



# Interim report 2018

Storebrand Livsforsikring AS (unaudited)

# Contents

## FINANCIAL PERFORMANCE SEGMENTS

Storebrand Livsforsikring Group . . . . .	3
Savings . . . . .	5
Insurance . . . . .	6
Guaranteed pension . . . . .	7
Other . . . . .	9
Balance, Solidity and Capital situation . . . . .	10
Outlook . . . . .	12

## FINANCIAL STATEMENTS/NOTES

Statement of comprehensive income Storebrand Livsforsikring Group. . . . .	14
Statement of financial position Storebrand Livsforsikring Group . . . . .	16
Statement of change in equity Storebrand Livsforsikring Group . . . . .	18
Statement of cash flow . . . . .	19
Statement of comprehensive income Storebrand Livsforsikring AS . . . . .	20
Statement of financial position Storebrand Livsforsikring AS . . . . .	22
Statement of change in equity Storebrand Livsforsikring AS. . . . .	24
Notes . . . . .	25

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# Storebrand Livsforsikring group

Storebrand Livsforsikring AS is a wholly owned subsidiary of the listed company Storebrand ASA. For information about the Storebrand Group's 3<sup>rd</sup> quarter result please refer to the Storebrand Group's interim report for the 3<sup>rd</sup> quarter of 2018. Storebrand Group's ambition is to be the best provider of pension savings. The Group offers an integrated product range spanning from life insurance, P&C insurance, asset management and banking to private individuals, companies and public sector entities. The Group is divided into the segments Savings, Insurance, Guaranteed Pension and Other.

## PROFIT STOREBRAND LIVSFORSIKRING GROUP

(NOK million)	2018			2017		01.01 - 30.09		Full Year
	Q3	Q2	Q1	Q4	Q3	2018	2017	2017
Fee and administration income	821	800	788	803	780	2,409	2,298	3,101
Insurance result	239	274	234	172	250	748	665	837
Operational expenses	-593	-609	-599	-651	-579	-1,801	-1,773	-2,424
<b>Operating profit</b>	<b>467</b>	<b>465</b>	<b>423</b>	<b>323</b>	<b>451</b>	<b>1,356</b>	<b>1,191</b>	<b>1,514</b>
Financial items and risk result life & pension	148	151	302	-148	137	601	625	477
<b>Profit before amortisation</b>	<b>615</b>	<b>616</b>	<b>725</b>	<b>175</b>	<b>588</b>	<b>1,957</b>	<b>1,816</b>	<b>1,992</b>

The profit before amortisation was NOK 615m (NOK 588m) in the 3<sup>rd</sup> quarter. The figures in brackets are from the corresponding period last year. Total fee and administration income amounted to NOK 821m (NOK 780m) for the 3<sup>rd</sup> quarter representing an increase of 5% compared to the same period last year. Income within the segment Guaranteed Pension was stable, while the Savings segment increased revenues by 11% in the quarter compared with the same period last year. Overall the Insurance result had a total combined ratio of 79% (81%) in the quarter.

The operating expenses in the 3<sup>rd</sup> quarter were NOK 593m (NOK 579m). The underlying cost control is strong. Volume growth within the Saving segment has resulted in a larger part of the Group's costs being allocated to this segment.

The operating profit for the 3<sup>rd</sup> quarter increased by 3.5% compared to the same period last year. The 'Financial items and risk result' were NOK 148m (NOK 137m) in the 3<sup>rd</sup> quarter, arising from profit sharing and risk result in the Guaranteed Pension segment and company capital net returns in the Other segment.

## PROFIT STOREBRAND LIVSFORSIKRING GROUP - BY SEGMENTS

(NOK million)	2018			2017		01.01 - 30.09		Full Year
	Q3	Q2	Q1	Q4	Q3	2018	2017	2017
Savings	135	136	112	134	135	384	402	536
Insurance	153	179	155		186	487	461	462
Guaranteed pensions	292	234	398	31	244	925	735	766
Other	35	67	60	10	24	162	218	228
<b>Profit before amortisation</b>	<b>615</b>	<b>616</b>	<b>725</b>	<b>175</b>	<b>588</b>	<b>1,957</b>	<b>1,816</b>	<b>1,992</b>

The Savings segment reported a profit of NOK 135m (NOK 135m) in the 3<sup>rd</sup> quarter 2018. Growth within Unit linked savings contribute positively to the 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 153m (NOK 186m) in the 3<sup>rd</sup> quarter. The risk result gives a claims ratio of 65% (65%) in the quarter.

The Guaranteed Pension segment achieved a profit before amortisation of NOK 292m (NOK 244m) for the 3<sup>rd</sup> quarter. Fee and administration income is stable compared with the same period last year. The products within Guaranteed Pension are in long-term runoff and reduced earnings from this segment are expected over time.

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

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

The Group's target solvency margin in accordance with the new regulations is a minimum of 150%, including use of the transitional rules. The solvency margin for the Storebrand Group was calculated at 169% at the end of the 3<sup>rd</sup> quarter 2018, including transitional rules. Without transitional rules, the solvency margin was 166%. Storebrand uses the standard model for the calculation of Solvency II. The solvency margin without transitional rules strengthened due to good investment returns and increased interest rates as well as a strong operating result. The increase in volatility adjustment largely compensated for a large part the negative effect on the solvency margin from decreased interest rates. The value of the transitional measures are reduced in the quarter.

Storebrand Livsforsikring AS had a solvency margin after transitional rules of 215% as of the first three quarters (without transitional rules, the solvency margin is calculated at 212%). The Storebrand Livsforsikring Group is no longer required to report the solvency margin, requirement at consolidated level applies for the Storebrand Group.

Income tax expense has been estimated based on an expected effective tax rate for 2018. The effective tax rate is influenced by the fact that the Group has operations in countries with tax rates that are different from Norway's, and it varies from quarter to quarter depending on each legal entity's contribution to the Group result. The effective tax rate was 33% in the 3<sup>rd</sup> quarter and 21% year to date. The income tax expense is estimated to be in the range of 18-22% for the year. Proposed changes in tax rules for life insurance companies is expected to reduce quarterly volatility in the effective tax rate.

#### **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 23bn (31%) relative to the 3<sup>rd</sup> quarter 2017. In Norway, Storebrand is the market leader in Unit Linked occupational pension with 31% of the market share of gross premiums written (at the end of the 2<sup>nd</sup> quarter 2018). SPP has a market share of 12% in the Swedish market for other occupational pensions ("Övrig Tjänstepension", at the end of 2<sup>nd</sup> quarter). Sales of savings products to private individuals in Norway are good.

# Savings

- **Good return and strong volume growth in the quarter**
- **Increased costs due to investments in growth**

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

## PROFIT

(NOK million)	2018			2017		01.01 - 30.09		Full Year
	Q3	Q2	Q1	Q4	Q3	2018	2017	2017
Fee and administration income	424	406	398	407	382	1,228	1,136	1,543
Operational expenses	-283	-267	-280	-273	-244	-830	-741	-1,013
<b>Operating profit</b>	<b>141</b>	<b>138</b>	<b>118</b>	<b>134</b>	<b>138</b>	<b>398</b>	<b>396</b>	<b>530</b>
Financial items and risk result life & pension	-6	-2	-6	1	-3	-14	6	7
<b>Profit before amortisation</b>	<b>135</b>	<b>136</b>	<b>112</b>	<b>134</b>	<b>135</b>	<b>384</b>	<b>402</b>	<b>536</b>

The Savings segment reported a profit before amortisation and tax of NOK 135m (NOK 135m) for for the 3<sup>rd</sup> quarter.

Fee- and administration income increased by 11% for the quarter. Good returns, customer conversion from defined-benefit to defined-contribution pension schemes, new business and higher savings rates drives income growth. For the Norwegian Unit Linked products, increased competition contributes to moderate margin pressure, while there are relatively stable margins in the Swedish business.

Operating expenses increased compared to 3<sup>rd</sup> quarter previous year 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 3<sup>rd</sup> quarter, an increase of 12% compared to previous year.

Total reserves within the Unit Linked business have increased by 5% in the 3<sup>rd</sup> quarter and 18% over the last year, and amounted to NOK 187bn at the end of the quarter. Assets under management in the Unit Linked business in Norway increased by NOK 4.8bn (5%) in the quarter and NOK 23bn (31%) over last year, including the acquisition of Silver AS with NOK 8.5bn. 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% of the market share of gross premiums written (at the end of the 2<sup>nd</sup> quarter).

In the Swedish market, SPP is the fourth largest actor in the Other Occupational Pensions segment with a market share of 12% measured by premium income from Unit Linked. Customer assets increased by SEK 3.5bn (4%) in the 3<sup>rd</sup> quarter and SEK 12bn (14%) from the previous year.

## KEY FIGURES

(NOK million)	2018			2017	
	Q3	Q2	Q1	Q4	Q3
Unit Linked Reserves	187,016	178,498	171,749	167,849	157,984
Unit Linked Premiums	4,096	3,892	3,947	3,981	3,670

# Insurance

- Satisfactory underlying risk development
- Lower disability improves result

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

## PROFIT

(NOK million)	Q3	2018			2017		01.01 - 30.09		Full Year
		Q2	Q1	Q4	Q3	2018	2017	2017	
Insurance result	239	274	234	172	250	748	665	837	
- Insurance premiums f.o.a.	681	680	687	699	720	2,049	2,097	2,797	
- Claims f.o.a.	-442	-406	-453	-528	-470	-1,301	-1,432	-1,960	
Operational expenses	-99	-100	-99	-124	-113	-299	-349	-472	
<b>Operating profit</b>	<b>140</b>	<b>174</b>	<b>135</b>	<b>48</b>	<b>137</b>	<b>449</b>	<b>317</b>	<b>365</b>	
Financial items and risk result life & pension	12	5	20	-48	49	38	145	97	
<b>Profit before amortisation</b>	<b>153</b>	<b>179</b>	<b>155</b>	<b>0</b>	<b>186</b>	<b>487</b>	<b>461</b>	<b>462</b>	

In the third quarter, Insurance delivered a result before amortisation of NOK 153m (NOK 186m). Overall combined ratio for the quarter was 79% (81%).

The 3<sup>rd</sup> quarter claims ratio was 65% (65%) and the underlying risk development is satisfactory. Individual insurance coverage has a good development due to lower disability. Group Life continues to deliver a good risk result. The risk result for Group Disability Pension is significantly improved. During the period, there has been low disability, most likely due to recovery of economic conditions in Norway.

The cost ratio ended at 15% (16%) in the 3<sup>rd</sup> quarter. Fewer FTEs allocated to Insurance explain the decrease from last year.

Insurance's investment portfolio in Norway amounted to NOK 6.3bn as of the 3<sup>rd</sup> quarter. It is primarily invested in fixed income securities with

a short to medium duration.<sup>1</sup>

## BALANCE SHEET AND MARKET TRENDS

Premium (annual) amounts to NOK 2.670m (NOK 2.704m) in the 3<sup>rd</sup> quarter.

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

## PORTFOLIO PREMIUM (ANNUAL)

(NOK million)	Q3	2018			2017	
		Q2	Q1	Q4	Q3	
Individual life *	640	641	641	641	642	
Group life **	877	889	889	898	899	
Pension related disability insurance ***	1,153	1,155	1,155	1,163	1,164	
<b>Portfolio premium</b>	<b>2,670</b>	<b>2,685</b>	<b>2,685</b>	<b>2,701</b>	<b>2,704</b>	

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

## KEY FIGURES

(NOK million)	Q3	2018			2017	
		Q2	Q1	Q4	Q3	
Claims ratio	65%	60%	66%	75%	65%	
Cost ratio	15%	15%	14%	18%	16%	
<b>Combined ratio</b>	<b>79%</b>	<b>74%</b>	<b>80%</b>	<b>93%</b>	<b>81%</b>	

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

# Guaranteed pension

- **Income reduction in line with strategy and product run-off**
- **Stronger risk result in the Norwegian business**

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.

## PROFIT

(NOK million)	2018			2017		01.01 - 30.09		Full Year
	Q3	Q2	Q1	Q4	Q3	2018	2017	2017
Fee and administration income	369	370	368	376	380	1,107	1,108	1,483
Operational expenses	-181	-218	-203	-240	-212	-602	-649	-889
<b>Operating profit</b>	<b>188</b>	<b>153</b>	<b>165</b>	<b>136</b>	<b>169</b>	<b>506</b>	<b>459</b>	<b>595</b>
Financial items and risk result life & pension	105	81	233	-105	75	419	276	171
<b>Profit before amortisation</b>	<b>292</b>	<b>234</b>	<b>398</b>	<b>31</b>	<b>244</b>	<b>925</b>	<b>735</b>	<b>766</b>

Guaranteed Pension achieved a profit before amortisation of NOK 292m (NOK 244m) for the 3<sup>rd</sup> quarter and NOK 925m year to date (NOK 735m).

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 369m (NOK 380m) for the 3<sup>rd</sup> quarter and NOK 1 107m year to date (NOK 1 108m).

The operating costs are gradually being reduced due to the area being in long-term decline and amounted to NOK 181m (NOK 212m) for the 3<sup>rd</sup> quarter and NOK 602m year to date (NOK 649m).

The risk result life & pensions was NOK 91m (NOK 9m) for the 3<sup>rd</sup> quarter and NOK 134m year to date (NOK 49m). For the 3<sup>rd</sup> quarter the risk result in the Norwegian business was strong at NOK 83m (NOK 0m) based on improved portfolio and satisfactory disability development.

In the Swedish business the risk result returned to normal levels after a one-off effect in the 2<sup>nd</sup> quarter.

The result from profit sharing and loan losses consists of profit sharing and financial effects. The result was NOK 13m (NOK 66m) for the 3<sup>rd</sup> quarter and NOK 285m for the year to date (NOK 227m). The result was generated in the Swedish business and was moderate in the quarter driven by marginal positive levels on all items (profit sharing, indexation charges and deferred capital contribution). The Norwegian business is prioritising the build-up of buffers and reserves instead of profit sharing between customers and owners.

## BALANCE SHEET AND MARKET TRENDS

The majority of products are closed for new business, and the customers' choice about transferring from guaranteed to non-guaranteed products is in line with the Group's strategy. As of the 3<sup>rd</sup> quarter, customer reserves for guaranteed pensions amounted to NOK 258bn, which is a decrease of approximately NOK 6.7bn year to date. The total premium income for guaranteed pensions (excluding transfers) was NOK 0.9bn (NOK 1.0bn) for the 3<sup>rd</sup> quarter and NOK 4.2bn year to date (NOK 5.2bn).

In the Norwegian business, paid-up policies was the only guaranteed pension portfolio experiencing growth, which amounted to NOK 133bn as of the 3<sup>rd</sup> quarter. This is an increase of NOK 4.8bn year to date. 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 250m year to date. Paid-up policies with investment choice are included in the Savings segment. Reserves for defined-benefit pensions in Norway amounted to NOK 34bn at the end of the 3<sup>rd</sup> quarter, a decline of NOK 2bn year to date.

Guaranteed portfolios in the Swedish business totalled NOK 77bn as of the 3<sup>rd</sup> quarter, a reduction of NOK 9bn year to date. However, the main reason for the reduction is attributed to changes in the SEK/NOK exchange rate. The underlying reduction is NOK 1.5 bn when adjusted for currency effects.

## KEY FIGURES

(NOK million)		2018			2017	
	Q3	Q2	Q1	Q4	Q3	
Guaranteed reserves	257,570	257,783	259,426	264,320	261,652	
Guaranteed reserves in % of total reserves	57.9 %	59.1 %	60.2 %	61.2 %	62.4 %	
Transfer out of guaranteed reserves	24	13	118	117	103	
Buffer capital in % of customer reserves Storebrand	6.6 %	6.5 %	6.2 %	7.2 %	5.2 %	
Buffer capital in % of customer reserves SPP	9.6 %	8.8 %	9.0 %	9.0 %	9.3 %	



# Other

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

## PROFIT

(NOK million)	2018			2017		01.01 - 30.09		Full Year
	Q3	Q2	Q1	Q4	Q3	2018	2017	2017
Fee and administration income	27	24	22	20	17	73	55	75
Operational expenses	-29	-24	-17	-15	-10	-70	-35	-50
<b>Operating profit</b>	<b>-2</b>	<b>0</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>3</b>	<b>20</b>	<b>25</b>
Financial itmens and risk result life & pension	37	67	55	4	17	158	198	203
<b>Profit before amortisation</b>	<b>35</b>	<b>67</b>	<b>60</b>	<b>10</b>	<b>24</b>	<b>162</b>	<b>218</b>	<b>228</b>

The Other segment reported a profit of NOK 35m (NOK 24m) for the 3<sup>rd</sup> quarter. Fee and administration income is associated to BenCo's business being wound down over a long-term.

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

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

3<sup>rd</sup> 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 21bn 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 0.48% for the quarter. The Swedish company portfolio provided a return of minus 0.05% in the quarter.

# Balance sheet and capital situation

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

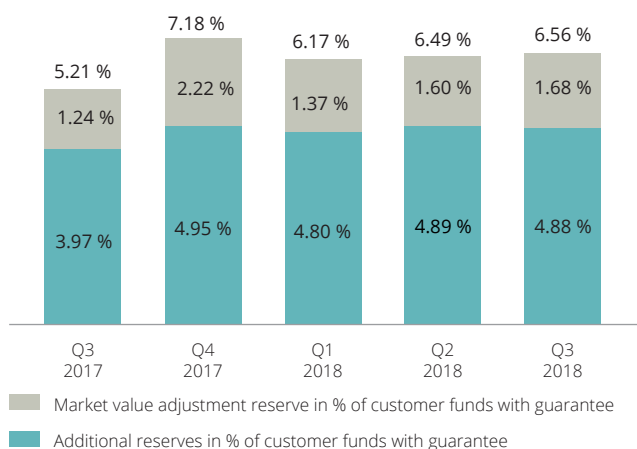
## STOREBRAND LIVSFORSIKRING GROUP

The Solidity capital<sup>1</sup> measures the amount of IFRS capital available to cover customer liabilities. The solidity capital amounted to NOK 57.7bn at the end of 3<sup>rd</sup> quarter 2018, an decrease of NOK 0.2bn in 3<sup>rd</sup> quarter and NOK 6.3bn year to date. The change in the quarter is due to increased customer buffers in the Swedish business, decreased customer buffer in the Norwegian business and dividend paid to Storebrand ASA. A subordinated loan of NOK 1.5bn was called in the 2<sup>nd</sup> quarter.

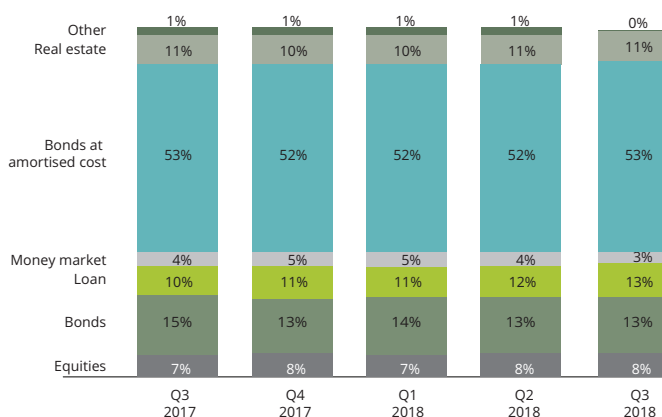
## STORBRAND LIVSFORSIKRING AS

The market value adjustment reserve increased during the 3<sup>rd</sup> quarter by NOK 0.1bn and decreased with NOK 0.9bn year to date and amounted to NOK 2.8bn at the end of the 3<sup>rd</sup> quarter of 2018. The additional statutory reserves are almost unchanged in the 3<sup>rd</sup> quarter and year to date and amounted to NOK 8.3bn at the end of the 3<sup>rd</sup> quarter of 2018. The excess value of bonds and loans valued at amortised cost decreased in the 3<sup>rd</sup> quarter by NOK 1.3bn and by NOK 3.5bn year to date and amounted to NOK 5.1bn at the end of the 3<sup>rd</sup> 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

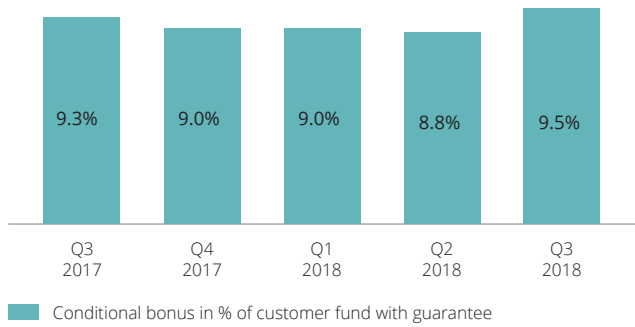


Customer assets increased by NOK 4.9bn in the 3<sup>rd</sup> quarter and NOK 20.0bn year to date due to positive returns and acquisition of Storebrand Silver's pension portfolio in 1<sup>st</sup> quarter. Customer assets totaled NOK 279bn at the end of the 3<sup>rd</sup> quarter of 2018. Customer assets within non-guaranteed savings increased NOK 4.8bn during the 3<sup>rd</sup> quarter and NOK 18.1bn year to date. Guaranteed customer assets were unchanged during the 3<sup>rd</sup> quarter and increased by NOK 1.9bn year to date.

<sup>1)</sup> Consists of equity, subordinated loan capital, market value adjustment reserve, risk equalisation reserve, unrealised gains/losses on bonds and loans at amortised cost, additional statutory reserves, conditional bonuses.

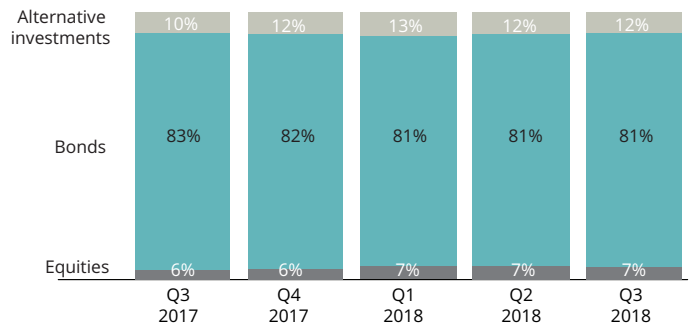
**SPP**

**CUSTOMER BUFFERS**



The buffer capital amounted to SEK 7.3bn (SEK 6,8bn in the second quarter) at the close of the 3<sup>rd</sup> quarter.

**ALLOCATION OF GUARANTEED CUSTOMER ASSETS**



Total assets under management in SPP were SEK 178bn for the 3<sup>rd</sup> quarter. This corresponds to an increase of 6.5% compared with the 3<sup>rd</sup> quarter of 2017. For customer assets in non-guaranteed savings, assets under management totalled SEK 97bn (SEK 83.3bn) at the end of 3<sup>rd</sup> quarter, which corresponds to an increase of 14.3%, compared with the 3<sup>rd</sup> quarter of 2017.

# 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. Second, through cost control and disciplined use balance sheet capital Storebrand aims to increase return to shareholders. 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 18% in the last 12 months. Continued good growth for defined-contribution pensions is expected in the future. The loyalty program for employees with companies that have a pension scheme at Storebrand remains an important area of focus.

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 the next few years and that there will be flat growth in reserves over several years before the reserves start to fall. The portfolio of paid-up policies makes a limited contribution towards the Group results with the present interest rates. Guaranteed reserves represent an increasingly smaller share of the Group's total pension reserves and were 59.1% at the end of the quarter, a 4.1%-point reduction from the previous year.

## 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 is expected to present a bill proposing a scheme for individual pension accounts to parliament before Christmas 2018. The proposal will be 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 actively has to make a choice to stay with its current provider. Connecting the active schemes and the capital certificates may lead to a risk for increased 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. Main principles of the Ministry's proposals gained broad support in the consultation round.

## 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. Storebrand is considering business opportunities related to the new product.

## REPORT ON PAID-UP POLICIES

An interdepartmental working group with participants from the Ministry of Finance, the Ministry of Labour and Social Affairs and the Financial Supervisory Authority of Norway, has presented a report with proposals for 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 Working Group's report was published in September 2018. The Ministry of Finance will now consider the Working Groups proposals.

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

The Ministry of Finance has proposed changes in tax rules for life insurance companies. The aim of the proposed changes is to establish a clear distinction between customer and corporate funds in terms of taxation. The changes will apply with effect from the tax year 2018. Under the new rules, life insurance companies' profits as well as gains on corporate funds will be subject to tax. Customer funds will no longer incur tax losses that give rise to tax losses carried forward for the companies. Tax losses carried forward that have already been recognised will not be affected.

The transition rules to the new regime can have effects at year-end. Storebrand is working to interpret and implement the transition rules.

Lysaker, 23 October 2018  
Board of directors Storebrand Livsforsikring AS

# Storebrand Livsforsikring group

## Statement of comprehensive income

(NOK million)	Q3		01.01 - 30.09		Full Year
	2018	2017	2018	2017	2017
<b>TECHNICAL ACCOUNT</b>					
Gross premiums written	5,722	5,462	18,379	17,686	23,173
Reinsurance premiums ceded	-3	8	-23	-50	-54
Premium reserves transferred from other companies	1,330	559	3,562	1,910	2,457
<b>Premiums for own account</b>	<b>7,049</b>	<b>6,029</b>	<b>21,918</b>	<b>19,546</b>	<b>25,577</b>
Income from investments in subsidiaries, associated companies and joint ventures companies	60	54	246	152	210
Interest income and dividends etc. from financial assets	1,750	1,062	5,543	3,744	7,164
Net operating income from properties	243	246	679	719	976
Changes in investment value	-63	1,388	-1,005	2,996	1,775
Realised gains and losses on investments	69	494	503	1,894	3,076
<b>Total net income from investments in the collective portfolio</b>	<b>2,059</b>	<b>3,244</b>	<b>5,966</b>	<b>9,505</b>	<b>13,200</b>
Income from investments in subsidiaries, associated companies and joint ventures companies	12	7	48	20	22
Interest income and dividends etc. from financial assets	-22	-33	-8	-29	1,598
Net operating income from properties	35	28	97	78	106
Changes in investment value	4,443	2,438	8,778	7,738	10,698
Realised gains and losses on investments	398	639	830	2,078	2,525
<b>Total net income from investments in the investment selection portfolio</b>	<b>4,867</b>	<b>3,079</b>	<b>9,745</b>	<b>9,884</b>	<b>14,950</b>
<b>Other insurance related income</b>	<b>628</b>	<b>246</b>	<b>1,774</b>	<b>1,214</b>	<b>1,963</b>
Gross claims paid	-4,660	-4,931	-14,433	-14,087	-18,802
Claims paid - reinsurance	16	38	23	45	35
Premium reserves etc. transferred to other companies	-1,048	-812	-4,139	-4,630	-5,452
<b>Claims for own account</b>	<b>-5,691</b>	<b>-5,704</b>	<b>-18,549</b>	<b>-18,673</b>	<b>-24,219</b>
To (from) premium reserve, gross	1,285	1,033	1,502	2,575	1,205
To/from additional statutory reserves	19	12	67	73	-1,376
Change in value adjustment fund	-121	54	866	579	-1,024
Change in premium fund, deposit fund and the pension surplus fund	-2	-2	-2	-17	-23
To/from technical reserves for non-life insurance business	-30	-18	-9	-17	9
Change in conditional bonus	-685	-555	-759	-1,877	-1,527
Transfer of additional statutory reserves and value adjustment fund from other insurance companies/pension funds	-4	-4	-12	-12	-16
<b>Changes in insurance obligations recognised in the Profit and Loss Account - contractual obligations</b>	<b>461</b>	<b>521</b>	<b>1,653</b>	<b>1,305</b>	<b>-2,752</b>
Change in pension capital	-8,155	-5,558	-18,198	-15,898	-23,673
<b>Changes in insurance obligations recognised in the Profit and Loss Account - investment portfolio separately</b>	<b>-8,155</b>	<b>-5,558</b>	<b>-18,198</b>	<b>-15,898</b>	<b>-23,673</b>
Profit on investment result					-441
Risk result allocated to insurance contracts					4
Other allocation of profit	-1	5	-3	4	-129
Unallocated profit	-44	-664	-722	-3,306	
<b>Funds allocated to insurance contracts</b>	<b>-45</b>	<b>-659</b>	<b>-725</b>	<b>-3,302</b>	<b>-566</b>
Management expenses	-53	-58	-156	-170	-221
Selling expenses	-179	-182	-526	-537	-727

# Storebrand Livsforsikring group

## Statement of comprehensive income continue

(NOK million)	Q3		01.01 - 30.09		Full Year
	2018	2017	2018	2017	2017
Change in pre-paid direct selling expenses	9	1	17	7	8
Insurance-related administration expenses (incl. commissions for reinsurance received)	-351	-358	-1,103	-1,086	-1,507
<b>Insurance-related operating expenses</b>	<b>-574</b>	<b>-597</b>	<b>-1,768</b>	<b>-1,786</b>	<b>-2,447</b>
<b>Other insurance related expenses</b>	<b>-10</b>	<b>-29</b>	<b>-96</b>	<b>-186</b>	<b>-254</b>
<b>Technical insurance profit</b>	<b>588</b>	<b>572</b>	<b>1,720</b>	<b>1,608</b>	<b>1,778</b>
<b>NON-TECHNICAL ACCOUNT</b>					
Income from investments in subsidiaries, associated companies and joint ventures companies		-2	10	74	75
Interest income and dividends etc. from financial assets	98	56	270	228	329
Changes in investment value	-18	-32	-19	47	37
Realised gains and losses on investments	33	63	106	191	249
<b>Net income from investments in company portfolio</b>	<b>114</b>	<b>86</b>	<b>367</b>	<b>539</b>	<b>690</b>
<b>Other income</b>	<b>28</b>	<b>47</b>	<b>312</b>	<b>159</b>	<b>179</b>
Management expenses	-4	3	-13	-14	-19
Other expenses	-195	-217	-648	-767	-1,027
<b>Management expenses and other costs linked to the company portfolio</b>	<b>-199</b>	<b>-214</b>	<b>-661</b>	<b>-782</b>	<b>-1,046</b>
<b>Profit or loss on non-technical account</b>	<b>-57</b>	<b>-82</b>	<b>18</b>	<b>-84</b>	<b>-177</b>
<b>Profit before tax</b>	<b>531</b>	<b>490</b>	<b>1,737</b>	<b>1,524</b>	<b>1,601</b>
Tax expenses	-175	69	-357	2	204
<b>Profit before other comprehensive income</b>	<b>355</b>	<b>559</b>	<b>1,380</b>	<b>1,526</b>	<b>1,805</b>
Change in actuarial assumptions	-3	-2	-8	-8	-91
Change in value adjustment reserve own properties	4	85	46	432	130
Adjustment of insurance liabilities	-4	-85	-46	-432	-130
Tax on other profit elements not to be classified to profit/loss					-4
<b>Other comprehensive income not to be classified to profit/loss</b>	<b>-3</b>	<b>-2</b>	<b>-8</b>	<b>-8</b>	<b>-95</b>
Profit/loss cash flow hedging	-16	-21	-53	-2	23
Currency translation differences	17	-137	-550	200	379
<b>Other profit comprehensive income that may be classified to profit /loss</b>	<b>1</b>	<b>-158</b>	<b>-603</b>	<b>198</b>	<b>402</b>
<b>Other comprehensive income</b>	<b>-3</b>	<b>-160</b>	<b>-611</b>	<b>190</b>	<b>307</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>353</b>	<b>399</b>	<b>768</b>	<b>1,717</b>	<b>2,112</b>
<b>Profit is attributable to:</b>					
Majority share of profit	353	559	1,374	1,523	1,800
Minority share of profit	2	1	6	3	5
<b>Comprehensive income is attributable to:</b>					
Majority share of profit	350	400	767	1,712	2,105
Minority share of profit	3	-1	1	4	7

# Storebrand Livsforsikring group

## Statement of financial position

(NOK million)	30.09.2018	30.09.2017	31.12.2017
<b>ASSETS</b>			
<b>Assets in company portfolio</b>			
Goodwill	732	779	797
Other intangible assets	3,336	3,589	3,573
<b>Total intangible assets</b>	<b>4,069</b>	<b>4,368</b>	<b>4,370</b>
Properties at fair value	50	50	50
Equities and units in subsidiaries, associated companies and joint ventures companies	96	82	88
Loans at amortised cost	2	2	2
Bonds at amortised cost	3,244	3,150	3,023
Deposits at amortised cost	263	261	400
Equities and fund units at fair value	27	17	26
Bonds and other fixed-income securities at fair value	20,913	23,532	24,977
Derivatives at fair value	908	959	1,145
<b>Total investments</b>	<b>25,502</b>	<b>28,054</b>	<b>29,711</b>
Receivables in connection with direct business transactions	723	802	581
Receivables in connection with reinsurance transactions	22		40
Receivables with group company	73	72	81
Other receivables	4,774	3,062	3,270
<b>Total receivables</b>	<b>5,592</b>	<b>3,937</b>	<b>3,973</b>
Tangible fixed assets	12	471	504
Cash, bank	2,086	1,812	2,139
Tax assets	492	310	487
Other assets designated according to type	70	797	858
<b>Total other assets</b>	<b>2,659</b>	<b>3,390</b>	<b>3,988</b>
Pre-paid direct selling expenses	509	523	537
Other pre-paid costs and income earned and not received	158	130	124
<b>Total pre-paid costs and income earned and not received</b>	<b>667</b>	<b>653</b>	<b>662</b>
<b>Total assets in company portfolio</b>	<b>38,488</b>	<b>40,401</b>	<b>42,704</b>
<b>Assets in customer portfolios</b>			
Properties at fair value	23,802	22,796	24,450
Properties for own use	1,331	3,180	1,408
Equities and units in subsidiaries, associated companies and joint ventures companies	3,851	3,023	2,513
Loans to and securities issued by subsidiaries, associated companies	31	38	39
Bonds held to maturity	14,469	15,720	15,128
Bonds at amortised cost	88,544	84,348	84,071
Loans at amortised cost	24,710	18,850	21,425
Deposits at amortised cost	4,635	3,989	4,603
Equities and fund units at fair value	24,950	22,320	24,556
Bonds and other fixed-income securities at fair value	88,250	103,426	101,623
Financial derivatives at fair value	4,572	4,260	4,940
Loans at fair value	2,277	2,708	2,690
<b>Total investments in collective portfolio</b>	<b>281,424</b>	<b>284,658</b>	<b>287,446</b>
<b>Reinsurance share of insurance obligations</b>	<b>56</b>	<b>71</b>	<b>63</b>



# Storebrand Livsforsikring group

## Statement of financial position continue

(NOK million)	30.09.2018	30.09.2017	31.12.2017
Properties at fair value	3,349	2,591	2,954
Properties for own use		204	
Equities and units in subsidiaries, associated companies and joint ventures companies	776	645	600
Loans		886	
Deposits at amortised cost	433	279	355
Equities and fund units at fair value	142,925	123,582	131,514
Bonds and other fixed-income securities at fair value	39,517	30,959	33,419
Loans at fair value	506		165
Financial derivatives at fair value	398	85	33
<b>Total investments in investment selection portfolio</b>	<b>187,905</b>	<b>159,230</b>	<b>169,040</b>
<b>Total assets in customer portfolio</b>	<b>469,385</b>	<b>443,959</b>	<b>456,548</b>
<b>Total assets</b>	<b>507,873</b>	<b>484,360</b>	<b>499,253</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	3,540	3,540	3,540
Share premium	9,711	9,711	9,711
<b>Total paid in equity</b>	<b>13,251</b>	<b>13,251</b>	<b>13,251</b>
Risk equalisation fund	181	146	143
Other earned equity	11,799	11,997	12,370
Minority's share of equity	110	117	114
<b>Total earned equity</b>	<b>12,090</b>	<b>12,260</b>	<b>12,627</b>
Perpetual subordinated loan capital	2,101	2,099	2,103
Dated subordinated loan capital	5,472	3,792	4,982
Hybrid tier 1 capital		1,504	1,506
<b>Total subordinated loan capital and hybrid tier 1 capital</b>	<b>7,573</b>	<b>7,395</b>	<b>8,591</b>
Premium reserves	255,165	259,615	262,513
Additional statutory reserves	8,267	6,721	8,254
Market value adjustment reserve	2,841	2,104	3,707
Premium fund, deposit fund and the pension surplus fund	2,147	2,274	2,564
Conditional bonus	8,843	9,158	9,176
Unallocated profit to insurance contracts	742	3,309	
Other technical reserve	633	665	631
<b>Total insurance obligations in life insurance - contractual obligations</b>	<b>278,638</b>	<b>283,846</b>	<b>286,845</b>
Pension capital	188,095	159,119	168,949
Unallocated profit to insurance contracts		-3	
<b>Total insurance obligations in life insurance - investment portfolio separately</b>	<b>188,095</b>	<b>159,116</b>	<b>168,949</b>
Pension liabilities etc.	127	89	143
Deferred tax	83	173	96
Other provisions for liabilities		1	
<b>Total provisions for liabilities</b>	<b>210</b>	<b>262</b>	<b>239</b>
Liabilities in connection with direct insurance	1,311	1,268	1,448
Liabilities in connection with reinsurance	32	29	30
Financial derivatives	1,419	1,523	1,876
Liabilities to group companies	23	28	24
Other liabilities	4,814	4,923	4,908
<b>Total liabilities</b>	<b>7,599</b>	<b>7,771</b>	<b>8,286</b>
Other accrued expenses and received, unearned income	418	459	464
<b>Total accrued expenses and received, unearned income</b>	<b>418</b>	<b>459</b>	<b>464</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>507,873</b>	<b>484,360</b>	<b>499,253</b>

# Storebrand Livsforsikring group

## Statement of change in equity

(NOK million)	Majority's share of equity							Total equity
	Share capital	Share premium	Total paid in equity	Risk equalisation fund	Other equity	Minority interests		
<b>Equity at 31.12.2016</b>	<b>3,540</b>	<b>9,711</b>	<b>13,251</b>	<b>140</b>	<b>10,290</b>	<b>114</b>	<b>23,796</b>	
Profit for the period				6	1,517	3	1,526	
Other comprehensive income					189	1	190	
<b>Total comprehensive income for the period</b>				<b>6</b>	<b>1,706</b>	<b>4</b>	<b>1,717</b>	
<b>Equity transactions with owner:</b>								
Group contributions						-1	-1	
Other					1	-1		
<b>Equity at 30.09.2017</b>	<b>3,540</b>	<b>9,711</b>	<b>13,251</b>	<b>146</b>	<b>11,998</b>	<b>117</b>	<b>25,512</b>	
Profit for the period				2	1,798	5	1,805	
Other comprehensive income					305	2	307	
<b>Total comprehensive income for the period</b>				<b>2</b>	<b>2,102</b>	<b>7</b>	<b>2,112</b>	
<b>Equity transactions with owner:</b>								
Share issue					-102	3	-99	
Group contributions					-12	-12	-23	
Other						1	1	
<b>Equity at 31.12.2017</b>	<b>3,540</b>	<b>9,711</b>	<b>13,251</b>	<b>143</b>	<b>12,370</b>	<b>114</b>	<b>25,878</b>	
Profit for the period				39	1,335	6	1,380	
Other comprehensive income					-607	-4	-611	
<b>Total comprehensive income for the period</b>				<b>39</b>	<b>728</b>	<b>1</b>	<b>768</b>	
<b>Equity transactions with owner:</b>								
Share issue						4	4	
Group contributions					-1,300	-2	-1,302	
Other					1	-8	-7	
<b>Equity at 30.09.2018</b>	<b>3,540</b>	<b>9,711</b>	<b>13,251</b>	<b>181</b>	<b>11,799</b>	<b>110</b>	<b>25,341</b>	

# Storebrand Livsforsikring

## Statement of cash flow 1. January - 30. September

Storebrand Livsforsikring group			Storebrand Livsforsikring AS	
2017	2018	(NOK million)	2018	2017
<b>Cash flow from operational activities</b>				
22,990	18,228	Net received - direct insurance	12,749	16,247
-18,488	-14,535	Net claims/benefits paid - direct insurance	-8,333	-10,027
-2,995	-577	Net receipts/payments - policy transfers	-518	-2,625
4,501	-5,868	Net change insurance liabilities	709	-546
1,963	1,774	Receipts - interest, commission and fees from customers	474	551
-254	-96	Payments - interest, commission and fees to customers	-36	-138
-2,431	-1,768	Net receipts/payments operations	-1,049	-1,402
-897	-1,402	Net receipts/payments - other operational activities	-301	-1,226
<b>4,389</b>	<b>-4,244</b>	<b>Net cash flow from operational activities before financial assets</b>	<b>3,695</b>	<b>834</b>
-7,405	-3,560	Net receipts/payments - loans to customers	-3,627	-4,698
2,830	8,773	Net receipts/payments - financial assets	1,548	3,003
-623	563	Net receipts/payments - property activities		
-338	-150	Net change bank deposits insurance customers	93	-514
<b>-5,536</b>	<b>5,626</b>	<b>Net cash flow from operational activities from financial assets</b>	<b>-1,986</b>	<b>-2,208</b>
<b>-1,147</b>	<b>1,382</b>	<b>Net cash flow from operational activities</b>	<b>1,710</b>	<b>-1,374</b>
<b>Cash flow from investment activities</b>				
	621	Net payments - sale/purchase of subsidiaries	244	
245		Net payments - purchase/capitalisation associated companies		245
-62	-1	Net receipts/payments - sale/purchase of fixed assets		-2
<b>183</b>	<b>620</b>	<b>Net cash flow from investment activities</b>	<b>244</b>	<b>243</b>
<b>Cash flow from financing activities</b>				
976	845	Payment of subordinated loan capital	845	976
	-1,501	Repayment of subordinated loan capital	-1,501	
-367	-331	Payments - interest on subordinated loan capital	-331	-367
	-1,300	Payment of dividend	-1,300	
<b>609</b>	<b>-2,287</b>	<b>Net cash flow from financing activities</b>	<b>-2,287</b>	<b>609</b>
<b>-355</b>	<b>-285</b>	<b>Net cash flow for the period</b>	<b>-333</b>	<b>-522</b>
5,181	-5,911	of which net cash flow for the period before financial assets	1,653	1,686
-355	-285	Net movement in cash and cash equivalent assets	-333	-522
	35	Cash at start of the period purchased/sold companies	35	
2,915	2,540	Cash and cash equivalents at start of the period	1,265	1,787
-20	59	Currency translation differences		
<b>2,540</b>	<b>2,349</b>	<b>Cash and cash equivalent assets at the end of the period</b>	<b>967</b>	<b>1,265</b>

# Storebrand Livsforsikring AS

## Statement of comprehensive income

(NOK million)	Q3		01.01 - 30.09		Full Year
	2018	2017	2018	2017	2017
<b>TECHNICAL ACCOUNT</b>					
Gross premiums written	3,966	3,688	12,956	12,609	16,357
Reinsurance premiums ceded	-2	-3	-17	-31	-31
Premium reserves transferred from other companies	609	186	1,824	920	1,203
<b>Premiums for own account</b>	<b>4,573</b>	<b>3,872</b>	<b>14,763</b>	<b>13,498</b>	<b>17,529</b>
Income from investments in subsidiaries, associated companies and joint ventures companies	190	263	816	1,525	1,819
of which from investment in property companies	240	277	905	1,491	1,750
Interest income and dividends etc. from financial assets	1,378	575	4,190	2,062	5,035
Changes in investment value	131	1,342	-878	2,749	637
Realised gains and losses on investments	75	69	90	1,070	2,073
<b>Total net income from investments in the collective portfolio</b>	<b>1,773</b>	<b>2,249</b>	<b>4,218</b>	<b>7,406</b>	<b>9,565</b>
Income from investments in subsidiaries, associated companies and joint ventures companies	49	39	183	228	271
of which from investment in property companies	50	39	184	228	271
Interest income and dividends etc. from financial assets	-25	-41	-18	-38	1,581
Changes in investment value	2,069	1,473	2,161	3,375	3,827
Realised gains and losses on investments	397	628	797	2,063	2,520
<b>Total net income from investments in the investment selection portfolio</b>	<b>2,490</b>	<b>2,099</b>	<b>3,123</b>	<b>5,627</b>	<b>8,199</b>
<b>Other insurance related income</b>	<b>167</b>	<b>141</b>	<b>474</b>	<b>400</b>	<b>551</b>
Gross claims paid	-2,787	-2,501	-8,308	-7,670	-10,268
Claims paid - reinsurance	5	6	14	11	13
Premium reserves etc. transferred to other companies	-726	-425	-2,342	-3,404	-3,829
<b>Claims for own account</b>	<b>-3,508</b>	<b>-2,920</b>	<b>-10,636</b>	<b>-11,063</b>	<b>-14,084</b>
To (from) premium reserve, gross	274	13	-266	-767	-832
To/from additional statutory reserves	19	12	58	73	-1,371
Change in value adjustment fund	-121	54	866	579	-1,024
Change in premium fund, deposit fund and the pension surplus fund	-2	-2	-2	-17	-23
To/from technical reserves for non-life insurance business	-30	-18	-9	-17	9
Transfer of additional statutory reserves and value adjustment fund from other insurance companies/pension funds	-4	-4	-12	-12	-16
<b>Changes in insurance obligations recognised in the Profit and Loss Account - contractual obligations</b>	<b>135</b>	<b>55</b>	<b>635</b>	<b>-161</b>	<b>-3,257</b>
Change in pension capital	-4,839	-4,099	-9,563	-10,265	-15,232
<b>Changes in insurance obligations recognised in the Profit and Loss Account - investment portfolio separately</b>	<b>-4,839</b>	<b>-4,099</b>	<b>-9,563</b>	<b>-10,265</b>	<b>-15,232</b>
Profit on investment result					-441
Risk result allocated to insurance contracts					4
Other allocation of profit					-131
Unallocated profit	-44	-664	-722	-3,306	
<b>Funds allocated to insurance contracts</b>	<b>-44</b>	<b>-664</b>	<b>-722</b>	<b>-3,306</b>	<b>-568</b>

# Storebrand Livsforsikring AS

## Statement of comprehensive income continue

(NOK million)	Q3		01.01 - 30.09		Full Year
	2018	2017	2018	2017	2017
Management expenses	-53	-47	-156	-140	-189
Selling expenses	-69	-60	-190	-203	-283
Insurance-related administration expenses (incl. commissions for reinsurance received)	-226	-223	-703	-688	-937
<b>Insurance-related operating expenses</b>	<b>-348</b>	<b>-330</b>	<b>-1,049</b>	<b>-1,030</b>	<b>-1,409</b>
Other insurance related expenses after reinsurance share	-3	-16	-36	-147	-138
<b>Technical insurance profit</b>	<b>395</b>	<b>387</b>	<b>1,208</b>	<b>959</b>	<b>1,156</b>
<b>NON-TECHNICAL ACCOUNT</b>					
Income from investments in subsidiaries, associated companies and joint ventures companies	29	-80	569	305	464
Interest income and dividends etc. from financial assets	96	62	273	240	345
Changes in investment value	-15	-35	-5	22	17
Realised gains and losses on investments	6	159	429	20	-55
<b>Net income from investments in company portfolio</b>	<b>117</b>	<b>107</b>	<b>1,267</b>	<b>587</b>	<b>771</b>
<b>Other income</b>	<b>10</b>	<b>4</b>	<b>196</b>	<b>15</b>	<b>16</b>
Management expenses	-4	-4	-13	-13	-17
Other expenses	-104	-80	-315	-323	-466
<b>Total management expenses and other costs linked to the company portfolio</b>	<b>-108</b>	<b>-84</b>	<b>-328</b>	<b>-336</b>	<b>-483</b>
<b>Profit or loss on non-technical account</b>	<b>18</b>	<b>27</b>	<b>1,135</b>	<b>267</b>	<b>304</b>
<b>Profit before tax</b>	<b>413</b>	<b>413</b>	<b>2,343</b>	<b>1,226</b>	<b>1,460</b>
Tax expenses	-171	69	-355	13	210
<b>Profit before other comprehensive income</b>	<b>242</b>	<b>482</b>	<b>1,989</b>	<b>1,238</b>	<b>1,670</b>
Change in actuarial assumptions					-7
Tax on other profit elements not to be classified to profit/loss					-4
<b>Other comprehensive income not to be classified to profit/loss</b>					<b>-11</b>
Profit/loss cash flow hedging	-16	-21	-53	-2	23
<b>Other comprehensive income that may be classified to profit /loss</b>	<b>-16</b>	<b>-21</b>	<b>-53</b>	<b>-2</b>	<b>23</b>
<b>Other comprehensive income</b>	<b>-16</b>	<b>-21</b>	<b>-53</b>	<b>-2</b>	<b>12</b>
<b>Total comprehensive income</b>	<b>225</b>	<b>462</b>	<b>1,936</b>	<b>1,236</b>	<b>1,682</b>

# Storebrand Livsforsikring AS

## Statement of financial position

(NOK million)	30.09.2018	30.09.2017	31.12.2017
<b>ASSETS</b>			
<b>Assets in company portfolio</b>			
Other intangible assets	350	104	94
<b>Total intangible assets</b>	<b>350</b>	<b>104</b>	<b>94</b>
Equities and units in subsidiaries, associated companies and joint ventures companies	12,658	13,038	13,168
Loans at amortised cost	1	1	1
Bonds at amortised cost	3,244	3,150	3,023
Deposits at amoritsed cost	261	257	400
Equities and fund units at fair value	20	16	17
Bonds and other fixed-income securities at fair value	15,567	14,829	15,801
Derivatives at fair value	908	959	1,145
<b>Total investments</b>	<b>32,657</b>	<b>32,251</b>	<b>33,555</b>
Receivables in connection with direct business transactions	686	768	503
Receivables in connection with reinsurance transactions	11		4
Receivables with group company	54	74	59
Other receivables	280	382	782
<b>Total receivables</b>	<b>1,030</b>	<b>1,225</b>	<b>1,347</b>
Tangible fixed assets	5	8	7
Cash, bank	706	653	865
Tax assets	400	188	381
<b>Total other assets</b>	<b>1,111</b>	<b>849</b>	<b>1,253</b>
Other pre-paid costs and income earned and not received	44	19	18
<b>Total pre-paid costs and income earned and not received</b>	<b>44</b>	<b>19</b>	<b>18</b>
<b>Total assets in company portfolio</b>	<b>35,192</b>	<b>34,448</b>	<b>36,267</b>
<b>Assets in customer portfolios</b>			
Equities and units in subsidiaries, associated companies and joint ventures companies	19,708	21,496	19,532
of which investment in property companies	19,708	20,683	18,683
Bonds held to maturity	14,469	15,720	15,128
Bonds at amortised cost	88,544	84,348	84,071
Loans at amoritsed cost	24,710	18,850	21,425
Deposits at amoritsed cost	2,443	1,885	2,530
Equities and fund units at fair value	14,976	12,827	14,455
Bonds and other fixed-income securities at fair value	24,470	30,914	30,050
Financial derivatives at fair value	364	365	221
<b>Total investments in collective portfolio</b>	<b>189,684</b>	<b>186,406</b>	<b>187,412</b>
<b>Reinsurance share of insurance obligations</b>	<b>56</b>	<b>71</b>	<b>63</b>

# Storebrand Livsforsikring AS

## Statement of financial position continue

(NOK million)	30.09.2018	30.09.2017	31.12.2017
Equities and units in subsidiaries, associated companies and joint ventures companies	4,179	3,673	3,885
of which investment in property companies	4,179	3,673	3,885
Lendings at amoritised cost		886	
Deposits at amoritised cost	355	224	300
Equities and fund units at fair value	59,081	46,385	48,963
Bonds and other fixed-income securities at fair value	33,907	24,445	27,550
Loans at fair value	342		
Financial derivatives at fair value	398	85	33
<b>Total investments in investment selection portfolio</b>	<b>98,261</b>	<b>75,698</b>	<b>80,731</b>
<b>Total assets in customer portfolios</b>	<b>288,001</b>	<b>262,175</b>	<b>268,206</b>
<b>Total assets</b>	<b>323,194</b>	<b>296,623</b>	<b>304,473</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	3,540	3,540	3,540
Share premium	9,711	9,711	9,711
<b>Total paid in equity</b>	<b>13,251</b>	<b>13,251</b>	<b>13,251</b>
Risk equalisation fund	181	146	143
Other earned equity	13,319	12,272	11,422
<b>Total earned equity</b>	<b>13,501</b>	<b>12,418</b>	<b>11,564</b>
Perpetual subordinated loan capital	2,101	2,099	2,103
Dated subordinated loan capital	5,472	3,792	4,982
Hybrid tier 1 capital		1,504	1,506
<b>Total subordinated loan capital and hybrid tier 1 capital</b>	<b>7,573</b>	<b>7,395</b>	<b>8,591</b>
Premium reserves	172,131	169,626	169,843
Additional statutory reserves	8,267	6,721	8,254
Market value adjustment reserve	2,841	2,104	3,707
Premium fund, deposit fund and the pension surplus fund	2,147	2,274	2,564
Unallocated profit to insurance contracts	742	3,309	
Other technical reserve	633	665	631
<b>Total insurance obligations in life insurance - contractual obligations</b>	<b>186,761</b>	<b>184,699</b>	<b>184,999</b>
Pension capital	98,477	75,410	80,372
Unallocated profit to insurance contracts		-3	
<b>Total insurance obligations in life insurance - investment portfolio separately</b>	<b>98,477</b>	<b>75,406</b>	<b>80,372</b>
Pension liabilities etc.	42	59	42
<b>Total provisions for liabilities</b>	<b>42</b>	<b>59</b>	<b>42</b>
Liabilities in connection with direct insurance	1,025	1,006	1,079
Liabilities in connection with reinsurance	12	16	4
Financial derivatives	707	575	1,007
Liabilities to group companies	25	23	1,323
Other liabilities	1,684	1,620	2,108
<b>Total liabilities</b>	<b>3,452</b>	<b>3,241</b>	<b>5,521</b>
Other accrued expenses and received, unearned income	138	154	133
<b>Total accrued expenses and received, unearned income</b>	<b>138</b>	<b>154</b>	<b>133</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>323,194</b>	<b>296,623</b>	<b>304,473</b>

# Storebrand Livsforsikring AS

## Statement of change in equity

(NOK million)	Share capital <sup>1)</sup>	Share premium reserve	Total paid in equity	Risk equalisation fund	Other equity	Total equity
<b>Equity at 31.12.2016</b>	<b>3,540</b>	<b>9,711</b>	<b>13,251</b>	<b>140</b>	<b>11,042</b>	<b>24,433</b>
Profit for the period				6	1,232	1,238
Other comprehensive income					-2	-2
<b>Total comprehensive income for the period</b>				<b>6</b>	<b>1,230</b>	<b>1,236</b>
<b>Equity transactions with owner:</b>						
Other						
<b>Equity at 30.09.2017</b>	<b>3,540</b>	<b>9,711</b>	<b>13,251</b>	<b>146</b>	<b>12,272</b>	<b>25,669</b>
Profit for the period				2	1,668	1,670
Other comprehensive income					12	12
<b>Total comprehensive income for the period</b>				<b>2</b>	<b>1,680</b>	<b>1,682</b>
<b>Equity transactions with owner:</b>						
Dividend					-1,300	-1,300
<b>Equity at 31.12.2017</b>	<b>3,540</b>	<b>9,711</b>	<b>13,251</b>	<b>143</b>	<b>11,422</b>	<b>24,815</b>
Profit for the period				39	1,950	1,989
Other comprehensive income					-53	-53
<b>Total comprehensive income for the period</b>				<b>39</b>	<b>1,897</b>	<b>1,936</b>
<b>Equity transactions with owner:</b>						
Other					1	1
<b>Equity at 30.09.2018</b>	<b>3,540</b>	<b>9,711</b>	<b>13,251</b>	<b>181</b>	<b>13,319</b>	<b>26,752</b>

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



# Notes

## Storebrand Livsforsikring group

### Note 01 | Accounting policies

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

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

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

#### *Storebrand Livsforsikring AS - the company's financial statements*

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

During 2018 no changes were made to the classification in the accounts. Storebrand Livsforsikring AS has completed a merger with the fully owned subsidiary Storebrand Silver Pensjonsforsikring AS. See note 4 for further information.

IFRS 9 Financial Instruments will replace the current IAS39. IFRS 9 is applicable 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 2021. 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 2021.

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.

### Note 02 | Estimates

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

Actual results may differ from these estimates.

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

## Note 03 | Acquisition

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

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

### ACQUISITION ANALYSIS SILVER

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

## Note 04 | Merger

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

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

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

## Segments - profit by business area

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

### SAVINGS

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

### INSURANCE

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

### GUARANTEED PENSION

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

### OTHER

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

### RECONCILIATION WITH THE OFFICIAL PROFIT AND LOSS ACCOUNTING

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

### PROFIT BY SEGMENTS

(NOK million)	Q3		01.01 - 30.09		Full Year
	2018	2017	2018	2017	2017
Savings	135	135	384	402	536
Insurance	153	186	487	461	462
Guaranteed pension	292	244	925	735	766
Other	35	24	162	218	228
<b>Profit before amortisation</b>	<b>615</b>	<b>588</b>	<b>1,957</b>	<b>1,816</b>	<b>1,992</b>
Amortisation intangible assets	-84	-99	-219	-292	-391
<b>Profit before tax</b>	<b>531</b>	<b>490</b>	<b>1,737</b>	<b>1,524</b>	<b>1,601</b>

## SEGMENT INFORMATION Q3

(NOK million)	Savings		Insurance		Guaranteed pension	
	2018	2017	2018	2017	2018	2017
Fee and administration income	424	382			369	380
Insurance result			239	250		
- Insurance premiums for own account			681	720		
- Claims for own account			-442	-470		
Operational cost	-283	-244	-99	-113	-181	-212
<b>Operating profit</b>	<b>141</b>	<b>138</b>	<b>140</b>	<b>137</b>	<b>188</b>	<b>169</b>
Financial items and risk result life & pension	-6	-3	12	49	105	75
<b>Profit before amortisation</b>	<b>135</b>	<b>135</b>	<b>153</b>	<b>186</b>	<b>292</b>	<b>244</b>
Amortisation of intangible assets						
<b>Profit before tax</b>	<b>135</b>	<b>135</b>	<b>153</b>	<b>186</b>	<b>292</b>	<b>244</b>

(NOK million)	Other		Storebrand Livsforsikring group	
	2018	2017	2018	2017
Fee and administration income	27	17	821	780
Insurance result			239	250
- Insurance premiums for own account			681	720
- Claims for own account			-442	-470
Operational cost	-29	-10	-593	-579
<b>Operating profit</b>	<b>-2</b>	<b>7</b>	<b>467</b>	<b>451</b>
Financial items and risk result life & pension	37	17	148	137
<b>Profit before amortisation</b>	<b>35</b>	<b>24</b>	<b>615</b>	<b>588</b>
Amortisation of intangible assets			-84	-99
<b>Profit before tax</b>	<b>35</b>	<b>24</b>	<b>531</b>	<b>490</b>

## SEGMENT INFORMATION AS AT 30.09

(NOK million)	Savings		Insurance		Guaranteed pension	
	2018	2017	2018	2017	2018	2017
Fee and administration income	1,228	1,136			1,107	1,108
Insurance result			748	665		
- Insurance premiums for own account			2,049	2,097		
- Claims for own account			-1,301	-1,432		
Operational cost	-830	-741	-299	-349	-602	-649
<b>Operating profit</b>	<b>398</b>	<b>396</b>	<b>449</b>	<b>317</b>	<b>506</b>	<b>459</b>
Financial items and risk result life & pension	-14	6	38	145	419	276
<b>Profit before amortisation</b>	<b>384</b>	<b>402</b>	<b>487</b>	<b>461</b>	<b>925</b>	<b>735</b>
Amortisation of intangible assets						
<b>Profit before tax</b>	<b>384</b>	<b>402</b>	<b>487</b>	<b>461</b>	<b>925</b>	<b>735</b>

(NOK million)	Other		Storebrand Livsforsikring group	
	2018	2017	2018	2017
Fee and administration income	73	55	2,409	2,298
Insurance result			748	665
- Insurance premiums for own account			2,049	2,097
- Claims for own account			-1,301	-1,432
Operational cost	-70	-35	-1,801	-1,773
<b>Operating profit</b>	<b>3</b>	<b>20</b>	<b>1,356</b>	<b>1,191</b>
Financial items and risk result life & pension	158	198	601	625
<b>Profit before amortisation</b>	<b>162</b>	<b>218</b>	<b>1,957</b>	<b>1,816</b>
Amortisation of intangible assets			-219	-292
<b>Profit before tax</b>	<b>162</b>	<b>218</b>	<b>1,737</b>	<b>1,524</b>

## Note 06 | Financial market risk and insurance risk

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

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

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

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

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

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

The equity market started the year on a positive note, but 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.

The global equity market increased by 7 % during the first three quarters of the year. The Norwegian equity market rose 15 % on the back of rising oil-price. The market for corporate bonds has been affected by increased uncertainty, and there has been an increase in credit spreads since the beginning of the year.

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. For the first three quarters of the year the Norwegian 10-year interest rate swap increased by 0.4 pp. The Swedish 10-year interest swap rate increased by 0.1 pp. Due to the majority of the interest rate investments in the Norwegian customer portfolios being held at amortized cost, changes in interest rates have a limited effect on expected returns in the short term. However, with the present interest rates, new bond investments provide a lower return than the average interest rate guarantee. Higher interest rates are a positive factor for the solvency position.

The Norwegian krone has strengthened during the first three quarters of the year against the Swedish krona and the Euro, but is little changed against the US dollar. The increase is 4 % against the Euro and 8 % against the Swedish krona. A high degree of currency hedging in the portfolio means that the exchange rate fluctuations have a modest effect on results and risk.

There are minor changes in investment allocations during the first three quarters of the year.

Guaranteed portfolios in Norway on average provided returns that were almost in line with the interest rate guarantee in the first three quarters of the year. The return therefore has little impact on the results. Excess values of portfolios at amortized cost fell in the first three quarters of the year due to the increase in interest rates. Guaranteed portfolios in Sweden gave returns that were slightly better than the change in value of insurance liabilities, which created a positive result.

On average, unit linked insurance customers in Norway had positive returns during the first three quarters of the year. In Sweden, the return was even better, helped by a positive currency effect on international equity funds from the weak Swedish krona.

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 first three quarters of the year.

Note 07 | Liquidity risk

**SPECIFICATION OF SUBORDINATED LOAN CAPITAL**

(NOK million)	Nominal value	Currency	Interest rate	Call date	Book value
<b>Issuer</b>					
<b>Perpetual subordinated loan capital</b>					
Storebrand Livsforsikring AS	1,000	NOK	Variable	2020	1,001
Storebrand Livsforsikring AS	1,100	NOK	Variable	2024	1,100
<b>Dated subordinated loan capital</b>					
Storebrand Livsforsikring AS	1,000	SEK	Fixed	2022	916
Storebrand Livsforsikring AS	300	EUR	Variable	2023	3,042
Storebrand Livsforsikring AS	750	SEK	Variable	2021	691
Storebrand Livsforsikring AS	900	SEK	Variable	2025	823
<b>Total subordinated loan capital and hybrid tier 1 capital</b>					
<b>30.09.2018</b>					<b>7,573</b>
<b>Total subordinated loan capital and hybrid tier 1 capital</b>					
<b>31.12.2017</b>					<b>8,591</b>

Note 08 | Valuation of financial instruments and properties

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

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

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

(NOK million)	Fair value 30.09.2018	Fair value 31.12.17	Book value 30.09.2018	Book value 31.12.17
<b>Financial assets</b>				
Loans to customers - corporate	6,580	6,202	6,613	6,210
Loans to customers - retail	18,098	15,217	18,098	15,217
Bonds held to maturity	15,773	16,933	14,469	15,128
Bonds classified as loans and receivables	95,579	93,837	91,788	87,094
<b>Financial liabilities</b>				
Subordinated loan capital	7,625	8,711	7,573	8,591



## VALUATION OF FINANCIAL INSTRUMENTS AND PROPERTIES AT FAIR VALUE

### STOREBRAND LIVSFORSIKRING GROUP

(NOK million)	Level 1	Level 2	Level 3	Total	Total
	Quoted prices	Observable assumptions	Non-observable assumptions	30.09.2018	31.12.2017
<b>Assets</b>					
<b>Equities and fund units</b>					
- Equities	25,372	308	617	26,297	23,316
- Fund units	86	133,768	7,752	141,606	132,780
<b>Total equities and fund units</b>	<b>25,458</b>	<b>134,075</b>	<b>8,369</b>	<b>167,903</b>	
<b>Total equities and fund units 31.12.17</b>	<b>22,271</b>	<b>125,396</b>	<b>8,429</b>		<b>156,096</b>
<b>Total loans to customers</b>					
- Loans to customers - corporate			5,078	5,078	5,104
<b>Bonds and other fixed income securities</b>					
- Government bonds	15,531	18,290		33,821	47,460
- Corporate bonds	1	48,350	70	48,421	47,823
- Structured notes		75		75	81
- Collateralised securities		21,570		21,570	25,632
- Bond funds		43,199	1,594	44,793	39,023
<b>Total bonds and other fixed income securities</b>	<b>15,532</b>	<b>131,483</b>	<b>1,664</b>	<b>148,680</b>	
<b>Total bonds and other fixed income securities 31.12.17</b>	<b>23,792</b>	<b>136,119</b>	<b>108</b>		<b>160,019</b>
<b>Derivatives:</b>					
- Equity derivatives					
- Interest derivatives		1,520		1,520	2,742
- Currency derivatives		645		645	-751
- Credit derivatives					
<b>Total derivatives</b>		<b>2,164</b>		<b>2,164</b>	
- derivatives with a positive market value		3,583		3,583	3,868
- derivatives with a negative market value		-1,419		-1,419	-1,876
<b>Total derivatives 31.12.17</b>		<b>1,991</b>			<b>1,991</b>
<b>Properties:</b>					
- investment properties			27,201	27,201	27,453
- Owner-occupied properties			1,331	1,331	1,408
<b>Total properties</b>			<b>28,532</b>	<b>28,532</b>	
<b>Total properties 31.12.17</b>			<b>28,861</b>		<b>28,861</b>

There are no significant movement between level 1 and level 2 in this quarter and year to date 2018.

### MOVEMENT LEVEL 3

(NOK million)	Equities	Fund units	Loans to customers	Corporate bonds	Bond fund	Investment properties	Owner-occupied properties
Book value 01.01	750	7,679	5,104	108		27,453	1,408
Net profit/loss	-9	-899	123		8	1	-496
Supply/disposal	11	2,199	829			1,594	916
Sales/overdue/settlement	-114	-1,028	-553		-41		
Currency translation differences	-22	-198	-426		-6		-887
Other							214
<b>Book value 30.09.18</b>	<b>617</b>	<b>7,752</b>	<b>5,078</b>	<b>108</b>	<b>-38</b>	<b>29,048</b>	<b>1,155</b>

As of 30.09.18, Storebrand Life Insurance had NOK 4 590 million invested in Storebrand Eiendomsfond Norge KS and Ruseløkkveien 26, Oslo. The investments are classified as "Investment in Associated Companies and joint ventures " in the Consolidated Financial Statements.

### SENSITIVITY ASSESSMENTS

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

### STOREBRAND LIVSFORSIKRING AS

(NOK million)	Level 1 Quoted prices	Level 2 Observable assumptions	Level 3 Non-observable assumptions	Total 30.09.2018	Total 31.12.2017
<b>Assets</b>					
<b>Equities and fund units</b>					
- Equities	21,870	120	475	22,465	19,179
- Fund units		46,271	5,340	51,612	44,256
<b>Total equities and fund units</b>	<b>21,870</b>	<b>46,391</b>	<b>5,816</b>	<b>74,077</b>	
<b>Total equities and fund units 31.12.17</b>	<b>18,512</b>	<b>39,135</b>	<b>5,788</b>		<b>63,436</b>
<b>Bonds and other fixed income securities</b>					
- Government bonds	7,166	9		7,175	12,578
- Corporate bonds		26,041	32	26,073	25,138
- Collateralised securities		6,648		6,648	7,792
- Bond funds		33,980	67	34,047	27,893
<b>Total bonds and other fixed income securities</b>	<b>7,166</b>	<b>66,679</b>	<b>100</b>	<b>73,944</b>	
<b>Total bonds and other fixed income securities 31.12.17</b>	<b>12,569</b>	<b>60,790</b>	<b>42</b>		<b>73,401</b>
<b>Derivatives:</b>					
- Equity derivatives					
- Interest derivatives		302		302	1,122
- Currency derivatives		661		661	-730
<b>Total derivatives</b>		<b>964</b>		<b>964</b>	
- derivatives with a positive market value		1,670		1,670	
- derivatives with a negative market value		-707		-707	
<b>Total derivatives 31.12.17</b>		<b>392</b>			<b>392</b>

### MOVEMENT LEVEL 3

(NOK million)	Equities	Fund units	Loans to customers	Corporate bonds	Bond funds
Book value 01.01	488	5,300		42	
Net profit/loss	-9	252	-4	5	-1
Supply/disposal	11	583	346		68
Sales/overdue/settlement	-16	-795		-14	
<b>Book value 30.09.18</b>	<b>475</b>	<b>5,340</b>	<b>342</b>	<b>32</b>	<b>67</b>

### Note 09

#### Tax

The National Budget 2019, which was published on 8 October 2018, calls for changes in the taxation of insurance and pension undertakings with effect from 1 January 2018. The aim of the proposals is to establish a distinction between customer and corporate funds in terms of taxation. It is pointed out that all of the circumstances related to the proposed amendments have not been clarified, and the proposal will not be formally adopted by the Storting until December 2018 when the National Budget for 2019 is debated.

Hence, the proposed amendments to the Norwegian Tax Code have not been incorporated into the accounts as at the 3rd quarter of 2018, since this is considered an event after the balance sheet date that is not to be taken into account. The income tax expense as at the 3rd quarter has been estimated based on existing rules.

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

In addition, the Storebrand Livsforsikring Group includes Norwegian entities that are both subject to and not subject to the financial tax. Therefore, the company tax rate that applies for the individual Norwegian Group companies, i.e. 23% or 25%, is used in the consolidated financial statements.

### Note 10

#### Contingent liabilities

(NOK million)	Storebrand Livsforsikring group		Storebrand Livsforsikring AS	
	30.09.18	31.12.17	30.09.18	31.12.17
Uncalled residual liabilities re limited partnership	6,272	5,451	5,346	4,647
Debt note to Silver Pensjonsforsikring in conjunction with acquisitions		520		520
<b>Total contingent liabilities</b>	<b>6,272</b>	<b>5,971</b>	<b>5,346</b>	<b>5,167</b>

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

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

## Note 11 | Solvency II

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

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

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

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

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

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

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

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

<sup>2)</sup> Profit earned that is included as equity in the financial statements must be replaced by the reconciliation reserve in the solvency balance. The reconciliation reserve also includes profit earned, but based on the valuation of assets and liabilities in the solvency balance. The reconciliation reserve will also include the present value of future profits. The value of future profits is implicitly included as a consequence of the valuation of the insurance liability.

## SOLVENCY CAPITAL

(NOK million)	30.09.18					31.12.17
	Total	Group 1 unlimited	Group 1 limited	Group 2	Group 3	Total
Share capital	3,540	3,540				3,540
Share premium	9,711	9,711				9,711
Reconciliation reserve	19,796	19,796				22,088
Including the effect of the transitional arrangement						4,513
Subordinated loans	7,533		1,118	6,415		8,547
Deferred tax asset						
Risk equalisation reserve	181			181		143
Expected dividend	-1,757	-1,757				
<b>Total solvency capital</b>	<b>39,004</b>	<b>31,290</b>	<b>1,118</b>	<b>6,596</b>		<b>42,728</b>
<b>Total solvency capital available to cover the minimum capital requirement</b>	<b>33,650</b>	<b>31,290</b>	<b>1,118</b>	<b>1,242</b>		<b>37,928</b>

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

## SOLVENCY CAPITAL REQUIREMENT AND - MARGIN

(NOK million)	30.09.18	31.12.17
Market	18,954	20,336
Counterparty	305	449
Life	6,921	6,434
Health	519	540
Operational	996	990
Diversification	-4,703	-4,646
Loss-absorbing tax effect	-4,822	-5,015
<b>Total solvency requirement</b>	<b>18,170</b>	<b>19,088</b>
<b>Solvency margin</b>	<b>214.7 %</b>	<b>223.8 %</b>
<b>Minimum capital requirement</b>	<b>6,210</b>	<b>6,240</b>
<b>Minimum margin</b>	<b>541.8 %</b>	<b>607.8 %</b>

## Note 12 | Information about related parties

12

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

Storebrand Livsforsikring has not carried out any material transactions other than normal business transactions with related parties during the first three quarters of 2018, other than Storebrand Livsforsikring AS having acquired mortgages from the sister company Storebrand Bank ASA. The mortgages were transferred on commercial terms. The portfolio of loans that have been transferred in 2018 totaled NOK 6.6 billion. The total portfolio of loans bought as of 30 September 2018 is NOK 27.3 billion. Storebrand Livsforsikring AS pays management fees to Storebrand Bank ASA for management of the portfolios, the expense for 2018 is NOK 48.1million.

## Note 13 | Dividends from subsidiaries and gains on sale of associated company

13

During the 2nd quarter Storebrand Livsforsikring AS received dividends from Storebrand Holding AB of SEK 965 million. The last quarter Storebrand Livsforsikring AS has received SEK 18 million from BenCo. The equity values of BenCo Holding is correspondingly written down in the financial statements of Storebrand Livsforsikring AS. These items are presented on a net basis on the line for income from investments in subsidiaries.



# Financial calendar 2019



<b>13th February</b>	Results Q4 2018
<b>8th May</b>	Results Q1 2019
<b>17th July</b>	Results Q2 2019
<b>23rd October</b>	Results Q3 2019
<b>February 2020</b>	Results Q4 2019

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