Income statement

(NOK million)	Note	Q4 2017	Q4 2016	1.1 - 31.12 2017	1.1 - 31.12 2016
Premium income		6,300	5,670	26,652	25,829
Net income from financial assets and real estate for the company:					
- equities and fund units at fair value		7	26	31	38
- bonds and other fixed-income securities at fair value		111	87	503	598
- financial derivatives at fair value		36	33	99	66
- loans at fair value		7	-8	57	22
- bonds at amortised cost		27	31	134	122
- loans at amortised cost		172	164	665	702
- real estate					10
- profit from investments in associated companies and joint ventures		7	18	119	65
Net income from financial assets and real estate for the customers:					
- equities and fund units at fair value		6,926	6,707	16,943	11,609
- bonds and other fixed-income securities at fair value		728	562	3,157	4,074
- financial derivatives at fair value		-989	-3,964	848	2,570
- loans at fair value		30	18	113	18
- bonds at amortised cost		1,028	1,040	4,243	4,197
- loans at amortised cost		122	86	443	289
- real estate		994	412	2,556	2,295
- profit from investments in associated companies and joint ventures		59	36	231	167
Other income		2,007	972	4,051	3,220
Total income		**17,573**	**11,887**	**60,845**	**55,891**
Insurance claims		-5,726	-6,339	-24,985	-25,313
Change in insurance liabilities		-6,378	-1,449	-23,048	-23,748
Change in capital buffer		-2,717	-1,442	-3,943	1,475
Operating expenses	7	-1,178	-1,065	-4,073	-3,788
Other expenses		-708	-424	-930	-683
Interest expenses		-249	-257	-925	-920
Total expenses before amortisation		**-16,956**	**-10,976**	**-57,905**	**-52,978**
Group profit before amortisation		**618**	**912**	**2,940**	**2,913**
Amortisation of intangible assets		-237	-95	-536	-406
Group pre-tax profit		**381**	**816**	**2,404**	**2,506**
Tax expenses	8	113	-140	2	-364
Profit/loss for the period		**494**	**676**	**2,405**	**2,143**
Profit/loss for the period attributable to:					
Share of profit for the period - shareholders		473	673	2,375	2,118
Share of profit for the period - hybrid capital investors		3	3	11	11
Share of profit for the period - minority		18		20	14
Total		**494**	**676**	**2,405**	**2,143**
Earnings per ordinary share (NOK)		1.04	1.50	5.28	4.73
Average number of shares as basis for calculation (million)				449.8	448.2
There is no dilution of the shares					

Storebrand Group
Statement of comprehensive income

	Q4		1.1 - 31.12	
(NOK million)	2017	2016	2017	2016
Profit/loss for the period	**494**	**676**	**2,405**	**2,143**
Change in actuarial assumptions	-109	-119	-117	-142
Adjustment of value of properties for own use	-302	35	130	102
Gains/losses from cash flow hedging	25	-10	23	-60
Total comprehensive income elements allocated to customers	302	-35	-130	-102
Tax on other comprehensive income elements not to be classified to profit/loss	2	37	2	37
Total other comprehensive income elements not to be classified to profit/loss	**-82**	**-92**	**-92**	**-166**
Translation differences foreign exchange	183	74	387	-802
Unrealised gains on financial instruments available for sale	2	9	8	6
Total other comprehensive income elements that may be classified to profit/loss	**185**	**83**	**395**	**-796**
Total other comprehensive elements	**103**	**-9**	**303**	**-961**
Total comprehensive income	**597**	**667**	**2,708**	**1,181**
Total comprehensive income attributable to:				
Share of total comprehensive income - shareholders	575	663	2,675	1,163
Share of total comprehensive income - hybrid capital investors	3	3	11	11
Share of total comprehensive income - minority	19	1	22	7
Total	**597**	**667**	**2,708**	**1,181**

Storebrand Group
Statement of financial position

(NOK million)	Note	31.12.17	31.12.16
Assets company portfolio			
Deferred tax assets		637	595
Intangible assets and excess value on purchased insurance contracts		6,295	4,858
Pension assets		3	
Tangible fixed assets		55	57
Investments in associated companies and joint ventures		291	458
Financial assets at amortised cost:			
- Bonds	7	3,403	3,398
- Loans to financial institutions	7	313	272
- Loans to customers	7,10	26,678	25,310
Reinsurers' share of technical reserves		27	40
Real estate at fair value	7	50	51
Biological assets		64	64
Accounts receivable and other short-term receivables		4,834	2,647
Financial assets at fair value:			
- Equities and fund units	7	363	121
- Bonds and other fixed-income securities	7	31,719	30,503
- Derivatives	7	1,341	1,206
- Loans to customers	7,10	580	1,958
Bank deposits		3,466	3,694
Minority interests in consolidated mutual funds		30,303	20,386
Total assets company portfolio		**110,424**	**95,619**
Assets customer portfolio			
Tangible fixed assets		488	433
Investments in associated companies and joint ventures		3,113	1,918
Receivables from associated companies		39	37
Financial assets at amortised cost:			
- Bonds	7	84,071	79,378
- Bonds held-to-maturity	7	15,128	15,644
- Loans to customers	7,10	21,425	16,727
Reinsurers' share of technical reserves		63	106
Real estate at fair value	7	27,403	24,110
Real estate for own use	7	1,408	2,863
Biological assets		791	702
Accounts receivable and other short-term receivables		692	1,053
Financial assets at fair value:			
- Equities and fund units	7	156,071	129,416
- Bonds and other fixed-income securities	7	135,042	141,334
- Derivatives	7	2,723	3,621
- Loans to customers	7,10	5,104	2,346
Bank deposits		4,958	4,375
Total assets customer portfolio		**458,519**	**424,065**
Total assets		**568,943**	**519,684**

Continue next page

Storebrand Group
Statement of financial position (continue)

(NOK million)	Note	31.12.17	31.12.16
Equity and liabilities			
Paid-in capital		12,855	11,726
Retained earnings		17,652	15,631
Hybrid capital		226	226
Minority interests		99	54
Total equity		**30,832**	**27,637**
Subordinated loan capital	6.7	8,867	7,621
Capital buffer	11	21,137	16,719
Insurance liabilities		435,749	405,257
Pension liabilities		341	289
Deferred tax		238	175
Financial liabilities:			
- Liabilities to financial institutions	6.7	155	407
- Deposits from banking customers	7	14,628	15,238
- Securities issued	6.7	16,575	16,219
- Derivatives company portfolio		282	326
- Derivatives customer portfolio		1,733	1,868
Other current liabilities		8,102	7,542
Minority interests in consolidated mutual funds		30,303	20,386
Total liabilities		**538,110**	**492,047**
Total equity and liabilities		**568,943**	**519,684**

Storebrand Group
Statement of changes in equity

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

[1]) 467 813 982 shares with a nominal value of NOK 5. A capital increase was carried out in 2017 by issuing 17,904,091 shares with a subscription price of NOK 62.90. The shares have been used as consideration for the purchase of shares in Skagen

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

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

Storebrand Group
Statement of cash flow

(NOK million)	1.1 - 31.12 2017	2016
Cash flow from operational activities		
Net receipts premium - insurance	24,071	26,483
Net payments compensation and insurance benefits	-19,221	-18,911
Net receipts/payments - transfers	-2,995	-4,647
Net change insurance liabilities	4,501	-1,784
Receipts - interest, commission and fees from customers	2,853	2,896
Payments - interest, commission and fees to customers	-372	-587
Taxes paid	-6	
Payments relating to operations	-3,432	-3,125
Net receipts/payments - other operational activities	-7	136
Net cash flow from operations before financial assets and banking customers	**5,392**	**462**
Net receipts/payments - loans to customers	-7,412	-10,969
Net receipts/payments - deposits bank customers	-610	-2,586
Net receipts/payments - securities	4,331	12,935
Net receipts/payments - real estate investments	-623	2,058
Net change in bank deposits insurance customers	-338	-323
Net cash flow from financial assets and banking customers	**-4,653**	**1,115**
Net cash flow from operational activities	**739**	**1,576**
Cash flow from investment activities		
Net receipts - sale of subsidaries	245	64
Net payments - purchase of group companies	-408	-5
Net receits/payments - sale/purchase of fixed assets	-98	-63
Net cash flow from investment activities	**-261**	**-4**
Cash flow from financing activities		
Payments - repayments of loans	-4,899	-4,457
Receipts - new loans	4,899	3,700
Payments - interest on loans	-334	-372
Receipts - subordinated loan capital	1,126	700
Payments - repayment of subordinated loan capital	-150	
Payments - interest on subordinated loan capital	-377	-367
Net receipts/payments - lending to and claims from other financial institutions	-252	-9
Receipts - issuing of share capital / sale of shares to own employees		14
Payments - repayment of share capital	36	
Payments - dividends	-698	-14
Payments - interest on hybrid capital	-11	-11
Net cash flow from financing activities	**-659**	**-816**
Net cash flow for the period	**-181**	**757**
- of which net cash flow in the period before financial assets and banking customers	4,471	-358
Net movement in cash and cash equivalents	-181	757
Cash and cash equivalents at start of the period for new/sold out companies	7	-13
Cash and cash equivalents at start of the period	3,965	3,132
Currency translation differences	-11	91
Cash and cash equivalents at the end of the period 1)	**3,780**	**3,966**
[1] Consist of:		
Loans to financial institutions	313	272
Bank deposits	3,466	3,694
Total	**3,780**	**3,966**

Notes to the interim accounts Storebrand Group

Note 01 Accounting policies

The Group's interim financial statements include Storebrand ASA, subsidiaries, associated companies and joint ventures. The financial statements are prepared 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 2016 annual report, and the interim financial statements are prepared in accordance with these accounting policies.

During the quarter and year to date, changes were made to the classification of certain types of transactions in the income statement, and comparable figures have been restated. The changes has no effect on the Group result or the classification in the segment note. Below are the most significant result lines that are included in the changes:

- net interest income Bank (this line has been removed from the statement)
- loans at fair value
- loans at amortised cost
- other income
- change in insurance liabilities
- operating costs
- other costs
- interest expenses

A change was also made to the classification of depreciation of IT systems as of 31 December 2016, and comparable figures have been restated. The change has an effect on the operating expenses and amortisation of intangible assets lines, as well as classification in the segment note.

There is no new or amended accounting standards that entered into effect as at 1 January 2017 that have caused significant effects on Storebrand's interim financial statements.

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 2016 annual report in note 2, strengthening longevity reserves for Storebrand Life Insurance in note 3, insurance risk in note 8, valuation of financial instruments at fair value is described in note 13 and in the interim financial statements note 13 Solvency II.

Note 03 Acquisition

Skagen

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

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

In accordance with the share purchase agreement that was entered into, Storebrand has acquired all class A shares and 10,000 class B shares in Skagen, corresponding to 90.95% of the share capital in the Company and 99.9% of the votes in the Company.

Skagen has 134 employees, and the company will be a part of the Savings segment.

Storebrand has paid the selling shareholders consideration for the shares amounting to NOK 1.5 billion upon completion of the transaction, divided between newly issued shares in Storebrand ASA and a cash consideration of NOK 407 million. Upon completion of the transaction, 17,904,091 new shares have been issued in Storebrand ASA as a partial financing of the share acquisition by the capital increase having been carried out in return for contributions in the form of assets other than cash so that shareholders do not have preferential rights. The value of the consideration that Storebrand ASA is paying for the shares in Skagen is based on the closing price of the shares in Storebrand ASA as of 6 December, which was NOK 62.90 per share. In addition there may be additional consideration based on developments in results and income in Skagen, and the sharing of fees triggered by Skagen delivering excess returns compared to its relevant reference indexes. The additional consideration has an upper limit of NOK 1.5 billion.

The acquisition of the shares in Skagen was made public on 25 October 2017, and the transaction has been approved by the Financial Supervisory Authority of Norway and the Norwegian Ministry of Finance, in addition to the competition authorities in Norway and Sweden.

Business combinations are recognised in accordance with the acquisition method. Upon acquisition of a subsidiary, a fair value analysis is performed, and assets and liabilities are assessed at fair value at the time of purchase. The residual value in the acquisition will constitute goodwill.

Excess value of NOK 688 million has been identified before deferred tax in the acquisition analysis. Skagen has a strong brand name and important customer relations in its operations. Of the total excess value, NOK 145 million is linked to the brand name, which is amortized over 10 years, while NOK 402 million is linked to customer relations, which are amortized over 10 years.
In addition, excess value has been identified from customer relations linked to the Skagen's result in 2017 of NOK 131 million, which is amortized in 2017, while there is excess value of NOK 10 million related to IT systems. Deferred tax of NOK 172 million has been calculated for the excess value. Goodwill amounts to NOK 1007 million and this item is not depreciated, but is tested yearly against impairment.

(NOK million)	Book values in the company	Excess value upon acquistion	Book values
Assets			
Intangible assets	20.0	688.0	708.0
Financial assets	367.0		367.0
Other assets	469.0		469.0
Bank deposits	43.0		43.0
Total assets	**899.0**	**688.0**	**1,587.0**
Liabilities			
Current liabilities	679.2		679.2
Deferred tax	-1.0	172.0	171.0
Net identifiable assets and liabilities	**220.8**	**516.0**	**736.8**
Goodwill			1,006.6
Fair value at acquisition date			**1,743.4**
Minority interests			20.0
Fair value majority (cost price)			**1,723.4**

(NOK million)	Book values in the company	Excess value upon acquistion	Book values
Condiitional consideration			190.0
Cash consideration			**1,533.4**

SETTLEMENT OF CASH CONSIDERATION

(NOK million)	Amount
Consideration shares Storebrand ASA	1,126.2
Paid i cash	407.3
Total	**1,533.4**

RESULTS IN SKAGEN 2017

(NOK million)	After acquisition	Before acquisition
Income	329.7	689.8
Profit	259.3	14.7

The result for Skagen has been included in Storebrand's group result from December 2017.

Silver
On 24 October 2017 Storebrand Livsforsikring AS entered into an agreement to acquire Silver's insurance portfolios. Silver was put under administration on 17 February 2017. The acquisition also includes the company Silver AS after the company is released from administration

The transaction was completed in January 2018. The transaction was completed in two parts, with one part as an acquisition of the portfolio, and the other part as an acquisition of Silver AS with its remaining operations.

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

The amount of NOK 520 million has been transferred to Silver's customers, and in the acquisition analysis the excess value of the acquisition will be allocated to the insurance contracts (VIF –value of business in force) and deferred tax asset.

Silver's approximately. 21,000 contracts and approximately. NOK 10 billion in pension assets have been moved to Storebrand. Approximately NOK 8.5 billion of the portfolio consists of pension products with no interest guarantee. The remainder is related to risk cover.

As a part of the administration solution, Silver's portfolio of paid-up policies has been converted to paid-up policies with investment options (FMI) for retirement pension coverage. Risk cover is continued based on a reduced base rate of 2.75%. Storebrand Livsforsikring has taken over FMI and associated risk cover from Silver as a portfolio.

Storebrand Livsforsikring has also taken over the company Silver AS, including the remaining portfolio of pension capital certificates and individual pension contracts with no guarantee. As a part of the administration solution, equity in Silver was written down to zero. Storebrand Livsforsikring has supplied new equity of NOK 40 million.

Note 04 Profit by segments

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

Savings
The savings segment includes products for retirement savings with no interest rate guarantees. The segment consists of defined

contribution pensions in Norway and Sweden, asset management and retail banking products.

Insurance
The insurance segment provides health insurance in the Norwegian and Swe¬dish corporate and retail markets, P&C insurance and personal risk products in the Norwegian retail market and employer's liability insurance and pension-related insurance in the Norwegian and Swedish corporate markets.

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

Other
The result for Storebrand ASA is reported under Other, as well as the result for the company portfolios and small subsidiaries of Storebrand Life Insurance and SPP. In addition, the results associated with loans to commercial enterprises by Storebrand Bank and the activities at BenCo are reported in this segment. The elimination of intra-group transactions that have been included in the other segments has also been included.

Reconciliation with the official profit and loss accounting
Profit in the segments are reconciled with the corporate profit and loss account before tax. The corporate profit and loss account includes gross income and gross expenses linked to both the insurance customers and owners. The various segments are to a large extent followed up on net profit margins, including risk and administration results. The profit lines that are used in segment reporting will therefore not be identical with the profit lines in the corporate profit and loss account.

	Q4		1.1 - 31.12	
(NOK million)	2017	2016	2017	2016
Savings	639	321	1,511	1,063
Insurance	32	143	608	575
Guaranteed pension	31	492	766	870
Other	-84	-45	55	405
Group profit before amortisation	**618**	**912**	**2,940**	**2,913**
Amortisation of intangible assets	-237	-95	-536	-406
Group pre-tax profit	**381**	**816**	**2,404**	**2,506**

SEGMENT INFORMATION AS OF Q4

	Savings		Insurance		Guaranteed pension	
	Q4		Q4		Q4	
(NOK million)	2017	2016	2017	2016	2017	2016
Fee and administration income	1,192	744			376	376
Insurance result			261	251		
- Insurance premiums for own account			*968*	*957*		
- Claims for own account			*-707*	*-706*		
Operating cost	-557	-426	-193	-168	-240	-260
Operating profit	**635**	**319**	**68**	**83**	**136**	**116**

(NOK million)	Savings Q4 2017	Savings Q4 2016	Insurance Q4 2017	Insurance Q4 2016	Guaranteed pension Q4 2017	Guaranteed pension Q4 2016
Financial items and risk result life & pension	4	3	-36	60	-105	376
Group profit before amortisation	**639**	**321**	**32**	**143**	**31**	**492**
Amortisation of intangible assets [1]						
Group pre-tax profit						

[1] Amortisation of intangible assets are included in Storebrand Group

(NOK million)	Other Q4 2017	Other Q4 2016	Storebrand Group Q4 2017	Storebrand Group Q4 2016
Fee and administration income	-34	25	1,534	1,145
Insurance result			261	251
- Insurance premiums for own account			*968*	*957*
- Claims for own account			*-707*	*-706*
Operating cost	-2	-15	-992	-868
Operating profit	**-36**	**10**	**803**	**528**
Financial items and risk result life & pension	-48	-54	-185	384
Group profit before amortisation	**-84**	**-45**	**618**	**912**
Amortisation of intangible assets[1]			-237	-95
Group pre-tax profit			**381**	**816**

SEGMENT INFORMATION AS OF 1.1 - 31.12

(NOK million)	Savings 31.12.17	Savings 31.12.16	Insurance 31.12.17	Insurance 31.12.16	Guaranteed pension 31.12.17	Guaranteed pension 31.12.16
Fee and administration income	3,402	2,758			1,483	1,566
Insurance result			1,146	945		
- Insurance premiums for own account			*3,872*	*3,828*		
- Claims for own account			*-2,726*	*-2,883*		
Operating cost	-1,899	-1,700	-711	-602	-889	-981
Operating profit	**1,503**	**1,058**	**435**	**342**	**595**	**585**
Financial items and risk result life & pension	8	5	173	233	171	284
Group profit before amortisation	**1,511**	**1,063**	**608**	**575**	**766**	**870**
Amortisation of intangible assets [1]						
Group pre-tax profit						

(NOK million)	Other 31.12.17	Other 31.12.16	Storebrand Group 31.12.17	Storebrand Group 31.12.16
Fee and administration income	-107	-30	4,779	4,294
Insurance result			1,146	945
- Insurance premiums for own account			3,872	3,828
- Claims for own account			-2,726	-2,883

(NOK million)	Other 31.12.17	31.12.16	Storebrand Group 31.12.17	31.12.16
Operating cost	2	33	-3,498	-3,250
Operating profit	**-105**	**4**	**2,427**	**1,989**
Financial items and risk result life & pension	161	401	513	924
Group profit before amortisation	**55**	**405**	**2,940**	**2,913**
Amortisation of intangible assets[1]			-536	-406
Group pre-tax profit			**2,404**	**2,506**

[1] Amortisation of intangible assets are included in Storebrand Group.

KEY FIGURES BY BUSINESS AREA

(NOK million)	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Group								
Earnings per ordinary share [1]	5.28	4.24	2.69	1.03	4.73	3.22	2.25	0.67
Equity	30,832	29,088	28,559	28,208	27,637	27,189	27,000	26,538
Savings								
Premium income Unit Linked [2]	3,981	3,670	3,649	3,716	3,466	3,444	3,541	3,693
Unit Linked reserves	167,849	157,984	151,425	147,311	139,822	131,571	127,876	125,434
AuM asset management	721,165	625,840	620,584	599,111	576,704	570,362	568,956	567,218
Retail lending	42,133	40,996	39,464	37,585	35,400	32,543	30,775	28,425
Insurance								
Total written premiums	4,462	4,474	4,440	4,413	4,502	4,519	4,464	4,401
Claims ratio [2]	73%	68%	70%	71%	74%	75%	75%	77%
Cost ratio [2]	20%	18%	18%	18%	18%	16%	14%	15%
Combined ratio [2]	93%	85%	88%	89%	91%	91%	90%	92%
Guaranteed pension								
Guaranteed reserves	264,320	261,652	260,459	261,148	258,723	261,547	265,300	265,931
Guaranteed reseves in % of total reserves	61.2%	62.4%	63.2%	63.9%	64.9%	66.5%	67.5%	67.9%
Net transfer out of guaranteed reserves [2]	117	103	199	541	245	239	621	2,200
Capital buffer in % of customer reserves Storebrand Life Group [3]	7.2%	5.2%	5.3%	5.4%	5.7%	5.6%	6.3%	5.9%
Capital buffer in % of customer reserves SPP [4]	9.0%	9.3%	8.4%	7.9%	6.7%	6.7%	6.3%	6.6%
Solidity								
Solvency II [5]	172%	160%	163%	159%	157%	165%	172%	175 %
Solidity capital (Storebrand Life Group) [6]	63,972	59,332	58,875	57,139	56,381	57,618	61,125	60,513
Capital adequacy Storebrand Bank	18.9%	18.1%	18.2%	17.9%	17.7%	18.1%	17.7%	17.3%
Core Capital adequacy Stobrand Bank	16.6%	16.0%	16.1%	15.8%	15.7%	16.2%	15.8%	15.4%

[1]) Accumulated
[2] Quarterly figures
[3] Additional statutory reserves + market value adjustment reserve
[4] Conditional bonuses
[5] See note 13 for specification of Solvency II
[6] The term solidity capital encompasses equity, subordinated loan capital, the risk equalisation fund, the market value adjustment reserve, additional statutory reserves, conditional bonuses, excess value/deficit related to bonds at amortised cost and accrued profit.

Note 05 Financial market risk and insurance risk

Risks are described in the annual report for 2016 in note 8 (Insurance risk), note 9 (Financial market risk), note 10 (Liquidity risk), note 11 (Credit risk) and note 12 (Concentration of risk).

Market risk means changes in the value of assets due to 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 equity market risk, credit risk, property price risk, interest rate risk and currency 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-portfolios: company portfolios, customer portfolios without a guarantee (unit linked) and customer portfolios with a guarantee.

The market risk in the company portfolios has a direct impact on Storebrand's profit, as does the market risk from the financial assets of Storebrand ASA and the subsidiaries that are not life insurance companies.

The market risk in customer portfolios without a guarantee (unit linked) is at the customers' risk, meaning Storebrand is not directly affected by changes in value. Nevertheless, changes in value do affect Storebrand's profit indirectly. Income is based mainly on the size of the reserves, while the costs tend to be fixed. Lower returns from the financial market than expected will therefore have a negative effect on Storebrand's 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 risk sharing with customers depends on several factors, the most important being the size and flexibility of the customer buffers and level and duration of the interest rate 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 by customer buffers.

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 stock market was strong, both in the fourth quarter and for the full year 2017. The global index increased by 19% during the year, including a 5% rise during the fourth quarter. The Norwegian stock market also increased by 19% during the year, of which 4% in the fourth quarter. The market for corporate bonds has also been good and there has been a reduction in credit spreads, particularly during the first half-year. Return from property investments was also good during 2017.

Interest rates was minor changed, both during the fourth quarter and for the year. At the end of the year both the Norwegian and the Swedish10-year interest swap rate remained largely unchanged from the level at the start of the year. Due to the majority of the interest rate investments in the Norwegian customer portfolios being held at amortized cost, changes in interest rates have a limited effect on expected returns in the short term. However, with the present interest rates, new bond investments provide a lower return than the average interest rate guarantee. Higher interest rates are a positive factor for the solvency position.

The Norwegian krone has strengthened against the American dollar since the start of the year. On the other hand, the Norwegian krone has weakened against the Euro and Swedish krone. A high degree of currency hedging in the portfolio means that the exchange rate fluctuations have a modest effect on results and risk.

There is minor change in investment allocations during the year.

Guaranteed portfolios in Norway provided returns that were better than the average guarantee during the year. The main reasons were strong equity-markets, falling credit-spreads and good property-return. Based on the current strategy, any returns that exceed the guarantee in Norway will primarily be used for strengthening reserves or for additional statutory reserves, and the return therefore has little impact on the result. The remaining strengthening of reserves for longevity was covered by the surplus return and loss of profit sharing. Hence, the strengthening of reserves for longevity was concluded in 2017. Investment return on customer portfolios also provided strengthening of additional statutory reserves at year-end. The market value adjustment reserve increased during the year, while excess values of portfolios at amortized cost fell slightly. Guaranteed portfolios in Sweden gave returns that were higher than the increase in value of insurance liabilities. Most of the excess return led to an increase in the buffer (conditional bonus).

On average, unit linked insurance customers had good returns during the fourth quarter and the year 2017. The main reason was strong equity markets.

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

The insurance risk is minor changed during the year.

Note 06 Liquidity risk

SPECIFICATION OF SUBORDINATED LOAN CAPITAL

(NOK million)	Nominal value	Currency	Interest rate	Call date	Book value
Issuer					
Hybrid tier 1 capital [1]					
Storebrand Livsforsikring AS	1,500	NOK	Variable	2018	1,506
Perpetual subordinated loan capital					
Storebrand Livsforsikring AS	1,000	NOK	Variable	2020	1,000
Storebrand Livsforsikring AS	1,100	NOK	Variable	2024	1,103
Dated subordinated loan capital					
Storebrand Livsforsikring AS	300	EUR	Fixed	2023	3,227
Storebrand Livsforsikring AS	750	SEK	Variable	2021	757
Storebrand Livsforsikring AS	1,000	SEK	Variable	2022	998
Storebrand Bank ASA	150	NOK	Variable	2017	126
Storebrand Bank ASA	125	NOK	Variable	2019	150
Total subordinated loans and hybrid tier 1 capital 31.12.17					**8,867**
Total subordinated loans and hybrid tier 1 capital 31.12.16					7,621

[1] In addition, Storebrand Bank ASA has issued hybrid tier 1 capital bonds/hybrid capital that is classified as equity. See the statement of changes in equity.

SPECIFICATION OF LIABILITIES TO FINANCIAL INSTITUTIONS

	Book value	
(NOK million)	31.12.17	31.12.16
Call date		
2017		407
2018	155	
Total liabilities to financial institutions	**155**	**407**

SPECIFICATION OF SECURITIES ISSUED

(NOK million)	Book value 31.12.17	Book value 31.12.16
Call date		
2017		3,051
2018	2,882	4,062
2019	3,152	2,692
2020	4,030	3,417
2021	3,509	2,997
2022	3,002	
Total securities issued	**16,575**	**16,219**

The loan agreements contain standard covenants.

Covered bonds

For issued covered bonds, a regulatory requirement for over-collateralisation of 102 per cent and an over-collateralisation requirement of 109.5 per cent for bonds issued before 21 June 2017 apply.

Credit facilities

Storebrand ASA has an unused credit facility of EUR 240 million.

Facilities for Storebrand Boligkreditt AS

Storebrand Bank ASA has issued two credit facilities to Storebrand Boligkreditt AS. One of these is an ordinary overdraft facility, with a ceiling of NOK 6 billion. This has no expired date, but can be terminated by the bank with 15 months' notice. The other facility may not be terminated by Storebrand Bank until at least 3 months after the maturity date of the covered bond and the associated derivates with the longest period to maturity. Both agreements provide a minimum capacity to cover at least interests and payments on covered bonds and derivatives the following 31 days.

Note 07 Valuation of financial instruments and investment 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 13 in the annual report for 2016.

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

VALUATION OF FINANCIAL INSTRUMENTS TO AMORTISED COST

(NOK million)	Level 1 Quoted prices	Level 2 Observable assumptions	Level 3 Non-observable assumptions	Fair value 31.12.17	Fair value 31.12.16	Book value 31.12.17	Book value 31.12.16
Financial assets							
Loans to and due from financial institutions		313		313	272	313	272
Loans to customers - corporate	1	299	6,200	6,500	8,474	6,532	8,518
Loans to customers - retail		26,354	15,217	41,571	33,520	41,571	33,520

(NOK million)	Level 1 Quoted prices	Level 2 Observable assumptions	Level 3 Non-observable assumptions	Fair value 31.12.17	Fair value 31.12.16	Book value 31.12.17	Book value 31.12.16
Bonds held to maturity		16,933		16,933	17,537	15,128	15,644
Bonds classified as loans and receivables		94,218		94,218	89,677	87,474	82,777
Total financial assets 31.12.17	**1**	**138,117**	**21,417**	**159,536**		**151,019**	
Total financial assets 31.12.16		132,759	16,721		149,480		140,730
Financial liabilities							
Debt raised by issuance of securities		16,634		16,634	16,290	16,575	16,219
Liabilities to financial institutions		155		155	5	155	5
Deposits from banking customers		14,628		14,628	15,238	14,628	15,238
Subordinatd loan capital		8,990		8,990	7,720	8,867	7,621
Total financial liabilities 31.12.17		**40,407**		**40,407**		**40,224**	
Total financial liabilities 31.12.16		39,254			39,254		39,083

VALUATION OF FINANCIAL INSTRUMENTS AND REAL ESTATE AT FAIR VALUE

(NOK million)	Level 1 Quoted prices	Level 2 Observable assumptions	Level 3 Non-observable assumptions	Total fair value 31.12.17	Total fair value 31.12.16
Assets:					
Equities and fund units					
- Equities	22,135	457	767	23,360	21,950
- Fund units	427	124,968	7,679	133,074	107,586
Total equities and fund units 31.12.17	**22,563**	**125,425**	**8,445**	**156,433**	
Total equities and fund units 31.12.16	20,615	99,814	9,107		129,537
Loans to customers[1)]					
- Loans to customers - corporate			5,104	5,104	2,346
- Loans to customers - retail			580	580	1,959
Loans to customers 31.12.17 [1)]			**5,684**	**5,684**	
Loans to customers 31.12.16 [1)]			4,304		4,304
Bonds and other fixed-income securities					
- Government bonds	24,011	25,011		49,022	47,696
- Corporate bonds	165	49,057	108	49,331	33,154
- Structured notes		81		81	29
- Collateralised securities		28,914		28,914	33,216
- Bond funds	9	39,403		39,412	57,742
Total bonds and other fixed-income securities 31.12.17	**24,186**	**142,467**	**108**	**166,761**	
Total bonds and other fixed-income securities 31.12.16	23,337	148,251	249		171,837
Derivatives:					
- Interest derivatives		2,799		2,799	3,291
- Currency derivatives		-751		-751	-657
Total derivatives 31.12.17		**2,049**		**2,049**	
- of which derivatives with a positive market value		4,114		4,114	4,827

(NOK million)	Level 1 Quoted prices	Level 2 Observable assumptions	Level 3 Non-observable assumptions	Total fair value 31.12.17	Total fair value 31.12.16
- of which derivatives with a negative market value		-2,065		-2,065	-2,194
Total derivatives 31.12.16		2,634			2,634
Properties:					
Investment properties			27,453	27,453	24,161
Properties for own use			1,408	1,408	2,863
Total properties 31.12.17			**28,861**	**28,861**	
Total properties 31.12.16			27,024		27,024
Liabilities:					
Liabilities to financial institutions [1]					402
Total liabilities 31.12.17 [1]					
Total liabilities 31.12.16 [1]		402			402

[1] Includes loans to customers/liabilities to financial institutions classified at fair value through profit and loss

There is no significant movement between level 1 and level 2 in this quarter.

FINANCIAL INSTRUMENTS AND REAL ESTATE AT FAIR VALUE - LEVEL 3

(NOK million)	Equities	Fund units	Loans to customers	Corporrate bonds	Investment properties	Properties for own use
Book value 1.1.17	**1,059**	**8,050**	**4,304**	**249**	**24,284**	**2,895**
Net gains/losses on financial instruments	-23	749	-73	-36	376	69
Additions	2	725	3,150		4,056	168
Sales	-295	-1,974	-1,825	-115	-1,856	-2,239
Currency translation differences	23	129	128			
Other				11	593	514
Book value 31.12.17	**767**	**7,679**	**5,684**	**108**	**27,453**	**1,408**

As of 31.12.17, Storebrand Livsforisikring had NOK 3.069 million invested in Storebrand Eiendomsfond Norge KS and Ruseløkkveien 26, Oslo. The investments are classified as “Investment in associated Ccmpanies and joint ventures” in the Consolidated Financial Statements.

SENSITIVITY ASSESSMENTS

Sensitivity assessments of investments on level 3 are described in note 13 in the 2016 annual report. There is no significant change in sensitivity in this quarter.

Note 08 Operating expenses

	Q4		1.1 - 31.12	
(NOK million)	2017	2016	2017	2016
Personnel expenses	-526	-392	-1,955	-1,741
Amortisation/write-downs	-41	-137	-167	-275
Other operating expenses	-612	-536	-1,952	-1,771
Total operating expenses	**-1,178**	**-1,065**	**-4,073**	**-3,788**

Note 09 Tax

The Group reported a tax income of NOK 113m for the 4th quarter and NOK 2m for the full year 2017. Completed sales of properties have resulted in the reversal of associated taxable temporary differences, which gives a reduction in the tax expense for the year of approximately NOK 750m.

In 2015 a wholly-owned Norwegian subsidiary of Storebrand Livsforsikring AS, Storebrand Eiendom Holding AS, was liquidated with a tax loss of approximately NOK 6.500m, with a corresponding increase in the carry-forward tax loss. In December 2017, a notice of amendment of the 2015 tax return was received, claiming that the loss was calculated too high, but without further quantification. Storebrand Livsforsikring AS disagrees with the arguments used and will respond to the tax authorities within the deadline. The notice is unclear. Based on the notice, a provision for an uncertain tax position has been made in the annual accounts for 2017. The best estimate of a reduction in the loss, in which Storebrand's interpretation of the tax authorities' notice is applied, is ca. NOK 1.600m. This translates, in isolation, into an increased tax expense for the 4th quarter and full year of approximately NOK 400m

The tax rate for the 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 Group includes companies that are both subject to and not subject to the financial tax. Therefore, when capitalising deferred tax/deferred tax assets in the consolidated financial statements, the company tax rate that applies for the individual Group companies is used. The Group's investment properties are owned by companies that receive a reduced tax rate from 2018. In isolation, this means lower deferred tax on temporary differences relating to the investment properties, something that reduces the tax expense in 2017 by NOK 105m.

Note 10 Loans

(NOK million)	31.12.17	31.12.16
Corporate market[1)]	11,683	10,907
Retail market	42,184	35,508
Gross loans	**53,867**	**46,415**
Write-down of loans losses	-80	-73
Net loans [1)]	**53,786**	**46,342**
[1)] Of which Storebrand Bank	360	1,550
[2)] Of which Storebrand Bank	27,257	27,268

(NOK million)	31.12.17	31.12.16
Of which Storebrand Livsforsikring	26,530	19,074

NON-PERFORMING AND LOSS-EXPOSED LOANS

(NOK million)	31.12.17	31.12.16
Non-performing and loss-exposed loans without identified impairment	150	107
Non-performing and loss-exposed loans with identified impairment	114	88
Gross non-performing loans	**265**	**195**
Individual write-downs	-43	-27
Net non-performing loans[1)]	**222**	**167**

[1)] The figures apply in their entirety Storebrand Bank

Note 11 Capital buffer

(NOK million)	31.12.17	31.12.16
Additional statutory reserves	8,254	6,794
Market adjustment reserves	3,707	2,684
Conditional bonuses	9,176	7,241
Total	**21,137**	**16,719**

Note 12 Contingent liabilities

(NOK million)	31.12.17	31.12.16
Guarantees	20	24
Unused credit facilities	3,474	3,548
Uncalled residual liabilities re limited partnership	7,906	2,971
Loan commitment retail market	2,007	3,524
Debt instrument to Silver Pensjonsforsikring in connection with the acquisition[1)]	520	
Total contingent liabilities	**13,927**	**10,067**

1) The debt instrument is conditional upon the company being released from administration

Guarantees essentially encompass payment and contract guarantees.
Unused credit facilities encompass granted and any unused credit accounts and credit cards, as well as, any unused flexible mortgage facilities.

Storebrand Group companies are engaged in extensive activities in Norway and abroad and may become a party in legal disputes, see also note 2 and note 45 in the 2016 annual report.

Note 13 Solvency II

The Storebrand Group is an insurance-dominated, cross-sectoral financial group with capital requirements in accordance with Solvency II. Storebrand calculates Solvency II according to the standard method as defined in the Solvency II Regulations.

Consolidation is carried out in accordance with Section 18-2 of the Norwegian Act relating to Financial Undertakings and Financial

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

Groups.
The solvency capital requirement and minimum capital requirement for the group are calculated in accordance with Section 46 (1)-(3) of the Solvency II Regulations using the standard method and include the effect of the transitional arrangement for shares pursuant to Section 58 of the Solvency II Regulations.

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

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

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

Other subordinated loans (time limited) and risk equalisation reserve are categorised as Group 2 capital. Group 2 capital can cover up to 50 per cent of the solvency capital requirement and up to 20 per cent of the minimum capital requirement.

Eligible minority interests and deferred tax assets are categorised as Group 3 capital. Group 3 capital can cover up to 15 per cent of the solvency capital requirement. Group 3 capital cannot be used to cover the minimum capital requirement.

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

The companies in the group governed by CRD IV are included in the group's solvency capital and solvency capital requirements with their respective primary capital and capital requirements.

SOLVENCY CAPITAL

			31.12.17			31.12.16
NOK million	Total	Group 1 unlimited	Group 1 limited	Group 2	Group 3	Total
Share capital	2,339	2,339				2,250
Share premium	10,521	10,521				9,485
Reconciliation reserve	25,694	25,694				23,524
Including the effect of the transitional arrangement	4,513	4,513				3,073
Subordinated loans	8,547		2,642	5,905		7,198
Deferred tax assets	71				71	102
Risk equalisation reserve	143			143		140
Minority interests	49				49	46
Unavailable minority interests	-33				-33	-30

NOK million	Total	Group 1 unlimited	31.12.17 Group 1 limited	Group 2	Group 3	31.12.16 Total
Deductions for CRD IV subsidiaries	-2,929	-2,429	-225	-275		-2,690
Expected paid out diividend	-1,168	-1,168				-695
Total basic solvency capital	**43,234**	**34,958**	**2,417**	**5,773**	**87**	**39,331**
Subordinated capital for subsidiaries regulated in accordance with CRD IV	2,929					2,690
Total solvency capital	**46,164**					**42,020**
Total solvency capital available to cover the minimum capital requirement	**39,294**	**34,958**	**2,417**	**1,920**		**36,726**

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

SOLVENCY CAPITAL REQUIREMENTS AND - MARGIN

NOK million	31.12.17	31.12.16
Market	22,936	24,175
Counterparty	565	529
Life	10,453	8,773
Health	744	731
P&C	283	295
Operational	1,496	1,449
Diversification	-7,023	-6,340
Loss-absorbing tax effect	-5,002	-5,363
Total solvency capital requirement - insurance company	**24,452**	**24,249**
Capital requirements for subsidiaries regulated in accordance with CRD IV	2,458	2,537
Total solvency capital requirement	26,910	26,786
Solvency margin with transitional rules	**172%**	**157%**
Minimum capital requirement	**9,599**	**10,010**
Minimum margin	**409%**	**367%**

Note 14 Cross-sectoral financial group

The Storebrand Group has a requirement to report capital adequacy in a multi-sectoral financial group (conglomerate directive). The calculation in accordance with the Solvency II regulations and capital adequacy calculation in accordance with the conglomerate directive give the same primary capital and essentially the same capital requirements.

NOK million	31.12.17	31.12.16
Capital requirements for CRD IV companies	2,687	2,700
Solvency captial requirements for insurance	24,452	24,249
Total capital requirements	**27,138**	**26,950**
Net primary capital for companies included in the CRD IV report	2,929	2,690
Net primary capital for insurance	43,234	39,331

NOK million	31.12.17	31.12.16
Total net primary capital	**46,164**	**42,020**
Overfunding	**19,025**	**15,070**

Under Solvency II, the capital requirement from the CRD IV companies in the Group is included in accordance with their respective capital requirements. In a multi-sectoral financial group, all the capital requirements of the CRD IV companies are calculated based on their respective applicable requirements, including buffer requirement for the largest company in the Group (Storebrand Bank). This increases the total requirement from the CRD IV companies in relation to what is included in the Solvency II calculation. As at 31 December 2017, the difference amounted to NOK 229 million.

Note 15 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 25 and 49 in the 2016 annual report.

Storebrand had not carried out any material transactions other than normal business transactions with related parties at the close of the 4th quarter 2017.

Storebrand ASA
Income statement

(NOK million)	4Q 2017	4Q 2016	Full year 2017	Full year 2016
Operating income				
Income from investments in subsidiaries	2,117	888	2,154	899
Net income and gains from financial instruments:				
- bonds and other fixed-income securities	5	6	36	48
- financial derivatives/other financial instruments	-1	-4	-4	-7
Other financial instruments		1	2	55
Operating income	**2,121**	**891**	**2,188**	**996**
Interest expenses	-14	-20	-69	-85
Other financial expenses	-54	-1	-62	-6
Operating expenses				
Personnel expenses	6	-1	-41	-27
Amortisation			-1	-1
Other operating expenses	-42	-16	-81	-48
Total operating expenses	**-36**	**-17**	**-123**	**-76**
Total expenses	**-104**	**-38**	**-254**	**-167**
Pre-tax profit	**2,017**	**853**	**1,934**	**829**
Tax	-140	-113	-110	-91
Profit for the period	**1,876**	**740**	**1,824**	**738**

STATEMENT OF TOTAL COMPREHENSIVE INCOME

(NOK million)	4Q 2017	4Q 2016	Full year 2017	Full year 2016
Profit for the period	**1,876**	**740**	**1,824**	**738**
Other total comprehensive income elements not to be classified to profit/loss				
Change in estimate deviation pension	-34	-41	-34	-41
Tax on other comprehensive income elements	8	10	8	10
Total other comprehensive income elements	**-25**	-31	-25	**-31**
Total comprehensive income	**1,851**	**709**	**1,798**	**707**

Storebrand ASA
Statement of financial position

(NOK million)	31.12.17	31.12.16
Fixed assets		
Deferred tax assets	135	236
Tangible fixed assets	28	29
Shares in subsidiaries and associated companies	18,724	17,102
Total fixed assets	**18,886**	**17,367**
Current assets		
Owed within group	2,207	891
Other current receivables		11
Investments in trading portfolio:		
- equities and other units	3	
- bonds and other fixed-income securities	1,380	2,123
- financial derivatives/other financial instruments	16	20
Bank deposits	53	72
Total current assets	**3,659**	**3,117**
Total assets	**22,545**	**20,484**
Equity and liabilities		
Share capital	2,339	2,250
Own shares	-5	-8
Share premium reserve	10,521	9,485
Total paid in equity	**12,855**	**11,726**
Other equity	5,793	5,129
Total equity	**18,648**	**16,855**
Non-current liabilities		
Pension liabilities	176	159
Securities issued	2,270	2,698
Total non-current liabilities	**2,446**	**2,857**
Current liabilities		
Debt within group	3	7
Provision for dividend	1,168	695
Other current liabilities	280	71
Total current liabilities	**1,451**	**773**
Total equity and liabilities	**22,545**	**20,484**

Storebrand ASA
Statement of changes in equity

(NOK million)	Share capital [1]	Own shares	Share premium	Other equity	Total equity
Equity at 31. December 2015	**2,250**	**-10**	**9,485**	**5,105**	**16,829**
Profit for the period				738	738
Total other comprehensive income elements				-31	-31
Total comprehensive income				**707**	**707**
Provision for dividend				-695	-695
Own share bought back [2]		2		26	28
Employee share [2]				-14	-14
Equity at 31. December 2016	**2,250**	**-8**	**9,485**	**5,129**	**16,855**
Profit for the period				1,824	1,824
Total other result elements				-25	-25
Total comprehensive income				**1,798**	**1,798**
Issue of shares [2]	90		1,037		1,126
Provision for dividend				-1,168	-1,168
Own share bought back [3]		3		44	47
Employee share [3]				-11	-11
Equity at 31. December 2017	**2,339**	**-5**	**10,521**	**5,793**	**18,648**

[1] 467 813 982 shares with a nominal value of NOK 5.
[2] A capital increase was carried out in 2017 by issuing 17,904,091 shares with a subscription price of NOK 62.90. The shares have been used as consideration for the purchase of shares in Skagen.
[3] In 2017, 657 715 shares were sold to our own employees. Holding of own shares 31. December 2017 was 973 672.

Storebrand ASA
Statement of cash flow

(NOK million)	1.1 - 31.12 2017	2016
Cash flow from operational activities		
Receipts - interest, commission and fees from customers	50	48
Net receipts/payments - securities at fair value	732	112
Payments relating to operations	-165	-117
Net receipts/payments - other operational activities	934	522
Net cash flow from operational activities	**1,551**	**565**
Cash flow from investment activities		
Net receipts - sale of subsidiaries		64
Net payments - sale/capitalisation of subsidiaries	-408	-79
Net receipts/payments - sale/purchase of property and fixed assets	2	
Net cash flow from investment activities	-407	**-15**
Cash flow from financing activities		
Payments - repayments of loans	-1,425	-555
Receipts - new loans	1,001	2
Payments - interest on loans	-81	-100
Receipts - sold own shart to employees	36	14
Payments - dividends	-695	
Net cash flow from financing activities	**-1,163**	**-639**
Net cash flow for the period	**-19**	**-89**
Net movement in cash and cash equivalents	-19	-89
Cash and cash equivalents at start of the period	72	161
Cash and cash equivalents at the end of the period	**53**	**72**

Notes to the financial statements Storebrand ASA

Note 01 Accounting policies

The financial statements are presented in accordance with the accounting policies applied in the annual financial statements for 2016. The accounting policies are described in the 2016 annual report.
Storebrand ASA does not apply IFRS to the parent company's financial statements.

Note 02 Estimates

In preparing the interim accounts, Storebrand has used assumptions and estimates that affect reported amounts of assets, liabilities, revenues, and costs, and information in the notes to the financial statements. The final values realised may differ from these estimates.

Note 03 Income from investments in subsidiaries

(NOK million)	2017	2016
Storebrand Livsforsikring AS	1,300	
Storebrand Bank ASA	192	369
Storebrand Asset Management AS	535	464
Storebrand Forsikring AS	81	54
Værdalsbruket AS	10	
Storebrand Helseforsikring AS	36	12
Total	**2,154**	**899**

Note 04 Bond and bank loans

(NOK million)	Interest rate	Currency	Net nominal value	31.12.17	31.12.16
Bond loan 2013/2020 [1]	Fixed	NOK	300	317	321
Bond loan 2012/2017	Variable	NOK	624		627
Bond loan 2013/2018	Variable	NOK	450	452	452
Bond loan 2014/2019	Variable	NOK	500	500	499
Bond loan 2017/2020	Variable	NOK	500	501	
Bond loan 2017/2022	Variable	NOK	500	500	
Bank loan 2015/2018	Variable	NOK	800		799
Total [2]				**2,270**	**2,698**

1) Loans with fixed rates are hedged by interest swaps, which are booked at fair value through profit and loss. Changes in values of loans that can be related to the hedged risk are included in the carrying amount and included in the result.
2) Loans are booked at amortised cost zand include earned not due interest.
Signed loan agreements have standard covenant requirements. Storebrand ASA has an unused drawing facility for EUR 240 million.

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Financial calendar 2018

8th February	Results 4Q 2017
11th April	Annual General Meeting
12th April	Ex dividend date
25th April	Results 1Q 2018
13th July	Results 2Q 2018
24th October	Results 3Q 2018
February 2019	Results 4Q 2018

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