storebrand

Interim report 4th quarter 2018

Storebrand Group

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Storebrand Group

- **Group result[1] of NOK 563m for the 4th quarter and NOK 3 158 for 2018**
- **Solvency II ratio 173%**
- **Proposed dividend NOK 3.0 pr. share**

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]

	2018				2017	01.01 - 31.12	
(NOK million)	Q4	Q3	Q2	Q1	Q4	2018	2017
Fee and administration income	1,301	1,246	1,245	1,220	1,531	5,011	4,771
Insurance result	282	316	358	335	261	1,291	1,146
Operational cost	-1,031	-877	-958	-919	-989	-3,786	-3,490
Operating profit	**551**	**685**	**645**	**635**	**803**	**2,516**	**2,427**
Financial items and risk result life	11	168	167	296	-185	642	513
Profit before amortisation	**563**	**853**	**812**	**931**	**618**	**3,158**	**2,940**
Amortisation and write-downs of intangible assets	-99	-98	-98	-64	-237	-360	-536
Profit before tax	**464**	**755**	**714**	**866**	**381**	**2,799**	**2,404**
Tax	1,392	-229	-126	-139	113	898	2
Profit after tax	**1,856**	**526**	**587**	**728**	**494**	**3,697**	**2,405**

The Group result before amortisation was NOK[3] 563m (NOK 618m) in the 4th quarter and NOK 3 158 (NOK 2 940m) for the full year. The figures in brackets are from the corresponding period last year.

Total fee and administration income amounted to NOK 1 301m (NOK 1 531m) for the 4th quarter. Adjusted for currency changes and effects from the aquisition of Skagen, this is an increase of 3% compared to the same period last year.

Income within the segment Guaranteed Pension decreased by 3% during 2018, in line with the run off of the Guaranteed Pension schemes, while the Savings segment increased income by 5% (excluding Skagen) compared to 2017.

The Insurance result had a total combined ratio of 89% (93%) in the quarter and 82% (89%) for the full year. This is stronger than the targeted range of 90-92%.

The Group's operating costs are reduced compared to last year, excluding costs from Skagen. The underlying cost control is strong and the Group has delivered on the goal of reduced nominal costs in 2018 compared to 2015, adjusted for the costs from Skagen. Costs in the quarter increased due to write down of IT systems and other minor effects.

Overall, the operating profit decreased by 3% in the quarter and increased by 14% for the full year compared to 2017, adjusted for Skagen and currency. The 'financial items and risk result' was affected by increased credit spreads which led to lower return in company portfolios in the quarter.

[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 throughtout the report.

Amortisation of intangible assets amounted to NOK -99m in the quarter and NOK -360m for the full year. Normal amortisation of intangible assets is expected to remain at around NOK 100m per quarter.

The Group reported a tax income of NOK 1 392m for the 4th quarter and NOK 898m for the full year 2018. In December 2018, the Norwegian parliament (Stortinget) ratified new tax rules for insurance and pension undertakings effective from 1 January 2018. Storebrand has previously booked a deferred tax liability due to the differences between mark to market values and tax values associated with real estate owned by the customer portfolios. As a consequence of the new rules, the deferred tax liability is reversed, creating a clearer separation between customer assets and shareholders assets. In isolation, the transitional effects lead to a tax income of approximately NOK 1.6 billion for the Group in the 4th quarter.

The effective tax rate is influenced by the fact that the Group has operations in countries with tax rates that are different from Norway, and it varies from quarter to quarter depending on each legal entity's contribution to the Group result. The new tax rules imply that customer assets for life insurance companies will be tax neutral and shareholders' part of the result will be taxed in accordance with ordinary tax rules. This will significantly reduce tax risk and volatility for the Group. The tax rate is estimated to be in the range of 21-23% for 2019. For more information on tax see note 9.

GROUP RESULT BY RESULT AREA

	2018				2017	01.01 - 31.12	
(NOK million)	Q4	Q3	Q2	Q1	Q4	2018	2017
Savings - non-guaranteed	328	336	307	296	639	1,267	1,511
Insurance	97	214	230	207	32	748	608
Guaranteed pension	214	292	234	398	31	1,138	766
Other profit	-76	10	41	29	-84	5	55
Profit before amortisation	**563**	**853**	**812**	**931**	**618**	**3,158**	**2,940**

The Savings segment reported a profit before amortisation and tax of NOK 328m (NOK 639) for the 4th quarter and NOK 1 267m (NOK 1 511m) for the full year. Structural growth within Unit linked savings and growth in Storebrand Bank's lending volume contribute positively to the result. Weak equity markets decreases assets under management for the group, and reduced performance fees lead to a lower result. Investments for growth in the retail savings market increase costs in the Norwegian Unit linked business.

The Insurance segment reported a profit of NOK 97m (NOK 32m) in the quarter and NOK 748m (NOK 608m) for the full year. The claims ratio decreased from 70% to 66% compared to last year resulting in a combined ratio of 82% (89%) for 2018. Fewer employees allocated to the area reduces the cost ratio. Run off gains and changed distribution improve results. Over time, the combined ratio is targeted to be in the range 90-92%.

The Guaranteed Pension segment achieved a profit before amortisation of NOK 214m (NOK 31m) for the 4th quarter and NOK 1 138m (NOK 766m) for 2018. Fee and administration income is reduced by 3% compared with last year. The products within Guaranteed Pension are in long-term runoff and reduced earnings from this segment are to be expected over time.

The Other segment reported a profit of NOK -76m (NOK -84m) in the quarter and NOK 5m (NOK 55m) for 2018. Credit spreads widening affects results negatively.

CAPITAL SITUATION

Storebrand uses the standard model for the calculation of Solvency II. The Storebrand Group's target solvency margin in accordance with the Solvency II regulations is a minimum of 150%, including use of the transitional rules. The solvency margin was calculated to 173% at the end of the 4th quarter of 2018, including one percentage point effect from transitional rules. Weak financial markets in the quarter was more than offset by risk management, volatility reducing factors in the solvency regulation and a strong after tax result.

Nordben, a subsidiary of Storebrand Livsforsikring AS, was sold during the fourth quarter. The transaction is expected to have a positive impact of 0.8 percentage points on Storebrand Group's solvency margin in 2019.

DIVIDEND

The board proposes a dividend of NOK 3.0 pr. share, equal to NOK 1 402m, to the Annual General Meeting. This represents a pay-out ratio of 68% adjusted for the extraordinary tax income announced in a stock exchange release 15 January 2019.

[1)] Tax rate based on profit before amortisation

MARKET AND SALES PERFORMANCE

The growth in Unit linked savings is driven by premiums from existing contracts, investment returns and conversion from defined benefit schemes and increased savings rates. Assets under management in the Unit Linked business in Norway increased by NOK 13bn (16%) relative to 2017 full year. In Norway, Storebrand is the market leader in Unit Linked occupational pension with 31,4% of the market share of gross premiums written (at the end of the 3rd quarter 2018). SPP has a market share of 12% in the Swedish market for other occupational pensions ("Övrig Tjänstepension", at the end of 3rd quarter).

After the acquisition of Skagen the Storebrand Group has a 14.1% market share (Pr.30.09.2018) within retail mutual funds. The lending volume at Storebrand Bank increased by 10% compared to last year.

MATERIAL EVENTS AFTER YEAR END

On February 11th Storebrand Asset Management AS signed an agreement to acquire 100 % of the company Cubera Private Equity AS (Cubera). For more information, see Note 15 in the interim report.

GROUP - KEY FIGURES

	2018				2017	01.01 - 31.12	
(NOK million)	Q4	Q3	Q2	Q1	Q4	2018	2017
Earnings per share[1)]	4,18	1,33	1,46	1,69	1,56	8,66	6,47
Equity	32,873	30,742	30,227	31,140	30,832	32,873	30,832
ROE, annualised[1)]	29.0%	8.6%	9.6%	11.3%	11.3%	13.7%	11.0%
Solvency II	173%	173%	167%	165%	172%	173%	172%

Financial targets	Target	Actual (Q4)
Return on equity (after tax)[1)]	> 10%	8.2%/14.7%
Dividend (after tax)[2)]	> 50%	68%
Solvency II margin Storebrand Group	> 150%	173%

[1)] The RoE is adjusted for extraordinary tax income described in note 9
[2)] The result is adjusted for the extraordinary tax income described in note 9

Savings

- **Turbulent market conditions lead to lower assets under management in the quarter**
- **Increased cost due to underlying growth in the business**

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

SAVINGS - NON GUARENTEED

	2018				2017	01.01 - 31.12	
NOK million	Q4	Q3	Q2	Q1	Q4	2018	2017
Fee and administration income	1,006	905	909	889	1,189	3,708	3,394
Operational cost	-649	-563	-599	-583	-554	-2,394	-1,891
Operating profit	**357**	**342**	**310**	**306**	**635**	**1,314**	**1,503**
Financial items and risk result life	-29	-5	-2	-9	4	-46	8
Profit before amortisation	**328**	**336**	**307**	**296**	**639**	**1,267**	**1,511**

FINANCIAL PERFORMANCE

The Savings segment reported a profit before amortisation and tax of NOK 328m (NOK 639) for the 4th quarter and NOK 1 267m (NOK 1 511m) for the full year.

Despite the weak equity market, fee and administration income in the quarter was maintained, and increased by 3.6% adjusted for performance fees. The Performance fees in isolation ended at NOK 89m in 2018, compared to NOK 304m in 2017. Income growth is driven by returns on investments and portfolios, customer conversion from defined benefit to defined contribution pension schemes, new businesses and higher savings rates. Increased competition contributes to moderate margin pressure both for the Norwegian and the Swedish Unit Linked products. In Asset Management there is a shift in product mix that leads to lower net margins.

Increasing interest rates and net margins in the 4th quarter lead to income growth for the retail banking this quarter. In 2018 stable net interest rates margins and increased lending volume have resulted in growth in net interest income for the banking business compared to 2017.

Operating expenses include Skagen with NOK 115m for the quarter and NOK 403m for the year. Exclusive of Skagen the operating expenses increased compared to 2017 due to underlying growth in the business.

BALANCE SHEET AND MARKET TRENDS

The premiums for non-guaranteed occupational pensions were NOK 4.1bn in the 4th quarter. Due to negative return in the 4th quarter, the total reserves within the Unit Linked business decreased from the 3rd quarter. However, over the last year the total reserves have increased by 7% and amounted to NOK 179bn at the end of the quarter. Assets under management in the Unit Linked business in Norway decreased by NOK 5bn (5%) in the quarter, but increased by NOK 13 bn (16%) for the year as a whole. The underlying growth is driven by premium payments for existing contracts, returns and conversion from defined benefit schemes. In Norway, Storebrand is the market leader in Unit Linked with 31.4% of the market share of gross premiums written (at the end of the 3rd quarter).

In the Swedish market, SPP is the fourth largest actor in the Other Occupational Pensions segment with a market share of 13% measured by premium income from Unit Linked. Customer assets decreased by SEK 2.6bn (3%) in the 4th quarter and SEK 1,6bn (2%) from the previous year.

Assets under management in Storebrand Asset Management decreased by NOK 14bn (2%) in the quarter and 18bn over the last year, due to weak financial markets.

The bank lending portfolio in the retail market is developing positively and grew by NOK 0.8bn (2%) in the 4th quarter and NOK 4.4 bn (10%) from the same period previous year. The portfolio consists of low-risk home mortgages with an average LTV of 56%. Storebrand Life Insurance manages NOK 18.1bn of the mortgages on its balance sheet.

SAVINGS - KEY FIGURES

	2018				2017
(NOK million)	Q4	Q3	Q2	Q1	Q4
Unit linked Reserves	179,299	187,016	178,498	171,749	167,849
Unit linked Premiums	4,086	4,096	3,892	3,947	3,981
AuM Asset Management	707,297	725,171	707,118	707,102	721,165
Retail Lending	46,526	45,669	44,325	43,054	42,137

Insurance

- **Satisfactory risk development considering seasonal variations**
- **Higher costs due to marketing and distribution**
- **The financial result is negative due to widening credit spreads**

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

	2018				2017	01.01 - 31.12	
NOK million	Q4	Q3	Q2	Q1	Q4	2018	2017
Insurance premiums f.o.a.	1,003	949	946	955	968	3,854	3,872
Claims f.o.a.	-721	-633	-588	-620	-707	-2,562	-2,726
Operational cost	-175	-136	-147	-156	-193	-614	-711
Operating profit	**107**	**181**	**211**	**179**	**68**	**677**	**435**
Financial result	-9	33	19	28	-36	71	173
Contribution from SB Helseforsikring AS	*6*	*15*	*7*	*3*	*5*	*32*	*39*
Profit before amortisation	**97**	**214**	**230**	**207**	**32**	**748**	**608**
Claims ratio	72%	67%	62%	65%	73%	66%	70%
Cost ratio	17%	14%	16%	16%	20%	16%	18%
Combined ratio	89%	81%	78%	81%	93%	82%	89%

FINANCIAL PERFORMANCE

In the 4th quarter, Insurance delivered a result before amortization of NOK 97m (NOK 32m) for the 4th quarter and NOK 748m (NOK 608m) in 2018. The combined ratio was 89% (93%) in the quarter and 82% (89%) in 2018. The 4th quarter is satisfying although higher frequency on claims, higher costs and negative financial result affect the results. Run off gains had a positive effect on the result for the year as a whole. The underlying combined ratio is targeted to be in the range 90-92%.

The 4th quarter claims ratio was 72% (73%) and the underlying risk development is acceptable. P&C insurance has a satisfying claims development despite larger claims on the motor portfolio - mostly due to run-off gains. Individual insurance coverage has a good development due to lower disability. Group Life deliver a lower risk result because of larger claims. Health Insurance experiences slightly higher claim rates in the Norwegian business and stable claim rates in the Swedish business. The risk result for Group Disability Pension has significantly improved.

The cost ratio was 17% (20%) in the 4th quarter. Higher costs related to marketing and distribution explains much of the increase from last quarter. Insurance's investment portfolio in Norway amounted to NOK 8.1bn as of the 4th quarter. The financial result is negative due to widening credit spreads. The portfolio is primarily invested in fixed income securities with a short to medium duration.

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. Storebrand has recently entered into cooperation with new external distributors who we believe will contribute to future growth in combination with optimization of our in-house salesforce. It is necessary to further improve pricing, products, sales and service solutions to strengthen competitiveness. The Akademiker portfolio is important for growth and delivers as expected. Health related insurance is growing and Storebrand is succeeding in the market.

INSURANCE PREMIUMS

	2018				2017	01.01 - 31.12	
NOK million	Q4	Q3	Q2	Q1	Q4	2018	2017
P&C & Individual life*	1,743	1,717	1,714	1,707	1,731	1,743	1,731
Health & Group life [1] **	1,574	1,538	1,548	1,555	1,568	1,574	1,568
Pension related disability insurance Nordic***	1,138	1,153	1,155	1,163	1,164	1,138	1,164
Total written premiums	**4,455**	**4,408**	**4,417**	**4,424**	**4,462**	**4,455**	**4,462**
Investment portfolio[2]	**8,084**	**8,292**	**8,447**	**8,525**	**8,290**	**8,084**	**8,290**

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

[1] Includes all written premiums in Storebrand Helseforsikring AS (50/50 joint venture with Munich Health)
[2] NOK 2,8bn of the investment portfolio is linked to disability coverages where the investment result goes to the customer reserves and not as a result element in the P&L.

Guaranteed pension

- **Income reduction in line with strategy and product run-off**
- **Decreasing cost level**
- **Satisfactory profit sharing and risk results**

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

	2018				2017	01.01 - 31.12	
NOK million	Q4	Q3	Q2	Q1	Q4	2018	2017
Fee and administration income	334	369	370	368	376	1,441	1,483
Operational cost	-226	-181	-218	-203	-240	-828	-889
Operating profit	**108**	**188**	**153**	**165**	**136**	**614**	**595**
Risk result life & pensions	58	91	-140	183	18	191	67
Net profit sharing and loan losses	48	13	221	51	-123	333	104
Profit before amortisation	**214**	**292**	**234**	**398**	**31**	**1,138**	**766**

RESULT

Guaranteed Pension achieved a profit before amortisation of NOK 214m (NOK 31m) for the 4th quarter and NOK 1 138m year to date (NOK 766m).

Fee and administration income has performed consistent with the fact that a large part of the portfolio is mature and in long-term decline. Income was NOK 334m (NOK 376m) for the 4th quarter and NOK 1 441m for the full year. (NOK 1 483m). The paid-up policies fee income had a negative non-recurring effect of NOK 38m in the quarter due to accounting accruals and process provisions.

The operating costs are gradually being reduced due to the area being in long-term decline and amounted to NOK 226m (NOK 240m) for the 4th quarter and NOK 828m year to date (NOK 889m).

The risk result life & pensions was NOK 58m (NOK 18m) for the 4th quarter and NOK 191m year to date (NOK 67m). For the 4th quarter the risk result in the Norwegian business was satisfactory at NOK 52m (NOK 0m) based on improved portfolio and satisfactory disability development. In the Swedish business the risk result was stable.

The result from profit sharing and loan losses consists of profit sharing and financial effects. The result was NOK 48m (minus NOK 123m) for the 4th quarter and NOK 333m 2018 in total (NOK 104m). The full year result was mainly generated in the Swedish business. In the 4th quarter, the profit came predominantly from the Norwegian business due to profit sharing in the individual and paid-up policies products. Profit sharing in SPP was moderate in the quarter.

BALANCE SHEET AND MARKET TRENDS

The majority of products are closed for new business, and the customers' choice of transferring from guaranteed to non-guaranteed products is in line with the Group's strategy. As of the 4th quarter, customer reserves for guaranteed pensions amounted to NOK 261bn, which is a decrease of NOK 3.8bn year to date. The total premium income for guaranteed pensions (excluding transfers) was NOK 1.1bn (NOK 1.0bn) for the 4th quarter and NOK 5.3bn for the full year (NOK 5.2bn).

In the Norwegian business, paid-up policies was the only guaranteed pension portfolio experiencing growth, with a total portfolio amounting to NOK 133bn as of the 4th quarter. This is an increase of NOK 4.9bn for the full year. Since 2014, customers have been given the choice to convert from traditional paid-up policies to paid-up policies with investment choice. Conversions amounted to NOK 350m in 2018. Paid-up policies with investment choice are included in the Savings segment. Reserves for defined-benefit pensions in Norway amounted to NOK 33bn at the end of the 4th quarter, a decline of NOK 3.2bn for the year as a whole.

Guaranteed portfolios in the Swedish business totalled NOK 81bn as of the 4th quarter, a reduction of NOK 4.5bn over the whole year. About half of the reduction is attributed to changes in the SEK/NOK exchange rate.

GUARANTEED PENSION - KEY FIGURES

	2018				2017	01.01 - 31.12	
NOK million	Q4	Q3	Q2	Q1	Q4	2018	2017
Guaranteed reserves	260,573	257,570	257,783	259,426	264,320	260,573	264,320
Guaranteed reserves in % of total reserves	59.2 %	57.9 %	59.1 %	60.2 %	61.2 %	59.2 %	61.2 %
Net transfers	-10	-24	-13	-118	-117	-165	-959
Buffer capital in % of customer reserves Norway	6.4 %	6.6 %	6.5 %	6.2 %	7.2 %	6.4 %	7.2 %
Buffer capital in % of customer reserves Sweden	8.7 %	9.5 %	8.8 %	9.0 %	9.0 %	8.7 %	9.0 %

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

	2018				2017	01.01 - 31.12	
NOK million	Q4	Q3	Q2	Q1	Q4	2018	2017
Fee and administration income	23	32	25	21	20	102	83
Operational cost	-42	-58	-54	-36	-56	-190	-188
Operating profit	**-20**	**-25**	**-29**	**-15**	**-36**	**-89**	**-105**
Financial items and risk result life	-56	35	70	80	-48	128	161
Profit before amortisation	**-76**	**10**	**41**	**64**	**-84**	**40**	**55**

ELIMINATIONS

	2018				2017	01.01 - 31.12	
NOK million	Q4	Q3	Q2	Q1	Q4	2018	2017
Fee and administration income	-61	-60	-60	-58	-54	-239	-190
Operational cost	61	60	60	58	54	239	190
Financial result				-35		-35	
Profit before amortisation				**-35**		-35	

The Other segment reported a profit of NOK -76 (NOK -84m) for the 4th quarter and NOK 40m (NOK 55m) for the full year. Fee and administration income was stable in comparison with the same quarter last year. BenCo and reduction of corporate loans at Storebrand Bank reduce income.

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 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 23.9bn at end of the quarter.

The investments are primarily in interest-bearing securities, with short maturities, in Norway and Sweden. The Norwegian company portfolio reported a return of 0.29% for the quarter. The Swedish company portfolio provided a return of minus -0.54% in the quarter.

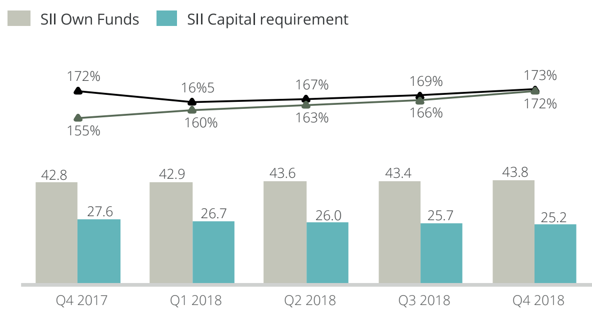
The Norwegian company portfolio reported a return of 1.87% for the year. The Swedish company portfolio provided a return of -0.69% for the year.

Balance sheet, solidity and capital situation

Continuous monitoring and active risk management is core to Storebrand's business. Risk and capital adequacy are monitored at both 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 framework is the most material capital regulation for the Storebrand Group. The solvency margin was calculated to 173% at the end of the 4th quarter of 2018, including one percentage point effect from transitional rules, an increase of 4 percentage points during the quarter. The effects of volatile financial markets in the quarter were more than offset by risk management, volatility reducing factors in the solvency regulation and a strong after tax result.



STOREBRAND ASA

Storebrand ASA (holding company) held liquid assets of NOK 1.9bn 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 1.8bn at the end of the quarter. This corresponds to a net debt-equity ratio of 2%. The next maturity date for bond debt is in September 2019. In addition to the liquidity portfolio, the company has an unused credit facility of EUR 200m that runs until December 2023. The liquidity will be further strengthened by dividends from subsidiaries in the first half of 2019.

Storebrand ASA owned 0.12% (542 338) of the company's own shares at the end of the quarter.

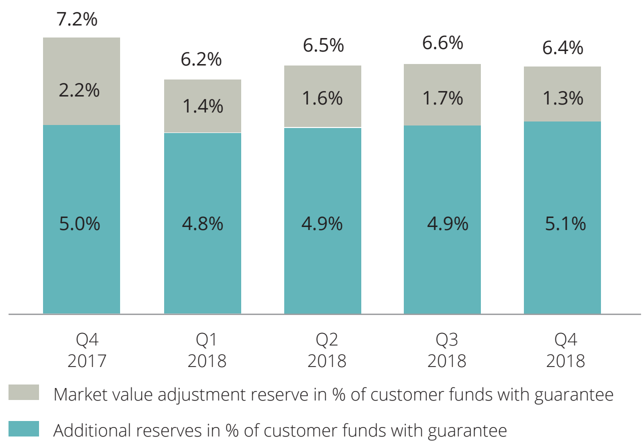
STOREBRAND LIFE INSURANCE GROUP[1]

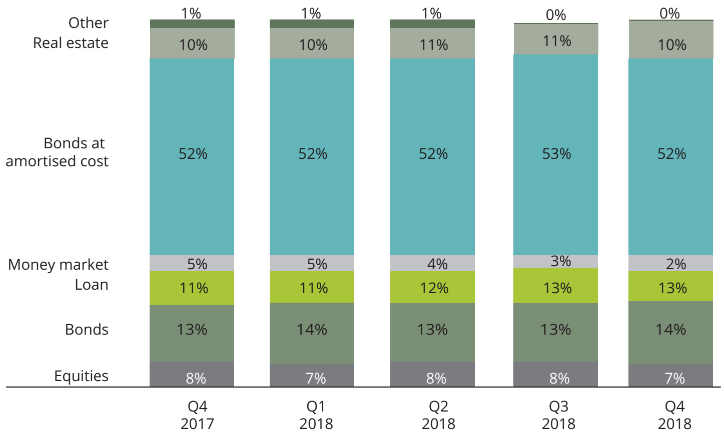
The Solidity capital[1] measures the amount of IFRS capital available to cover customer liabilities. The solidity capital amounted to NOK 59.0bn at the end of 4th quarter 2018, an increase of NOK 1.3bn in 4th quarter and a decrease of NOK 5.0bn year to date. The change in the quarter is due to decreased customer buffers in the Swedish and Norwegian business, positive result and dividend paid to Storebrand ASA. A subordinated loan of NOK 1.5bn was called in the 2nd quarter.

STOREBRAND LIVSFORSIKRING AS

The market value adjustment reserve decreased during the 4th quarter by NOK 0.6bn and NOK 1.5bn year to date and amounted to NOK 2.2bn at the end of the 4th quarter of 2018. The additional statutory reserves increased during 4th quarter by 0.2bn and year to date due to preliminary application of the investment return and amounted to NOK 8.5bn at the end of the 4th quarter of 2018. The excess value of bonds and loans valued at amortised cost are almost unchanged in the 4th quarter, decreased by NOK 3.5bn year to date and amounted to NOK 5.0bn at the end of the 4th quarter 2018 due to increases in interest rates. The excess value of bonds and loans at amortised cost is not included in the financial statements.

CUSTOMER BUFFERS





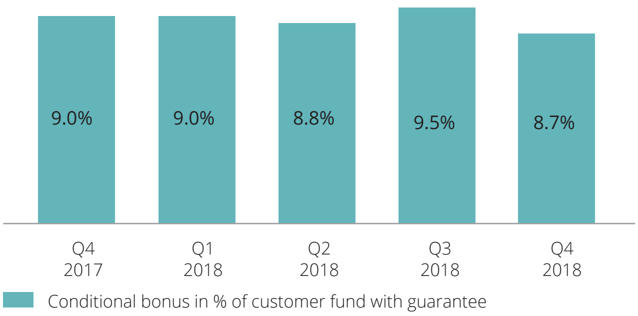
ALLOCATION OF GUARANTEED CUSTOMER ASSETS

Customer assets decreased by NOK 6.2bn in the 4th quarter due to negative returns, and an increase of NOK 13.8bn for the full year due to positive returns and acquisition of Silver's pension portfolio in 1st quarter. Customer assets totalled NOK 273bn at the end of the 4th quarter of 2018. Customer assets within non-guaranteed savings decreased NOK 5.1bn during the 4th quarter and increased by NOK 13.1bn year to date. Guaranteed customer assets decreased by NOK 1.1bn in the 4th quarter and increased by NOK 0.7 year to date.

[1] Storebrand Life Insurance, SPP and BenCo.
[1] Consists of equity, subordinated loan capital, market value adjustment reserve, risk equalisation reserve, unrealised gains/losses on bonds and loans at amortised cost, additional statutory reserves, conditional bonuses.

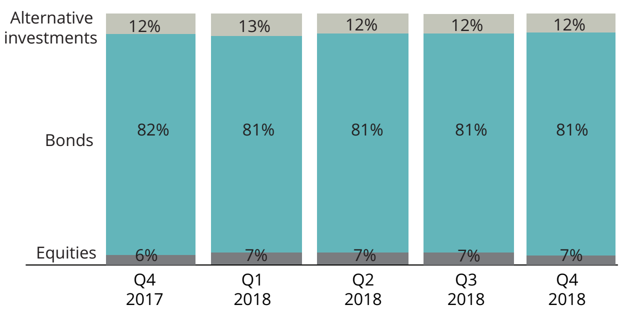
SPP

CUSTOMER BUFFERS - SPP



The buffer capital amounted to SEK 6,6bn (SEK 7,3bn in the third quarter) at the close of the 4th quarter.

ALLOCATION OF GUARANTEED CUSTOMER ASSETS



Total assets under management in SPP were SEK 168bn for the 4th quarter. This corresponds to a decrease of 1% compared with the 4th quarter of 2017. For customer assets in non-guaranteed savings, assets under management totalled SEK 88bn (SEK 97bn) at the end of 4th quarter, which corresponds to an increase of 0.3%, compared with the 4th quarter of 2017.

STOREBRAND BANK

The lending portfolio in the retail market, including loans managed on behalf of Storebrand Livsforsikring AS, amounted to NOK 47bn, of which NOK 18bn is managed on Storebrand Livsforsikring AS' balance sheet. The corporate market portfolio is now at NOK 17m and for all practical purposes out of the balance sheet.

The Storebrand Bank Group had a net capital base of NOK 2.2bn at the end of the 4th quarter. The capital adequacy ratio was 18.9%, and the core equity tier 1 ratio was 15.2%

Outlook

STRATEGY

Storebrand follows a twofold strategy. First, Storebrand aims to build a world class Savings Group supported by Insurance. Storebrand is the market leader in pension solutions to Norwegian businesses and a challenger in the Swedish market, and uniquely positioned in the growing retail savings market. Storebrand Asset Management has a strong competitive position and clear growth ambitions. Second, through cost control and disciplined use of capital, Storebrand aims to increase return to shareholders. Storebrand expects to start capital release as dividends and/or share buy backs when the solvency margin is above 180%. The solvency margin is expected to grow 5 percentage points annually after dividends from today's level. The guaranteed business in long term run off is projected to release NOK 10bn in the next ten years until 2027.

FINANCIAL PERFORMANCE

The market for defined-contribution pensions is growing, and Storebrand's total reserves within Unit Linked increased by 7% in the last 12 months. Continued good growth for defined-contribution pensions is expected in the future. The loyalty program for employees at 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 segments. The competition in the market has resulted in pressure on margins within these segments. This in turn sets requirements for cost reductions and efficiency improvements in distribution and product solutions to achieve continued profitable growth. In order to realize the ambitions in the retail market, sales must continue to increase.

Asset management is an important business area within the Savings segment. With the acquisition of Skagen, Storebrand became 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 runoff and the reserves for the Guaranteed Defined Benefit solutions are decreasing. However, there is continued growth in the reserves linked to paid-up policies due to companies choosing to convert existing defined-benefit schemes to defined-contribution schemes. It is expected that the growth in paid-up policies will decline in the 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 to the Group results with the present interest rates. Guaranteed reserves represent a declining share of the Group's total pension reserves and were 59.1% at the end of the quarter, a 2%-point reduction from the previous year.

Storebrand delivers a nominally lower cost base in 2018 compared to the level at the end of 2015 according to plan. The cost base is expected to remain at a nominal flat level towards 2020. The cost ambition is excluding any performance related costs in Asset Management. Storebrand will still make selected investments in growth. Lower cost through automation, digitalization and the partnership with Cognizant is expected to cover normal investments in business growth and inflation the coming years.

RISK

Market risk is the Group's biggest risk. In the Board's self-assessment of risk and solvency (ORSA) process, developments in interest rates, credit spreads, and equity and property values are considered to be the biggest risks that influence the solvency of the Group. Storebrand has adapted to the low interest rates by increasing duration in portfolios and building up buffer capital. The level of the average annual interest rate guarantee is gradually reduced as older policies with higher guarantees are phased out. In the long term, continued low interest rates will represent a risk for products with guaranteed high interest rates. Storebrand has adjusted its asset allocation 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 may have an effect on solvency. The risk is closely monitored.

INDIVIDUAL PENSION ACCOUNT

The Norwegian Ministry of Finance has presented a bill to the Storting (parliament) proposing a scheme for individual pension accounts. The bill is expected to be passed this spring. The proposal is based on existing pension accounts in active defined contribution schemes. Defined contribution capital certificates issued by previous employers ("pensjonskapitalbevis") will be transferred into the active scheme based on a principle of "negative acceptance". This means the holder of a certificate has to make an active choice to stay with his or her current provider. Individuals will be able to transfer the pension account (both current and former earnings) to other providers. Merging management of the active schemes and capital certificates will increase margin pressure. Storebrand currently has a higher market share for active defined contribution schemes than for certificates from such schemes. We would therefore expect some new net inflows of certificates as a result of the proposed changes.

NEW PUBLIC SERVICE PENSION
The Ministry of Labour and Social Affairs has reached an agreement with the labour market parties on a new occupational pension schemes for the public sector. The existing defined benefit scheme will be closed, so that only employees born in 1962 and earlier will continue in the old scheme. Employees born in 1963 and later will earn new pension rights in a hybrid-based scheme from 2020. The market is larger than the private sector market Storebrand is active in today. Storebrand is considering business opportunities related to the new product.

GUARANTEED PENSION REGULATIONS
The Ministry of Finance has asked the Financial Supervisory Authority to provide proposals for changes in guaranteed pension regulation to follow up the Working Group Report which was published in September 2018.

The interdepartmental working group with participants from the Ministry of Finance, the Ministry of Labour and Social Affairs and the Financial Supervisory Authority of Norway, proposed changes in regulation for guaranteed pension products, including paid-up policies.

The Working Group assessed the regulations for profit sharing and buffer building, as well as rules regulating the transfer of pension assets between providers. Changes in these parameters leading to more long term investment strategies are expected to have positive effects for customers and shareholders. The Financial Supervisory Authority has been asked to consider all regulatory changes considered by the working group, also those that were not recommended by the working group such as making it possible for life insurers to cover annual interest rate guarantees with contingent equity if returns or buffers are not adequate. The Financial Supervisory Authority's proposals shall be ready by summer 2019. We expect that The Ministry of Finance will then consider which proposals to present for the Norwegian parliament (Storting) after a public hearing.

DIVIDEND POLICY
Storebrand has established a framework for capital management that links dividends to the solvency margin. The 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. 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 payout ratio over time. Storebrand aims to pay a dividend of more than 50% of Group result after tax. The Board of Directors' ambition is to pay ordinary dividends per share of at least the same nominal amount as the previous year. Ordinary dividends are subject to a sustainable solvency margin of above 150%. If the solvency margin is above 180%, the Board of Directors intends to propose special dividends or share buy backs.

The board proposes a dividend of NOK 3.0 pr. share, equal to NOK 1 402m, to the Annual General Meeting. This represents a payout ratio of 68% adjusted for the extraordinary tax income announced in a stock exchange release 15 January 2019.

Lysaker, 12. February 2019.

Storebrand Group
Income statement

		Q4		01.01 - 31.12	
(NOK million)	Note	2018	2017	2018	2017
Premium income		6,918	6,300	29,631	26,652
Net income from financial assets and real estate for the company:					
- equities and fund units at fair value		-11	7	-10	31
- bonds and other fixed-income securities at fair value		12	113	286	507
- financial derivatives at fair value		31	36	50	99
- loans at fair value		-1	7	4	57
- bonds at amortised cost		31	27	116	134
- loans at amortised cost		165	172	665	665
- profit from investments in associated companies and joint ventures		10	7	46	119
Net income from financial assets and real estate for the customers:					
- equities and fund units at fair value		-16,273	6,926	-5,249	16,943
- bonds and other fixed-income securities at fair value		266	728	912	3,157
- financial derivatives at fair value		-1,825	-989	-2,288	848
- loans at fair value		35	30	140	113
- bonds at amortised cost		1,343	1,028	4,254	4,243
- loans at amortised cost		165	122	541	443
- properties		392	994	1,487	2,556
- profit from investments in associated companies and joint ventures		8	59	303	231
Other income		1,254	1,831	4,930	4,239
Total income		**-7,478**	**17,399**	**35,819**	**61,037**
Insurance claims		-6,003	-5,726	-25,142	-24,985
Change in insurance liabilities		14,244	-6,390	-3,042	-23,048
Change in capital buffer		1,568	-2,705	1,730	-3,943
Operating expenses	8	-1,244	-1,397	-4,542	-4,266
Other expenses		-314	-315	-851	-930
Interest expenses		-211	-249	-813	-925
Total expenses before amortisation		**8,041**	**-16,781**	**-32,661**	**-58,097**
Group profit before amortisation		**563**	**618**	**3,158**	**2,940**
Amortisation of intangible assets		-99	-237	-360	-536
Group pre-tax profit		**464**	**381**	**2,799**	**2,404**
Tax expenses	9	1,392	113	898	2
Profit/loss for the period		**1,856**	**494**	**3,697**	**2,405**
Profit/loss for the period attributable to:					
Share of profit for the period - shareholders		1,854	473	3,684	2,375
Share of profit for the period - hybrid capital investors		2	3	9	11
Share of profit for the period - minority			18	3	20
Total		**1,856**	**494**	**3,697**	**2,405**
Earnings per ordinary share (NOK)		3.97	1.04	7.89	5.28
Average number of shares as basis for calculation (million)				467.2	449.8
There is no dilution of the shares					

Storebrand Group
Statement of comprehensive income

	Q4		01.01 - 31.12	
(NOK million)	2018	2017	2018	2017
Profit/loss for the period	**1,856**	**494**	**3,697**	**2,405**
Change in actuarial assumptions	-18	-109	-26	-117
Adjustment of value of properties for own use	2	-302	48	130
Gains/losses from cash flow hedging	30	25	-23	23
Total comprehensive income elements allocated to customers	-2	302	-48	-130
Tax on other comprehensive income elements not to be classified to profit/loss	1	2	1	2
Total other comprehensive income elements not to be classified to profit/loss	**13**	**-82**	**-48**	**-92**
Translation differences foreign exchange	238	183	-318	387
Unrealised gains on financial instruments available for sale		2		8
Total other comprehensive income elements that may be classified to profit/loss	**238**	**185**	**-318**	**395**
Total other comprehensive income elements	**251**	**103**	**-366**	**303**
Total comprehensive income	**2,107**	**597**	**3,331**	**2,708**
Total comprehensive income attributable to:				
Share of total comprehensive income - shareholders	2,101	575	3,320	2,675
Share of total comprehensive income - hybrid capital investors	2	3	9	11
Share of total comprehensive income - minority	3	19	2	22
Total	**2,107**	**597**	**3,331**	**2,708**

Storebrand Group
Statement of financial position

(NOK million)	Note	31.12.18	31.12.17
Assets company portfolio			
Deferred tax assets		1,972	637
Intangible assets and excess value on purchased insurance contracts		6,106	6,295
Pension assets		5	3
Tangible fixed assets		43	55
Investments in associated companies and joint ventures		255	291
Financial assets at amortised cost:			
- Bonds	7	8,349	3,403
- Loans to financial institutions	7	318	313
- Loans to customers	7,10	28,236	26,678
Reinsurers' share of technical reserves		21	27
Investment properties at fair value	7	50	50
Biological assets		67	64
Accounts receivable and other short-term receivables		7,005	4,834
Financial assets at fair value:			
- Equities and fund units	7	295	363
- Bonds and other fixed-income securities	7	24,055	31,719
- Derivatives	7	1,226	1,341
- Loans to customers	7,10	220	580
Bank deposits		3,633	3,466
Minority interests in consolidated mutual funds		29,290	30,303
Total assets company portfolio		**111,145**	**110,424**
Assets customer portfolio			
Tangible fixed assets			488
Investments in associated companies and joint ventures		4,406	3,113
Receivables from associated companies			39
Financial assets at amortised cost:			
- Bonds	7	86,374	84,071
- Bonds held-to-maturity	7	14,403	15,128
- Loans to customers	7,10	25,270	21,425
Reinsurers' share of technical reserves		48	63
Investment properties at fair value	7	28,217	27,403
Properties for own use	7	1,420	1,408
Biological assets			791
Accounts receivable and other short-term receivables		732	692
Financial assets at fair value:			
- Equities and fund units	7	157,066	156,071
- Bonds and other fixed-income securities	7	133,531	135,042
- Derivatives	7	3,701	2,723
- Loans to customers	7,10	5,708	5,104
Bank deposits		5,457	4,958
Total assets customer portfolio		**466,331**	**458,519**
Total assets		**577,476**	**568,943**

Continue next page

Storebrand Group
Statement of financial position (continue)

(NOK million)	Note	31.12.18	31.12.17
Equity and liabilities			
Paid-in capital		12,858	12,855
Retained earnings		19,782	17,652
Hybrid capital		176	226
Minority interests		57	99
Total equity		**32,873**	**30,832**
Subordinated loan capital	6,7	8,224	8,867
Capital buffer	11	18,983	21,137
Insurance liabilities		444,218	435,749
Pension liabilities		322	341
Deferred tax		258	238
Financial liabilities:			
- Liabilities to financial institutions	6,7	2	155
- Deposits from banking customers	7	14,419	14,628
- Securities issued	6,7	17,529	16,575
- Derivatives company portfolio		460	282
- Derivatives customer portfolio		4,147	1,733
Other current liabilities		6,751	8,102
Minority interests in consolidated mutual funds		29,290	30,303
Total liabilities		**544,604**	**538,110**
Total equity and liabilities		**577,476**	**568,943**

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 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**
Profit for the period						3,684	3,684	9	3	3,697
Total other comprehnsive income elements					-317	-48	-365		-1	-366
Total comprehensive income for the period					**-317**	**3,636**	**3,320**	**9**	**2**	**3,331**
Equity transactions with owners:										
Own shares		3		3		48	48			50
Issue of shares									4	4
Hybrid capital classified as equity						2	2	-50		-48
Paid out interest hybrid capital								-9		-9
Dividend paid						-1,167	-1,167		-2	-1,169
Purchase of minority interests						-82	-82		-38	-120
Other						9	9		-8	1
Equity at 31 December 2018	**2,339**	**-2**	**10,521**	**12,858**	**1,110**	**18,672**	**19,782**	**176**	**57**	**32,873**

[1]) 467 813 982 shares with a nominal value of NOK 5.
[2]) Includes undistributable funds in the risk equalisation fund amounting to NOK 234 million and security reserves amounting NOK 56 million.
[3]) Perpetual hybrid tier 1 capital classified as equity.

Storebrand Group
Statement of cash flow

(NOK million)	01.01 - 31.12 2018	2017
Cash flow from operational activities		
Net receipts premium - insurance	25,211	24,071
Net payments compensation and insurance benefits	-20,056	-19,221
Net receipts/payments - transfers	-699	-2,995
Net change insurance liabilities	-6,124	4,501
Receipts - interest, commission and fees from customers	3,135	2,853
Payments - interest, commission and fees to customers	-333	-372
Taxes paid	-56	-6
Payments relating to operations	-4,633	-3,432
Net receipts/payments - other operational activities	-1,523	-7
Net cash flow from operations before financial assets and banking customers	**-5,079**	**5,392**
Net receipts/payments - loans to customers	-5,584	-7,412
Net receipts/payments - deposits bank customers	-209	-610
Net receipts/payments - securities	12,308	4,331
Net receipts/payments - investment properties	296	-623
Net change in bank deposits insurance customers	-423	-338
Net cash flow from financial assets and banking customers	**6,389**	**-4,653**
Net cash flow from operational activities	**1,310**	**739**
Cash flow from investment activities		
Net receipts - sale of subsidaries	-487	245
Net payments - purchase of group companies	1,010	-408
Net receits/payments - sale/purchase of fixed assets	-35	-98
Net receipts/payments - sale of insurance portfolios	156	
Net cash flow from investment activities	**645**	**-261**
Cash flow from financing activities		
Payments - repayments of loans	-3,195	-4,899
Receipts - new loans	4,177	4,899
Payments - interest on loans	-295	-334
Receipts - subordinated loan capital	845	1,126
Payments - repayment of subordinated loan capital	-1,501	-150
Payments - interest on subordinated loan capital	-373	-377
Net receipts/payments - loans to and claims from other financial institutions	-153	-252
Receipts - issuing of share capital / sale of shares to own employees	-120	
Payments - repayment of share capital	37	36
Payments - dividends	-1,168	-698
Receipts - hybrid capital	100	
Payments - repayment of hybrid capital	-150	
Payments - interest on hybrid capital	-9	-11
Net cash flow from financing activities	**-1,804**	**-659**
Net cash flow for the period	**151**	**-181**
- of which net cash flow in the period before financial assets and banking customers	-6,238	4,471
Net movement in cash and cash equivalents	151	-181
Cash and cash equivalents at start of the period for new/sold out companies	91	7
Cash and cash equivalents at start of the period	3,724	3,965
Currency translation differences	-14	-11
Cash and cash equivalents at the end of the period [1)]	**3,951**	**3,780**
[1)] Consist of:		
Loans to financial institutions	318	313
Bank deposits	3,633	3,466
Total	**3,951**	**3,780**

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 are provided in the 2017 annual report, and the interim financial statements are prepared in accordance with these accounting policies.

During 2018, 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 profit or the classification in the segment note. Below are the most significant result lines that are included in the changes:

- other income
- operating expenses

There are new accounting standards that entered into effect in 2018.

IFRS 9 Financial Instruments have replaced IAS39, and entered into force from 1 January 2018. For insurance-dominated groups and companies, IFRS 4 allows for either the implementation of IFRS 9 to be deferred (deferral approach) or to enter the differences between IAS39 and IFRS 9 through Other Comprehensive Income (overlay approach) until implementation of IFRS 17 on 1 January 2022. The Storebrand Group qualifies for temporary deferral of IFRS 9 because over 90 per cent of the Group's total liabilities as at 31 December 2015 relates to the insurance business. Storebrand Group will implement IFRS 9 together with IFRS 17, applicable from 1 January 2022.

The new standard IFRS 15 for recognising revenue from contracts with customers entered into force from 1 January 2018, and replaced IAS18. Revenue recognition in the Storebrand Group is primarily regulated by IAS39/IFRS9 and IFRS4. Revenue that will be recognised under Other Income is assessed in relation to IFRS 15. The implementation of IFRS15 have no impact on the Group result in Storebrand's consolidation financial statements.

New standards and changes to standards that have not been applied:

IFRS 16

IFRS 16 Leases replaces the current IAS 17 and is applicable from 1 January 2019. IFRS 16 stipulates principles for recognition, measurement, presentation and disclosure for leases. New standards for leases will not entail major changes for landlords, but will however significantly change accounting for tenants. IFRS 16 requires that tenants must, as a starting point, recognise all leases in the balance sheet according to a simplified model that resembles accounting for financial leases under IAS17. The present value of total lease payments must be capitalized as debt and an asset that reflects the right of use of the asset during the lease period, with the exception of short-term agreements and agreements in which the asset has a low value. The capitalized asset is amortized over the lease period and the depreciation expense is continually recognised in the income statement as an operating expense. Interest expense on the lease liability is recognised in the income statement as a financial expense.

IFRS 16 can be implemented either in accordance with the full retrospective method or modified retrospective method, and Storebrand has selected the modified retrospective method. This means that comparable figures are not restated and the effect is entered in the balance sheet for the implementation year of 2019. Upon implementation, the right of use of the asset and liability will be the same amount and will not have any effect on equity. The transition to IFRS 16 is expected to result in an increase in assets and liabilities of approximately NOK 0.9 billion on the transition date. Operating expenses are expected to be reduced by approximately NOK 15 million, financial expenses are expected to increase by approximately NOK 26 million and profit before tax will thereby decrease by about NOK 12 million in 2019. Leases that are shorter than 12 months as of 1 January 2019 and leases that include assets with a value lower than NOK 50,000 will not be recognised in the balance sheet but as an expense over the lease period.

Note 02 Estimates

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

Actual results may differ from these estimates.

A description of the most critical estimates and judgements that can affect recognised amounts is included in the 2017 annual report in note 2, insurance risk in note 7, valuation of financial instruments at fair value is described in note 12 and in the interim financial statements note 13 Solvency II.

Note 03 Aquisition

Silver

On 24 October 2017 Storebrand Livsforsikring AS entered into an agreement to acquire Silver Pensjonsforsikring (Silver). The transaction was completed in January 2018 after Silver was released from administration. The transaction was completed in two parts, with the first part as an acquisition of the bifurcated insurance portfolio (amounted to NOK 9.7 billion), and the latter as an acquisition of Silver Pensjonsforsikring AS with its remaining insurance portfolio (amounted to NOK 0.3 billion) and operations. The remaining insurance portfolio for Silver Pensjonsforsikring consisting of pension capital certificates and individual pension contracts with no guarantee. Before acquisition as a part of the administration solution, Silver's portfolio of paid-up policies has been converted to paid-up policies with investment options (FMI) for retirement pension coverage, amounted NOK 8.3 billion. Risk cover (paid-up policies) is continued based on a reduced base rate of 2.75%, amounted NOK 1.4 billion. Storebrand Livsforsikring AS paid a purchase price of NOK 520 million. The purchase price has been transferred to Silver's customers as a part of the administrative board's solution, and contributes to maintaining good pensions for the customers.

The amount of NOK 520 million has been transferred to Silver's customers, and in the acquisition analysis the excess value of the acquisition will be allocated to the insurance contracts (VIF –value of business in force) amounted NOK 280 million, which are amortised over 10 years, reserve strength due to transition to Storebrand's tariffs amounted NOK 97 million, deferred tax asset amounted NOK 374 million and negative goodwill amounted NOK 37 million.

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

ACQUISITION ANALYSIS SILVER

(NOK million)	Book values in the company	Payment for financing insurance liabilities	Excess value upon acquistion	Book values
Assets				
- VIF			280	280
- Deferred tax assets			374	374
Total intangible assets			654	654
Financial assets	9,525			9,525
Other assets		520		520
Bank deposits	35			35
Total assets	**9,560**	**520**	**654**	**10,734**
Liabilities				
Insurance liabilities	10,026			10,026
Current liabilities	34	20		54
Net identifiable assets and liabilities	**-500**	**500**	**654**	**654**
Reserve strengthning				-97
Goodwill				37
Fair value at acquisition date				**520**

Skagen

Storebrand acquired 90.95% of the shares in SKAGEN in December 2017. The remaining shares representing 9.05% of the total share capital was B shares owned by the employees.

In the end of April 2018 Skagen AS purchased the B-shares from the employees for a consideration of NOK 120 million, complete with buy back of own shares. The transaction is completed and recorded as equity transaction with deduction from equity, and the shares will be erased.

After the transaction Storebrand Asset Management AS owns 100% of the shares in Skagen AS.

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. In addition, certain other subsidiaries in Storebrand Livsforsikring and SPP are included in Savings.

Insurance
The insurance segment provides health insurance in the Norwegian and 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.

A description of the most important differences is included in the 2017 annual report in note 4 Segment reporting.

	Q4		01.01 - 31.12	
(NOK million)	2018	2017	2018	2017
Savings	328	639	1,267	1,511
Insurance	97	32	748	608
Guaranteed pension	214	31	1,138	766
Other	-76	-84	5	55
Group profit before amortisation	**563**	**618**	**3,158**	**2,940**
Amortisation of intangible assets	-99	-237	-360	-536
Group pre-tax profit	**464**	**381**	**2,799**	**2,404**

SEGMENT INFORMATION AS OF Q4

	Savings		Insurance		Guaranteed pension	
	Q4		Q4		Q4	
(NOK million)	2018	2017	2018	2017	2018	2017
Fee and administration income	1,006	1,189			334	376
Insurance result			282	261		
- Insurance premiums for own account			*1,003*	*968*		
- Claims for own account			*-721*	*-707*		
Operating expense	-649	-554	-175	-193	-226	-240
Operating profit	**357**	**635**	**107**	**68**	**108**	**136**
Financial items and risk result life & pension	-29	4	-9	-36	106	-105
Group profit before amortisation	**328**	**639**	**97**	**32**	**214**	**31**
Amortisation of intangible assets [1]						
Group pre-tax profit						

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

(NOK million)	Other Q4 2018	Other Q4 2017	Storebrand Group Q4 2018	Storebrand Group Q4 2017
Fee and administration income	-39	-34	1,301	1,531
Insurance result			282	261
- Insurance premiums for own account			*1,003*	*968*
- Claims for own account			*-721*	*-707*
Operating expense	19	-2	-1,031	-989
Operating profit	**-20**	**-36**	**551**	**803**
Financial items and risk result life & pension	-56	-48	11	-185
Group profit before amortisation	**-76**	**-84**	**563**	**618**
Amortisation of intangible assets [1)]			-99	-237
Group pre-tax profit			**464**	**381**

SEGMENT INFORMATION AS OF 01.01 - 31.12

(NOK million)	Savings 31.12.18	Savings 31.12.17	Insurance 31.12.18	Insurance 31.12.17	Guaranteed pension 31.12.18	Guaranteed pension 31.12.17
Fee and administration income	3,708	3,394			1,441	1,483
Insurance result			1,291	1,146		
- Insurance premiums for own account			*3,854*	*3,872*		
- Claims for own account			*-2,562*	*-2,726*		
Operating expense	-2,394	-1,891	-614	-711	-828	-889
Operating profit	**1,314**	**1,503**	**677**	**435**	**614**	**595**
Financial items and risk result life & pension	-46	8	71	173	525	171
Group profit before amortisation	**1,267**	**1,511**	**748**	**608**	**1,138**	**766**
Amortisation of intangible assets [1)]						
Group pre-tax profit						

(NOK million)	Other 31.12.18	Other 31.12.17	Storebrand Group 31.12.18	Storebrand Group 31.12.17
Fee and administration income	-138	-107	5,011	4,771
Insurance result			1,291	1,146
- Insurance premiums for own account			3,854	3,872
- Claims for own account			-2,562	-2,726
Operating expense	49	2	-3,786	-3,490
Operating profit	**-89**	**-105**	**2,516**	**2,427**
Financial items and risk result life & pension	93	161	642	513
Group profit before amortisation	**5**	**55**	**3,158**	**2,940**
Amortisation of intangible assets [1)]			-360	-536
Group pre-tax profit			**2,799**	**2,404**

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

KEY FIGURES BY BUSINESS AREA

(NOK million)	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Group								
Earnings per ordinary share [1]	7.89	3.92	2.80	1.55	5.28	4.24	2.69	1.03
Equity	32,873	30,742	30,227	31,140	30,832	29,088	28,559	28,208
Savings								
Premium income Unit Linked [2]	4,086	4,096	3,892	3,947	3,981	3,616	3,695	3,716
Unit Linked reserves	179,299	187,016	178,498	171,749	167,849	157,984	151,425	147,311
AuM asset management	707,297	725,171	707,118	707,102	721,165	625,840	620,584	599,111
Retail lending	46,526	45,669	44,325	43,054	42,137	40,996	39,464	37,585
Insurance								
Total written premiums	4,455	4,408	4,417	4,424	4,462	4,474	4,440	4,413
Claims ratio [2]	72%	67%	62%	65%	73%	68%	70%	71%
Cost ratio [2]	17%	14%	16%	16%	20%	18%	18%	18%
Combined ratio [2]	89%	81%	78%	81%	93%	85%	88%	89%
Guaranteed pension								
Guaranteed reserves	260,573	257,570	257,783	259,426	264,320	261,652	260,459	261,148
Guaranteed reseves in % of total reserves	59.2%	57.9%	59.1%	60.2%	61.2%	62.4%	63.2%	63.9%
Net transfer out of guaranteed reserves [2]	10	24	13	118	117	141	172	541
Capital buffer in % of customer reserves Storebrand Life Group [3]	6.4%	6.6%	6.5%	6.2%	7.2%	5.2%	5.3%	5.4%
Capital buffer in % of customer reserves SPP [4]	8.7%	9.5%	8.8%	9.0%	9.0%	8.4%	7.9%	7.9%
Solidity								
Solvency II [5]	173%	169%	167%	165%	172%	160%	163%	159%
Solidity capital (Storebrand Life Group) [6]	58,978	57,702	57,869	58,849	63,972	59,332	58,875	57,139
Capital adequacy Storebrand Bank	18.9%	18.4%	18.8%	18.8%	18.9%	18.1%	18.2%	17.9%
Core Capital adequacy Stobrand Bank	16.6%	16.1%	16.5%	16.6%	16.6%	16.0%	16.1%	15.8%

[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 2017 in note 7 (Insurance risk), note 8 (Financial market risk), note 9 (Liquidity risk), note 10 (Credit risk) and note 11 (Concentrations 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 than 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.

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 portfolios, 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 also the 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. Storebrand is responsible for meeting any shortfall that cannot be covered by the 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 equity market started the year on a positive note, but after reaching a peak in January, the uncertainty and volatility has increased. Initially, the market feared that a stronger labor market and less accommodating central banks could trigger higher interest rates. During the second quarter, the main concern has been the rising trade war and expected imposed tariffs. The political situation in Italy has also caused increased volatility. During the third quarter, the equity market has been strong. During the fourth quarter the equity market corrected sharply, driven by fear of lower economic growth and the effects of the trade war between the US and China.

The global equity market fell 13 % during the fourth quarter, taking the full year return to minus 7 %. The Norwegian equity market fell 15 % during the fourth quarter, as the oil price decreased sharply, taking the full year return to minus 2 %. The market for corporate bonds has been affected by the increased uncertainty. Credit spreads increased during the year, particularly during the fourth quarter. Increased spreads was negative for return during 2018, but higher credit spreads are positive for expected return going forward.

Interest rates rose at the start of the year across all markets, but then fell back in many markets as the concern for increased inflation receded. During 2018 the Norwegian 10-year interest rate swap increased by 0.2 pp. The Swedish 10-year interest swap rate fell by 0.1 pp. Short term interest rates increased during 2018, both in Norway and Sweden, but the short rate in Sweden (3 month STIBOR) is still negative. 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 strengthened during the first three quarters of the year, but weakened during the fourth quarter. For 2018, the Norwegian Krone strengthened 3 % against the Swedish Krona, weakened 5 % against the US dollar and was little changed against the Euro. A high degree of currency hedging in the portfolio means that the exchange rate fluctuations have a modest effect on results and risk.

During the fourth quarter, the investments in equity in the guaranteed customer portfolios in Norway was reduced.

Booked return for 2018 for guaranteed customer portfolios in Norway on average was slightly higher than the guaranteed rate. A positive contributor was a large allocation to bonds held at amortized cost with a higher yield than current market level. Property also provided a good return. Equities gave negative return, but this mainly resulted in a decrease in the buffer (reduced unrealized gains). Return for guaranteed customer portfolios in Sweden on average was positive for 2018.

Return for unit linked portfolios was negatively affected by the weak equity markets during the fourth quarter. For 2018, the return on average was minus 3-4 % both in Norway and Sweden.

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 has only had minor changes during the year.

Note 06

Liquidity risk

SPECIFICATION OF SUBORDINATED LOAN CAPITAL

(NOK million)	Nominal value	Currency	Interest rate	Call date	Book value
Issuer					
Perpetual subordinated loan capital					
Storebrand Livsforsikring AS	1,000	NOK	Variable	2020	1,001
Storebrand Livsforsikring AS	1,100	NOK	Variable	2024	1,100
Dated subordinated loan capital					
Storebrand Livsforsikring AS	1,000	SEK	Variable	2022	977
Storebrand Livsforsikring AS	300	EUR	Fixed	2023	3,255
Storebrand Livsforsikring AS	750	SEK	Variable	2021	738
Storebrand Livsforsikring AS	900	SEK	Variable	2025	877
Storebrand Bank ASA	125	NOK	Variable	2019	126
Storebrand Bank ASA	150	NOK	Variable	2022	150
Total subordinated loans and hybrid tier 1 capital 31.12.18					**8,224**
Total subordinated loans and hybrid tier 1 capital 31.12.17					8,867

SPECIFICATION OF LIABILITIES TO FINANCIAL INSTITUTIONS

	Book value	
(NOK million)	31.12.18	31.12.17
Call date		
2018		155
2019	2	
Total liabilities to financial institutions	**2**	**155**

SPECIFICATION OF SECURITIES ISSUED

	Book value	
(NOK million)	31.12.18	31.12.17
Call date		
2018		2,882
2019	2,779	3,152
2020	4,314	4,030
2021	4,414	3,509
2022	4,519	3,002
2023	1,503	
Total securities issued	**17,529**	**16,575**

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 200 million, expiration December 2023.

Facilities for Storebrand Boligkreditt AS

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

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 12 in annual report for 2017.

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

VALUATION OF FINANCIAL INSTRUMENTS TO AMORTISED COST

(NOK million)	Fair value 31.12.18	Fair value 31.12.17	Book value 31.12.18	Book value 31.12.17
Financial assets				
Loans to and due from financial institutions	318	313	318	313
Loans to customers - corporate	6,981	6,501	6,999	6,533
Loans to customers - retail	46,508	41,571	46,508	41,571
Bonds held to maturity	15,679	16,933	14,403	15,128
Bonds classified as loans and receivables	98,485	94,218	94,723	87,474
Total financial assets 31.12.18	**167,971**		**162,951**	
Total financial assets 31.12.17		159,537		151,020
Financial liabilities				
Debt raised by issuance of securities	17,565	16,634	17,529	16,575
Liabilities to financial institutions	2	155	2	155
Deposits from banking customers	14,419	14,628	14,419	14,628
Subordinatd loan capital	8,218	8,990	8,224	8,867
Total financial liabilities 31.12.18	**40,205**		**40,175**	
Total financial liabilities 31.12.17		40,407		40,224

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	31.12.18	31.12.17
Assets:					
Equities and fund units					
- Equities	23,039	359	640	24,038	23,360
- Fund units	340	125,133	7,849	133,323	133,074
Total equities and fund units 31.12.18	**23,379**	**125,493**	**8,489**	**157,361**	
Total equities and fund units 31.12.17	22,563	125,425	8,445		156,433
Loans to customers [1)]					
- Loans to customers - corporate			5,708	5,708	5,104
- Loans to customers - retail			220	220	580
Loans to customers 31.12.18 [1)]			**5,928**	**5,928**	
Loans to customers 31.12.17 [1)]			5,684		5,684
Bonds and other fixed-income securities					
- Government bonds	13,839	20,507		34,347	49,022
- Corporate bonds		50,834	56	50,890	49,331
- Structured notes		79		79	81
- Collateralised securities		22,793		22,793	28,914
- Bond funds		46,157	3,321	49,478	39,412
Total bonds and other fixed-income securities 31.12.18	**13,839**	**140,370**	**3,377**	**157,586**	
Total bonds and other fixed-income securities 31.12.17	**24,186**	142,467	108		166,761
Derivatives:					
- Interest derivatives		3,100		3,100	2,799
- Currency derivatives		-2,781		-2,781	-751
Total derivatives 31.12.18		**319**		**319**	
- of which derivatives with a positive market value		4,926		4,926	4,064
- of which derivatives with a negative market value		-4,607		-4,607	-2,015
Total derivatives 31.12.17		2,049			2,049
Properties:					
Investment properties			28,266	28,266	27,453
Properties for own use			1,420	1,420	1,408
Total properties 31.12.18			**29,686**	**29,686**	
Total properties 31.12.17			28,861		28,861

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

There is no significant movements 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 custo-mers	Corporate bonds	Bond funds	Investment properties	Properties for own use
Book value 01.01.18	**767**	**7,679**	**5,684**	**108**		**27,453**	**1,408**
Net gains/losses on financial instruments	-31	-2,397	42	10	134	-314	
Additions	30	3,967	1,420		3,202	1,259	82
Sales	-121	-1,347	-1,105	-60	-15		-2
Currency translation differences	-6	-53	-114	-1		-341	-68
Other						209	
Book value 31.12.18	**640**	**7,849**	**5,928**	**56**	**3,321**	**28,266**	**1,420**

As at 31.12.18, Storebrand Livsforisikring had NOK 4.376 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 12 in the 2017 annual report. There is no significant change in sensitivity in this quarter.

Note 08 Operating costs

	Q4		01.01 - 31.12	
(NOK million)	2018	2017	2018	2017
Personnel expenses	-576	-526	-2,143	-1,955
Amortisation/write-downs	-39	-41	-147	-167
Other operating expenses	-628	-830	-2,252	-2,145
Total operating expenses	**-1,244**	**-1,397**	**-4,542**	**-4,266**

Note 09 Tax

The Group reported a tax income of NOK 1 392m for the 4th quarter and NOK 898m for the full year 2018. Storebrand has previously booked a deferred tax liability due to the differences between mark to market values and tax values associated with real estate owned by the customer portfolios. As a consequence of new tax rules (see below for further information), the deferred tax liability is reversed, creating a clearer separation between customer assets and shareholders assets. In isolation, the transitional effects leads to a tax income of approximately NOK 1.6 billion for the Group in the 4th quarter.

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 2018, the Norwegian Parliament (Stortinget) agreed to reduce the company tax rate from 23 to 22 per cent with effect from 1 January 2019. 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 capitalizing deferred tax/deferred tax assets in the consolidated financial statements, the company tax rate that applies for the individual Group companies is used.

New tax rules for insurance and pension undertakings

In December 2018, the Norwegian parliament (Stortinget) ratified new tax rules for insurance and pension undertakings. For life insurance companies, the new rules entail that taxation of income and expenses relating to assets in the customer portfolios, with effect from the income year 2018, shall be carried out in accordance with the financial statements. The principle applies to both financial assets and other types of assets (such as operating assets, etc.) owned by the customer portfolios. The technical result stated in the accounts is the basis for the taxation; hence, no permanent or temporary differences will arise for tax purposes. The aim of the new rules are to establish a distinction between customer and corporate funds in terms of taxation. This will significantly reduce tax risk and volatility for the Group.

Note 10 Loans

(NOK million)	31.12.18	31.12.17
Corporate market [1]	12,752	11,685
Retail market	46,754	42,184
Gross loans	**59,506**	**53,869**
Write-down of loans losses	-63	-80
Net loans [2]	**59,444**	**53,788**
1) Of which Storebrand Bank	29	360
2) Of which Storebrand Bank	28,464	27,257
Of which Storebrand Livsforsikring	30,980	26,531

NON-PERFORMING AND LOSS-EXPOSED LOANS

(NOK million)	31.12.18	31.12.17
Non-performing and loss-exposed loans without identified impairment	71	150
Non-performing and loss-exposed loans with identified impairment	59	114
Gross non-performing loans	**129**	**265**
Individual write-downs	-21	-43
Net non-performing loans [1]	**108**	**222**

[1] The figures apply in their entirety Storebrand Bank

Note 11 Capital buffer

(NOK million)	31.12.18	31.12.17
Additional statutory reserves	8,494	8,254
Market adjustment reserves	2,245	3,707
Conditional bonuses	8,243	9,176
Total	**18,983**	**21,137**

Note 12 Contingent liabilities

(NOK million)	31.12.18	31.12.17
Guarantees	1	20
Unused credit facilities	3,362	3,474
Uncalled residual liabilities re limited partnership	5,818	5,451
Loan commitment retail market	1,672	2,007
Debt instrument to Silver Pensjonsforsikring in connection with the acquisition[1]		520
Total contingent liabilities	**10,853**	**11,472**

[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 are subject for client complaints and may become a party in legal disputes, see note 2 and note 44 in the 2017 annual report.

Note 13 Solidity and capital management

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

Consolidation is carried out in accordance with Section 18-2 of the Norwegian Act relating to Financial Undertakings and Financial Groups. The solvency capital requirement and minimum capital requirement for the group are calculated in accordance with Section 46 (1)-(3) of the Solvency II Regulations using the standard method and include the effect of the transitional arrangement for shares pursuant to Section 58 of the Solvency II Regulations.

Capital management

Storebrand places particular emphasis on continually and systematically adapting the levels of equity in the Group. The level is adapted to the financial risk and capital requirements in the business, where growth and the composition of segments are important motivating factors for the need for capital. The purpose of capital management is to ensure an efficient capital structure and provide for an appropriate balance between in-house goals and regulatory and rating company requirements. If there is a need for new capital, this is raised by the holding company Storebrand ASA, which is listed on the stock exchange and is the ultimate parent company.

The Storebrand companies are subject to various capital requirements depending on the type of business. In addition to the capital requirements for the Storebrand Group and insurance companies, the banking and asset management businesses have capital requirements in accordance with CRD IV. 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.

Storebrand has the goal of paying a dividend of more than 50% of the Group profit after tax. The board has the ambition of ordinary dividends per share being, at a minimum, at the same nominal level as the previous year. The normal dividend is paid with a sustainable solvency margin of more than 150%. If there is a solvency margin of more than 180%, the board's intention is to propose extraordinary dividends or share buy-backs. In general, equity in the Group can be controlled without material limitations if the capital requirement is met and the respective legal entities have sufficient solvency.

SOLVENCY CAPITAL

NOK million	31.21.18					31.12.17
	Total	Group 1 unlimited	Group 1 limited	Group 2	Group 3	Total
Share capital	2,339	2,339				2,339
Share premium	10,521	10,521				10,521
Reconciliation reserve	23,444	23,444				25,694
Including the effect of the transitional arrangement						4,513
Subordinated loans	7,780		1,089	6,691		8,547
Deferred tax assets	873				873	71
Risk equalisation reserve	234			234		143
Minority interests	56				56	49
Unavailable minority interests	-37				-37	-33
Deductions for CRD IV subsidiaries	-3,311	-3,311				-2,929
Unpaid dividend 2017						-1,168
Expected dividend 2018	-1,402	-1,402				
Total basic solvency capital	**40,498**	**31,591**	**1,089**	**6,925**	**892**	**43,234**
Subordinated capital for subsidiaries regulated in accordance with CRD IV	3,311					2,929
Total solvency capital	**43,808**					**46,164**
Total solvency capital available to cover the minimum capital requirement	**34,623**	**31,591**	**1,089**	**1,942**		**39,294**

SOLVENCY CAPITAL REQUIREMENTS AND - MARGIN

NOK million	31.12.18	31.12.17
Market	20,917	22,936
Counterparty	625	565
Life	10,412	10,453
Health	713	744
P&C	278	283
Operational	1,485	1,496
Diversification	-6,838	-7,023
Loss-absorbing tax effect	-4,764	-5,002
Total solvency capital requirement - insurance company	**22,827**	**24,452**
Capital requirements for subsidiaries regulated in accordance with CRD IV	2,482	2,458
Total solvency capital requirement	25,309	26,910
Solvency margin with transitional rules	**173%**	**172%**
Minimum capital requirement	**9,711**	**9,599**
Minimum margin	**357%**	**409%**

The Storebrand Group has also 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	31.12.18	31.12.17
Capital requirements for CRD IV companies	2,714	2,687
Solvency captial requirements for insurance	22,827	24,452
Total capital requirements	**25,541**	**27,138**
Net primary capital for companies included in the CRD IV report	3,311	2,929
Net primary capital for insurance	40,498	43,234
Total net primary capital	**43,808**	**46,164**
Overfunding	**18,267**	**19,025**

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 2018, the difference amounted to NOK 232 million.

Note 14 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 24 and 46 in the 2017 annual report.

Storebrand has not carried out any material transactions other than normal business transactions with related parties at the close of the 4th quarter 2018.

Note 15 Subsequent events

Storebrand Asset Management AS has signed an agreement to acquire Cubera Private Equity AS

On February 11th, Storebrand Asset Management AS signed an agreement to acquire 100 % of the shares in Cubera Private Equity AS (Cubera). The purchase price of the acquisition is NOK 300 million. The purchase price may increase with up to NOK 225 million related to fundraising to new funds managed by Cubera.

The transaction is settled with cash only.
The transaction is contingent on public and private approvals.
The transaction is expected to be completed during the first half of 2019.

Storebrand ASA
Income statement

(NOK million)	Q4 2018	Q4 2017	Full year 2018	Full year 2017
Operating income				
Income from investments in subsidiaries	4,092	2,117	4,131	2,154
Net income and gains from financial instruments:				
- equities and other units	1		1	
- bonds and other fixed-income securities	5	5	26	36
- financial derivatives/other financial instruments	-1	-1	-7	-4
Other financial income			33	2
Operating income	**4,098**	**2,121**	**4,184**	**2,188**
Interest expenses	-15	-14	-60	-69
Other financial expenses	-3	-54	35	-62
Operating expenses				
Personnel expenses	-8	6	-41	-41
Amortisation				-1
Other operating expenses	-15	-42	-44	-81
Total operating expenses	**-23**	**-36**	**-86**	**-123**
Total expenses	**-41**	**-104**	**-111**	**-254**
Pre-tax profit	**4,056**	**2,017**	**4,074**	**1,934**
Tax	-133	-140	-111	-110
Profit for the period	**3,924**	**1,876**	**3,963**	**1,824**

STATEMENT OF TOTAL COMPREHENSIVE INCOME

(NOK million)	Q4 2018	Q4 2017	Full year 2018	Full year 2017
Profit for the period	**3,924**	**1,876**	**3,963**	**1,824**
Other result elements not to be classified to profit/loss				
Change in estimate deviation pension	9	-34	9	-34
Tax on other comprehensive elements	-2	8	-2	8
Total other comprehensive income elements	**6**	-25	6	**-25**
Total comprehensive income	**3,930**	**1,851**	**3,969**	**1,798**

Storebrand ASA
Statement of financial position

(NOK million)	31.12.18	31.12.17
Fixed assets		
Deferred tax assets	47	135
Tangible fixed assets	26	28
Shares in subsidiaries and associated companies	19,286	18,724
Total fixed assets	**19,359**	**18,886**
Current assets		
Owed within group	4,092	2,207
Other current receivables	21	
Investments in trading portfolio:		
- equities and other units	22	3
- bonds and other fixed-income securities	1,820	1,380
- financial derivatives/other financial instruments	9	16
Bank deposits	34	53
Total current assets	**5,998**	**3,659**
Total assets	**25,357**	**22,545**
Equity and liabilities		
Share capital	2,339	2,339
Own shares	-2	-5
Share premium reserve	10,521	10,521
Total paid in equity	**12,858**	**12,855**
Other equity	8,395	5,793
Total equity	**21,253**	**18,648**
Non-current liabilities		
Pension liabilities	161	176
Securities issued	1,813	2,270
Total non-current liabilities	**1,974**	**2,446**
Current liabilities		
Debt within group	597	3
Provision for dividend	1,402	1,168
Other current liabilities	131	280
Total current liabilities	**2,130**	**1,451**
Total equity and liabilities	**25,357**	**22,545**

Storebrand ASA
Statement of changes in equity

(NOK million)	Share capital [1]	Own shares	Share premium	Other equity	Total equity
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	90		1,037		1,126
Provision for dividend				-1,168	-1,168
Own share bought back [2]		3		44	47
Employee share [2]				-11	-11
Equity at 31. December 2017	**2,339**	**-5**	**10,521**	**5,793**	**18,648**
Profit for the period				3,963	3,963
Total other result elements				**6**	**6**
Total comprehensive income				**3,969**	**3,969**
Provision for dividend				-1,402	-1,402
Own share bought back [2]		**3**		48	50
Employee share [2]				-13	-13
Equity at 31. December 2018	**2,339**	**-2**	**10,521**	**8,395**	**21,253**

[1] 467 813 982 shares with a nominal value of NOK 5.
[2] In 2018, 542 532 shares were sold to our own employees. Holding of own shares 31. December 2018 was 431 140.

Storebrand ASA
Statement of cash flow

	01.01 - 31.12	
(NOK million)	2018	2017
Cash flow from operational activities		
Receipts - interest, commission and fees from customers	47	50
Net receipts/payments - securities at fair value	-477	732
Payments relating to operations	-89	-165
Net receipts/payments - other operational activities	2,247	934
Net cash flow from operational activities	**1,728**	**1,551**
Cash flow from investment activities		
Net receipts - sale of subsidiaries	33	
Net payments - sale/capitalisation of subsidiaries	-131	-408
Net receipts/payments - sale/purchase of property and fixed assets	2	2
Net cash flow from investment activities	**-95**	**-407**
Cash flow from financing activities		
Payments - repayments of loans	-450	-1,425
Receipts - new loans	1	1,001
Payments - interest on loans	-72	-81
Receipts - sold own shart to employees	37	36
Payments - dividends	-1,168	-695
Net cash flow from financing activities	**-1,651**	**-1,163**
Net cash flow for the period	**-19**	**-19**
Net movement in cash and cash equivalents	-19	-19
Cash and cash equivalents at start of the period	53	72
Cash and cash equivalents at the end of the period	**34**	**53**

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 2017. The accounting policies are described in the 2017 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)	2018	2017
Storebrand Livsforsikring AS	3,200	1,300
Storebrand Bank ASA	153	192
Storebrand Asset Management AS	415	535
Storebrand Forsikring AS	324	81
Værdalsbruket AS		10
Storebrand Helseforsikring AS	39	36
Total	**4,131**	**2,154**

Note 04 Bond and bank loans

(NOK million)	Interest rate	Currency	Net nominal value	31.12.18	31.12.17
Bond loan 2013/2020 [1)]	Fixed	NOK	300	311	317
Bond loan 2013/2018	Variable	NOK	450		452
Bond loan 2014/2019	Variable	NOK	500	500	500
Bond loan 2017/2020	Variable	NOK	500	501	501
Bond loan 2017/2022	Variable	NOK	500	501	500
Total [2)]				**1,813**	**2,270**

[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 and include earned not due interest.
Signed loan agreements have covenant requirements.
Storebrand ASA has an unused drawing facility for EUR 200 million.

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Financial calendar 2019

13th February	Results Q4 2018
10th April	Annual General Meeting
8th May	Results Q1 2019
12th July	Results Q2 2019
23rd October	Results Q3 2019
February 2020	**Results Q4 2019**

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