storebrand

Interim report first half 2018

Storebrand Group

Contents

Important notice:

This document may contain forward-looking statements. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances that may be beyond the Storebrand Group's control. As a result, the Storebrand Group's actual future financial condition, performance and results may differ materially from the plans, goals and expectations set forth in these forward-looking statements. Important factors that may cause such a difference for the Storebrand Group include, but are not limited to: (i) the macroeconomic development, (ii) change in the competitive climate, (iii) change in the regulatory environment and other government actions and (iv) market related risks such as changes in equity markets, interest rates and exchange rates, and the performance of financial markets generally. The Storebrand Group assumes no responsibility to update any of the forward-looking statements contained in this document or any other forward-looking statements it may make. This document contains alternative performance measures (APM) as defined by The European Securities and Market Authority (ESMA). An overview of APM can be found at www.storebrand.com/ir.

Storebrand Group

- **Group result[1] of NOK 812m for the 2nd quarter and NOK 1 743m 1H**
- **Results positively affected by strong insurance and risk results**
- **Solvency II ratio 167%**

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 - 30.06		Full year
(NOK million)	2Q	1Q	4Q	3Q	2Q	2018	2017	2017
Fee and administration income	1,245	1,220	1,531	1,116	1,091	2,465	2,124	4,771
Insurance result	358	335	261	320	290	693	565	1 146
Operational cost	-958	-919	-989	-840	-816	-1,878	-1,661	-3,490
Operating profit	**645**	**635**	**803**	**596**	**565**	**1,280**	**1,028**	**2,427**
Financial items and risk result life	167	296	-185	177	313	463	521	513
Profit before amortisation	**812**	**931**	**618**	**773**	**878**	**1,743**	**1,549**	**2,940**
Amortisation and write-downs of intangible assets	-98	-64	-237	-101	-100	-163	-198	-536
Profit before tax	**714**	**866**	**381**	**672**	**778**	**1,580**	**1,351**	**2,404**
Tax	-126	-139	113	27	-29	-265	-138	2
Profit after tax	**587**	**728**	**494**	**698**	**749**	**1,315**	**1,213**	**2,405**

The Group result before amortisation was NOK[3] 812m (NOK 878m) in the 2nd quarter and NOK 1 743m (NOK 1 549m) year to date. The figures in brackets are from the corresponding period last year.

Total fee and administration income amounted to NOK 1 245m (NOK 1 091m) for the 2nd quarter. This represents an increase of 5% compared to the same period last year, when adjusted for currency changes and Skagen. Income within the segment Guaranteed Pension was stable, while the Savings segment increased revenues by 22% compared to the same period last year. The Insurance result had a total combined ratio of 78% (88%) in the quarter. This is stronger than the targeted range of 90-92%.

The Group's operating costs have increased by 3% compared to last year, excluding costs from Skagen. The underlying cost control is strong and the Group is on track to reach the goal of reduced nominal costs in 2018 compared to 2015, adjusted for the costs from Skagen.

Overall, the operating profit for the 2nd quarter increased by 16% compared to the same period last year, adjusted for Skagen and currency. The 'financial items and risk result' is reduced compared to the same period last year. The reduction is mainly due to effects from the sale of Formuesforvaltning AS and stronger than normal returns last year.

Amortisation of intangible assets amounted to NOK -98m and is positively affected by currency effects. Normal amortisation of intangible assets is expected to remain at around NOK 105m pr. quarter in 2018. Tax is described under 'capital situation and tax' below.

1) Earnings before amortisation and tax. www.storebrand.no/ir provides an overview of APMs used in financial reporting.
2) The income statement is based on reported IFRS results for the individual group companies. The statement differs from the official accounts layout.
3) The abbreviations NOK for Norwegian kroner, m for million, bn for billion and % for per cent are used throughtout the report.

GROUP RESULT BY RESULT AREA

	2018	2017			01.01 - 30.06		Full year
(NOK million)	2Q	1Q	4Q	3Q	2Q	2018	2017	2017
Savings - non-guaranteed	307	296	639	314	319	603	558	1 511
Insurance	230	207	32	221	184	437	355	608
Guaranteed pension	234	398	31	244	290	632	491	766
Other profit	41	29	-84	-5	85	70	144	55
Profit before amortisation	**812**	**931**	**618**	**773**	**878**	**1,743**	**1,549**	**2,940**

The Savings segment reported a profit of NOK 307m for the 2nd quarter (NOK 319m). Growth within Unit linked savings and Storebrand Bank's lending volume contribute positively to the result. Investments for growth in the retail savings market increase costs in the the Norwegian Unit linked business.

The Insurance segment reported a profit of NOK 230m (NOK 184m) in the quarter. The claims ratio decreased from 70% to 62% compared to the same period last year resulting in a combined ratio of 78% (88%) for the quarter. The cost ratio is also reduced due to fewer employees allocated to the area. The result is positively affected by reserve releases. The normal combined ratio is targeted to be in the area 90-92%.

The Guaranteed Pension segment achieved a profit before amortisation of NOK 234m (NOK 290m) for the 2nd 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 reported a profit of NOK 41m (NOK 85m) for the 2nd quarter.

CAPITAL SITUATION AND TAX

The Solvency II regulations were introduced on 1 January 2016. The Group's target solvency margin in accordance with the new regulations is a minimum of 150%, including use of the transitional rules. The solvency margin for the Storebrand Group was calculated at 167% at the end of the first half 2018, including transitional rules. Without transitional rules, the solvency margin was 163%. 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 buffer capital as well as a strong operating result. The increase in volatility adjustment largely compensated for the negative effect on the solvency margin from decreased interest rates. The value of the transitional measures is almost unchanged in the quarter.

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 tax rate was 18% in Q2 and is estimated to be in the range of 19-23% for the year.

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 22bn (31%) relative to the 1H of 2017. In Norway, Storebrand is the market leader in Unit Linked occupational pension with 32% of the market share of gross premiums written (at the end of the 1st quarter 2018). SPP has a market share of 12% in the Swedish market for other occupational pensions ("Övrig Tjänstepension", at the end of 1st quarter).

After the acquisition of Skagen the Storebrand Group has a 14.7% market share[3] within retail mutual funds. Sales of savings products and loans to private individuals are good.

The introduction of Individual Pension Savings (IPS) opened in November with satisfactory sales, and Storebrand appears to be the market leader. The lending volume at Storebrand Bank increased by 12% compared to the same period previous year.

Financial targets	Target	Actual (Q2)
Return on equity (after tax)[1]	> 10%	9,6 %
Dividend (after tax)	> 50%	N/A
Solvency II margin Storebrand Group	> 150%	167 %

GROUP - KEY FIGURES

	2018	2017				01.01 - 30.06		Full year
(NOK million)	2Q	1Q	4Q	3Q	2Q	2018	2017	2017
Earnings per share[1)]	1.46	1.69	1.56	1.77	1.89	3.15	3.13	6.47
Equity	30,227	31,140	30,832	29,088	28,559	30,227	28,559	30,832
ROE, annualised[1)]	9.6 %	11.3 %	11.3 %	12.4 %	13.4 %	10.3 %	10.9 %	11.0 %
Solvency II	167 %	165 %	172 %	160 %	163 %	167 %	163 %	172 %

[1)] After tax, adjusted for amortisation of intangible assets.

[3)] Pr. 31.05.2018

Savings

- **Increased earnings due to higher volumes**
- **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, asset management and retail banking products.

SAVINGS - NON GUARENTEED

	2018	2017				01.01 - 30.06		Full year
NOK million	2Q	1Q	4Q	3Q	2Q	2018	2017	2017
Fee and administration income	909	889	1,189	761	744	1,798	1,444	3,394
Operational cost	-599	-583	-554	-443	-435	-1,182	-894	-1,891
Operating profit	**310**	**306**	**635**	**318**	**309**	**615**	**551**	**1,503**
Financial items and risk result life	-2	-9	4	-4	10	-12	8	8
Profit before amortisation	**307**	**296**	**639**	**314**	**319**	**603**	**558**	**1,511**

FINANCIAL PERFORMANCE

The Savings segment reported a profit before amortisation and tax of NOK 307m (NOK 319) for the 2nd quarter and NOK 603m (NOK 558m) year to date, including Skagen with NOK -8m for the 2nd quarter and NOK -16m year to date. Compared to the same period last year the result increased by 8% year to date. The Skagen acquisition closed 7 December 2017, and therefore Skagen is not included in the numbers for the 1st and 2nd quarter 2017.

Fee and administration income increased by 8% during the quarter and 10% year to date (excluding Skagen with NOK 103m the 2nd quarter and NOK 210m year to date). Income growth is driven by good returns, customer conversion from defined-benefit to defined-contribution pension schemes, new business and higher savings rates. For the Norwegian Unit Linked products, increased competition contributes to pressure on margins, while there are relatively stable margins in the Swedish business and Asset Management. Increased interest rate margins and lending volume have resulted in growth in net interest income compared to previous year. For the quarter, net interest income was 1.20% of average total assets compared with 1.19% for the same period last year. Corresponding figures year to date are 1.24% and 1.14%.

Operating expenses includes Skagen with NOK 114m for the quarter and NOK 224m year to date. Exclusive of Skagen the operating expenses increase compared to previous year due to underlying growth in the business.

BALANCE SHEET AND MARKET TRENDS

The premiums for non-guaranteed occupational pensions were NOK 3.9bn in the 2nd quarter, an increase of 7% compared to previous year. Total reserves within the Unit Linked business have increased by 4% in the 2 nd quarter and 18% over the last year, and amounted to NOK 178bn at the end of the quarter. Assets under management in the Unit Linked business in Norway increased by NOK 4.3bn (5%) in the quarter and NOK 22.3bn (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 32% of the market share of gross premiums written (at the end of the 1st 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 2.4bn (3%) in the 2nd quarter and SEK 5.4bn (7%) from the previous year.

Due to general strengthening of NOK the assets under management in Storebrand Asset Management have devopeled flat in the 2nd quarter. Adjusted for the currency effect, assets under management increased by NOK 8bn (1.2%). Compared to the same period last year the growth is NOK 86.5bn (14%), and adjusted for the currency effect the growth is 18%. This growth is driven by good sales and returns. Skagen is included in the numbers with NOK 68bn.

The bank lending portfolio in the retail market is developing positively and grew by NOK 1.3bn (3%) in the 2nd quarter and NOK 4.8bn (12%) from the same period previous year. The portfolio consists of low-risk home mortgages. NOK 17.4bn of the mortgages are managed on Storebrand Life Insurance's balance sheet.

SAVINGS - KEY FIGURES

	2018	2017			
(NOK million)	2Q	1Q	4Q	3Q	2Q
Unit linked Reserves	178,498	171,749	167,849	157,984	151,425
Unit linked Premiums	3,892	3,947	3,981	3,670	3,649
AuM Asset Management	707,118	707,102	721,165	625,840	620,584
Retail Lending	44,310	43,047	42,133	40,996	39,464

Insurance

- **Satisfactory underlying risk development**
- **Run-off gains for P&C and Group Life improve result**
- **Lower disability claims improve result**
- **Fewer FTEs improves cost ratio**

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 - 30.06		Full year
NOK million	2Q	1Q	4Q	3Q	2Q	2018	2017	2017
Insurance premiums f.o.a.	946	1,010	968	993	971	1,956	1,911	3,872
Claims f.o.a.	-588	-675	-707	-674	-681	-1,263	-1,346	-2,726
Operational cost	-147	-156	-193	-175	-171	-303	-344	-711
Operating profit	**211**	**179**	**68**	**145**	**119**	**390**	**222**	**435**
Financial result	19	28	-36	76	65	47	133	173
Contribution from SB Helseforsikring AS	*7*	*3*	*5*	*19*	*12*	*10*	*16*	39
Profit before amortisation	**230**	**207**	**32**	**221**	**184**	**437**	**355**	**608**
Claims ratio	62 %	67 %	73 %	68 %	70 %	65 %	70 %	70 %
Cost ratio	16 %	15 %	20 %	18 %	18 %	15 %	18 %	18 %
Combined ratio	78 %	82 %	93 %	85 %	88 %	80 %	88 %	89 %

FINANCIAL PERFORMANCE

In the second quarter, Insurance delivered a result before amortization of NOK 230m (NOK 184m) for the 2nd quarter and NOK 437m (NOK 355m) year to date. The combined ratio for the quarter was 78% (88%) in the quarter. The result is positively affected by run off gains. The normal combined ratio is targeted to be in the range 90-92%.

The 2nd quarter claims ratio was 62% (70%) and the underlying risk development is satisfactory. P&C insurance has a satisfactory claims development despite two larger claims on property. Individual insurance coverage has a claims ratio lower than last year and continues to be profitable. Group Life delivers a good underlying risk result. The claims ratio decreased further due to run-off gains. Health Insurance experiences rising claim rates in the Norwegian business and stable claim rates in the Swedish business. 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 was 16% (18%) in the 2nd quarter. Fewer FTEs allocated to Insurance explain the decrease from last year.

Insurance's investment portfolio in Norway amounted to NOK 8.4bn[2] as of the 2nd quarter. It 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. It is necessary to 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 - 30.06		Full year
NOK million	2Q	1Q	4Q	3Q	2Q	2018	2017	2017
P&C & Individual life	1,714	1,707	1,731	1,750	1,732	1,714	1,732	1,731
Health & Group life [1]	1,548	1,555	1,568	1,541	1,532	1,548	1,532	1,568
Pension related disability insurance Nordic	1,155	1,163	1,164	1,183	1,176	1,155	1,176	1,164
Total written premiums	**4,417**	**4,424**	**4,462**	**4,474**	**4,440**	**4,417**	**4,440**	**4,462**
Investment portfolio [2]	8,447	8,525	8,290	8,336	8,158	8,447	8,158	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

- **Stable margins**
- **Special items in risk and financial result due to changed estimates**

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 - 30.06		Full year
NOK million	2Q	1Q	4Q	3Q	2Q	2018	2017	2017
Fee and administration income	370	368	376	380	369	738	727	1 483
Operational cost	-218	-203	-240	-212	-216	-420	-437	-889
Operating profit	**153**	**165**	**136**	**169**	**153**	**318**	**290**	**595**
Risk result life & pensions	-140	183	18	9	6	42	40	67
Net profit sharing and loan losses	221	51	-123	66	131	272	161	104
Profit before amortisation	**234**	**398**	**31**	**244**	**290**	**632**	**491**	**766**

RESULT

Guaranteed Pension achieved a profit before amortisation of NOK 234m (NOK 290m) for the 2nd quarter and NOK 632m year to date (NOK 491m).

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 370m (NOK 369m) for the 2nd quarter and NOK 738m year to date (NOK 727m).

The operating costs were stable due to the area being in long-term decline and amounted to NOK 218m (NOK 216m) for the 2nd quarter and NOK 420m year to date (NOK 437m).

The risk result was minus NOK 140m (NOK 6m) for the 2nd quarter and NOK 42m year to date (NOK 40m). For the 2nd quarter the risk result in the Norwegian business was satisfactory at NOK 64m while the risk result in the Swedish business was minus NOK 204m. A revaluation of run off assumptions related to a closed risk product in SPP results in a NOK 216m reserve strengthening. The underlying risk result in SPP is stable.

The result from profit sharing and loan losses consists of profit sharing and financial effects. The result was NOK 221m (NOK 131m) for the 2nd quarter and NOK 272m for the year to date (NOK 161m). The result was generated in the Swedish business. For the 2nd quarter positive development in the property and credit portfolios had a positive effect. However, the main effect in the quarter was a reserve release of NOK 200m for deferred capital contributions in SPP, enabled by improved risk management driven by the conversion to a new core IT system.

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 2nd quarter, customer reserves for guaranteed pensions amounted to NOK 258bn, which is a decrease of approximately NOK 6.5bn year to date. The total premium income for guaranteed pensions (excluding transfers) was NOK 1.2bn (NOK 1.3bn) for the 2nd quarter and NOK 3.2bn year to date (NOK 3.2bn).

In the Norwegian business, paid-up policies were the only guaranteed pension portfolios experiencing growth, which amounted to NOK 133bn as of the 2nd quarter. This is an increase of NOK 1bn in 2Q and NOK 4.5bn 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. 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 2nd quarter, a decline of NOK 2bn year to date.

Guaranteed portfolios in the Swedish business totalled NOK 77bn as of the 2nd quarter, a reduction of NOK 8.4bn 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 bn when adjusted for currency effects.

GUARANTEED PENSION - KEY FIGURES

	2018		2017			01.01 - 30.06		Full year
NOK million	2Q	1Q	4Q	3Q	2Q	2018	2017	2017
Guaranteed reserves	257,783	259,426	264,320	261,652	260,459	257,783	260,459	264,320
Guaranteed reserves in % of total reserves	59.1 %	60.2 %	61.2 %	62.4 %	63.2 %	59.1 %	63.2 %	61.2 %
Net transfers	-13	-118	-117	-103	-199	-131	-739	-959
Buffer capital in % of customer reserves Norway	6.5 %	6.2 %	7.2 %	5.2 %	5.3 %	6.5 %	5.3 %	7.2 %
Buffer capital in % of customer reserves Sweden	8.8 %	9.0 %	9.0 %	9.3 %	8.4 %	8.8 %	8.4 %	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

	2017		2016			01.01 - 30.06		Full year
NOK million	2Q	1Q	4Q	3Q	2Q	2018	2017	2017
Fee and administration income	25	21	20	19	23	47	44	83
Operational cost	-54	-36	-56	-53	-39	-91	-79	-188
Operating profit	**-29**	**-15**	**-36**	**-35**	**-16**	**-44**	**-34**	-105
Financial items and risk result life	70	80	-48	30	102	150	179	161
Profit before amortisation	**41**	**29**	**-84**	**-5**	**85**	**106**	**144**	**55**

ELIMINATIONS

	2017		2016			01.01 - 30.06		Full year
NOK million	2Q	1Q	4Q	3Q	2Q	2018	2017	2017
Fee and administration income	-60	-58	-54	-44	-46	-118	-92	-190
Operational cost	60	58	54	44	46	118	92	190
Financial result	0	-35	0	0	0	-35	0	0
Profit before amortisation	**0**	**-35**	**0**	**0**	**0**	-35	0	0

The Other segment reported a profit of NOK 41 (NOK 85m) for the 2nd quarter. Fee and administration income was stable in comparison with the same quarter last year due to increased income in BenCo. A planned reduction of corporate loans at Storebrand Bank reduces 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 2nd 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 0.51% for the quarter. The Swedish company portfolio provided a return of minus 0.06% in the quarter.

Balance sheet, solidity and capital situation

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

STOREBRAND GROUP

The Solvency II framework is the most material capital regulation for the Storebrand Group.The Solvency II margin in the Storebrand Group was 167% (incl. transitional rules) at the end of the 2nd quarter, an increase of 2 percentage points during the quarter. The underlying solvency margin increased by 3 percentage points due to good investment returns and increased buffer capital as well as a strong operating result. The increase in volatility adjustment compensated to a large part the negative effect on the solvency margin from decreased interest rates.

STOREBRAND ASA

Storebrand ASA (holding company) held liquid assets of NOK 2.4 bn at the end of the quarter. Liquid assets consist primarily of short-term fixed income securities with a good credit rating and bank deposits. Storebrand ASA's total interest-bearing liabilities were NOK 2.3bn at the end of the quarter. This corresponds to a net debt-equity ratio of -0,6%. The next maturity date for bond debt is in October 2018. In addition to the liquidity portfolio, the company has an unused credit facility of EUR 240m that runs until December 2019.

Storebrand ASA owned 0.09% (431 140) of the company's own shares at the end of the quarter.

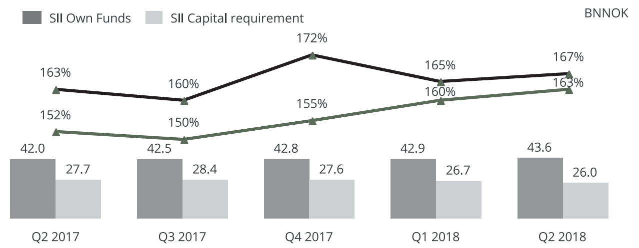
STOREBRAND LIFE INSURANCE GROUP[4)]

The Solidity capital[1)] measures the amount of IFRS capital available to cover customer liabilities. The solidity capital amounted to NOK 57.9bn at the end of 2nd quarter 2018, an decrease of NOK 1.0bn in 2nd quarter and NOK 6.1bn year to date. The change in the quarter is due to decreased customer buffers in the Swedish business, increased customer buffer in the Norwegian business and dividend paid to Storebrand ASA. A subordinated loan of NOK 1.5bn was called in the 2nd quarter.

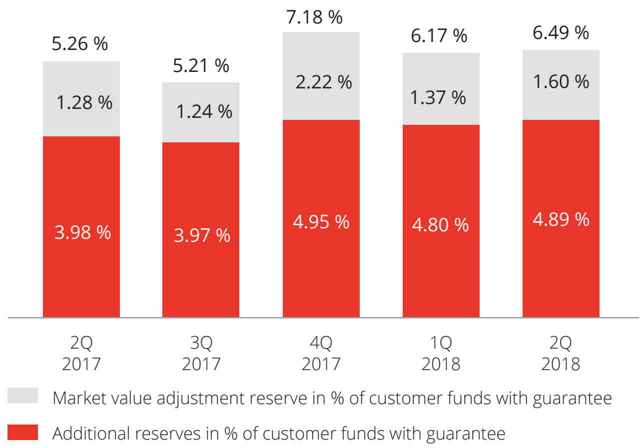
STOREBRAND LIVSFORSIKRING AS

The market value adjustment reserve increased during the 2nd quarter by 0.4bn and decreased with NOK 1.0bn year to date and amounted to NOK 2.3bn at the end of the 2nd quarter of 2018. The additional statutory reserves is almost unchanged in the 2nd quarter and year to date and amounted to NOK 8.3bn at the end of the 2nd quarter of 2018. The excess value of bonds and loans valued at amortised cost is almost unchanged in 2nd quarter and has been reduced by NOK 2.2bn year to date and amounted to NOK 6.3bn at the end of the 2nd quarter 2018. The excess value of bonds and loans at amortised cost is not included in the financial statements

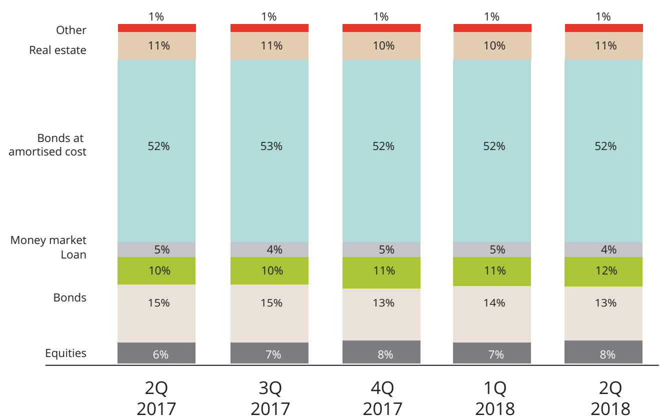
SOLVENCY II DEVELOPMENT OWN FUNDS, CAPITAL REQUIREMENT AND RATIOS



CUSTOMER BUFFERS



ALLOCATION OF GUARANTEED CUSTOMER ASSETS

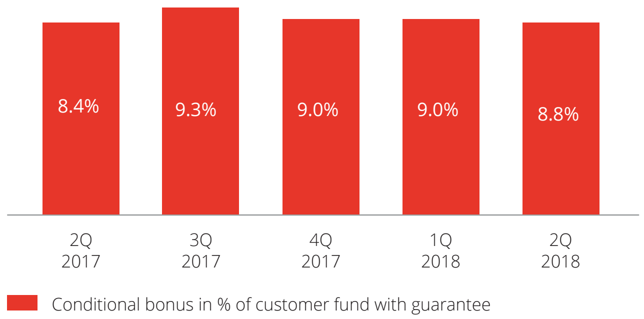


[4)] Storebrand Life Insurance, SPP and BenCo.
[1)] Consists of equity, subordinated loan capital, market value adjustment reserve, risk equalisation reserve, unrealised gains/losses on bonds and loans at amortised cost, additional statutory reserves, conditional bonuses.

Customer assets increased by NOK 5.5bn in the 2nd quarter and 15.1bn year to date due to positive returns and acquisition of Storebrand Silver's pension portfolio in 1st guarter. Customer assets totalled NOK 274bn at the end of the 2nd quarter of 2018. Customer assets within non-guaranteed savings increased NOK 4.3bn during the 2nd quarter and 13.3bn year to date. Guaranteed customer assets increased NOK 1.2bn during the 2nd quarter and 1.9 year to date.

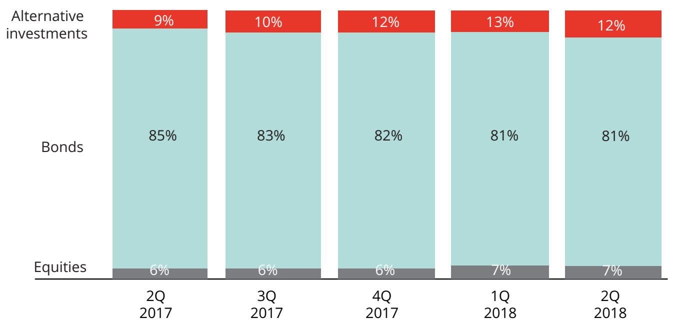
SPP

CUSTOMER BUFFERS - SPP



The buffer capital amounted to SEK 6.8bn (SEK 7bn) at the close of the 2nd quarter.

ALLOCATION OF GUARANTEED CUSTOMER ASSETS



Total assets under management in SPP were SEK 165.9bn for the 2nd quarter. This corresponds to an increase of 5.5% compared with the 2nd quarter of 2017. For customer assets in non-guaranteed savings, assets under management totalled SEK 93.2bn (SEK 83.3bn) at the end of 2nd quarter, which corresponds to an increase of 11.9%, compared with the 2nd quarter of 2017.

STOREBRAND BANK

The lending portfolio in the retail market, including loans managed on behalf of Storebrand Livsforsikring AS, amounted to NOK 43.3bn, of which NOK 17.3bn is managed on Storebrand Livsforsikring AS' balance sheet. The corporate market portfolio is now at NOK 62m 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 2nd quarter. The capital adequacy ratio was 18.8%, and the core equity tier 1 ratio was 15%.

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 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 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 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. Asset management has had a 14% growth in assets over the last 12 months and good earnings development. 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 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.

Storebrand targets a nominally lower cost base in 2018 compared to the level at the end of 2015. 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 is proposing a scheme for separate pension accounts 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. 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. There is broad support for the main principles of the Ministry's proposals in the consultation round. The Ministry has announced that a bill will probably be presented to Parliament in the autumn of 2018.

NEW PUBLIC SERVICE PENSION
The Ministry of Labour and Social Affairs has reached an agreement with the labour market parties on a new occupational pension 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 has begun work to assess business opportunities related to the new product.

REPORT ON PAID-UP POLICIES

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

The Working Group will be assessing the regulations for profit sharing, market value adjustment reserve and additional statutory reserves, as well as 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 is expected autumn 2018. Next step in a potential legislative process would be a proposal from the Ministry of Finance with a consultation period preceding a bill to Parliament.

SOLVENCY II

The standard model used for calculating capital requirements under Solvency II is under review. The European Supervisory Authority, EIOPA, has consulted and delivered advice to the Commission. Among the most important questions for Storebrand are the treatment of the risk module for interest rate risk, loss-absorbing ability for deferred tax and risk margin. The Commission has signalled that it will not pursue EIOPA's proposal to change the interest rate module at this stage, but that this will be considered in the planned 2020 revision.

POTENTIAL CHANGE IN TAX RULES FOR INSURANCE COMPANIES IN NORWAY

A proposal from the Ministry of Finance for changes in tax rules for insurance companies was under consultation in 1H. The aim of the proposals is to establish a distinction between customer and corporate funds in terms of taxation. It is proposed that the changes will apply with effect from the tax year 2018. If implemented as proposed, the preliminary analysis is that this will have limited impact for the Storebrand Group.

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.

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

Lysaker, 12 July 2018

Storebrand Group
Income statement

(NOK million)	Note	Q2 2018	Q2 2017	01.01 - 30.06 2018	01.01 - 30.06 2017	Full year 2017
Premium income		7,176	6,491	15,398	14,050	26,652
Net income from financial assets and real estate for the company:						
- equities and fund units at fair value		6	3		8	31
- bonds and other fixed-income securities at fair value		93	145	194	323	507
- financial derivatives at fair value		-1	41	-4	61	99
- loans at fair value		-1	1	-4	18	57
- bonds at amortised cost		27	27	54	80	134
- loans at amortised cost		172	171	337	331	665
- profit from investments in associated companies and joint ventures		5	92	20	94	119
Net income from financial assets and real estate for the customers:						
- equities and fund units at fair value		7,819	1,636	5,404	7,419	16,943
- bonds and other fixed-income securities at fair value		850	294	222	1,624	3,157
- financial derivatives at fair value		-933	177	44	274	848
- loans at fair value		35	29	70	27	113
- bonds at amortised cost		985	1,001	1,940	2,265	4,243
- loans at amortised cost		108	108	237	230	443
- properties		369	584	771	1,214	2,556
- profit from investments in associated companies and joint ventures		62	43	222	111	231
Other income		1,256	839	2,501	1,536	4,239
Total income		**18,030**	**11,684**	**27,408**	**29,665**	**61,037**
Insurance claims		-6,292	-5,732	-13,237	-13,352	-24,985
Change in insurance liabilities		-8,893	-3,220	-10,358	-11,455	-23,048
Change in capital buffer		-498	-625	953	-745	-3,943
Operating expenses	8	-1,139	-915	-2,247	-1,869	-4,266
Other expenses		-199	-66	-368	-191	-930
Interest expenses		-197	-248	-408	-505	-925
Total expenses before amortisation		**-17,218**	**-10,806**	**-25,665**	**-28,116**	**-58,097**
Group profit before amortisation		**812**	**878**	**1,743**	**1,549**	**2,940**
Amortisation of intangible assets		-98	-100	-163	-198	-536
Group pre-tax profit		**714**	**778**	**1,580**	**1,351**	**2,404**
Tax expenses	9	-126	-29	-265	-138	2
Profit/loss for the period		**587**	**749**	**1,315**	**1,213**	**2,405**
Profit/loss for the period attributable to:						
Share of profit for the period - shareholders		583	746	1,308	1,207	2,375
Share of profit for the period - hybrid capital investors		3	3	5	5	11
Share of profit for the period - minority		1		2	1	20
Total		**587**	**749**	**1,315**	**1,213**	**2,405**
Earnings per ordinary share (NOK)		1,25	1,66	2,80	2,69	5,28
Average number of shares as basis for calculation (million)				466,9	448,3	449,8
There is no dilution of the shares						

Storebrand Group
Statement of comprehensive income

	Q2		01.01 - 30.06		Full year
(NOK million)	2018	2017	2018	2017	2017
Profit/loss for the period	**587**	**749**	**1,315**	**1,213**	**2,405**
Change in actuarial assumptions	-2	-2	-5	-6	-117
Adjustment of value of properties for own use	19	355	42	347	130
Gains/losses from cash flow hedging	-16	24	-37	18	23
Total comprehensive income elements allocated to customers	-19	-355	-42	-347	-130
Tax on other comprehensive income elements not to be classified to profit/loss					2
Total other comprehensive income elements not to be classified to profit/loss	**-19**	**22**	**-41**	**13**	**-92**
Translation differences foreign exchange	-122	233	-573	346	387
Unrealised gains on financial instruments available for sale		6		6	8
Total other comprehensive income elements that may be classified to profit/loss	**-122**	**239**	**-573**	**352**	**395**
Total other comprehensive income elements	**-140**	**261**	**-614**	**364**	**303**
Total comprehensive income	**447**	**1,009**	**701**	**1,578**	**2,708**
Total comprehensive income attributable to:					
Share of total comprehensive income - shareholders	444	1,004	698	1,569	2,675
Share of total comprehensive income - hybrid capital investors	3	3	5	5	11
Share of total comprehensive income - minority		2	-3	3	22
Total	**447**	**1,009**	**701**	**1,578**	**2,708**

Storebrand Group
Statement of financial position

(NOK million)	Note	30.06.18	30.06.17	31.12.17
Assets company portfolio				
Deferred tax assets		827	517	637
Intangible assets and excess value on purchased insurance contracts		6,030	4,889	6,295
Pension assets		3	3	3
Tangible fixed assets		48	53	55
Investments in associated companies and joint ventures		229	256	291
Financial assets at amortised cost:				
- Bonds	7	3,877	3,527	3,403
- Loans to financial institutions	7	121	393	313
- Loans to customers	7,10	26,781	25,654	26,678
Reinsurers' share of technical reserves		30	31	27
Investment properties at fair value	7	50	51	50
Biological assets		64	64	64
Accounts receivable and other short-term receivables		6,291	3,120	4,834
Financial assets at fair value:				
- Equities and fund units	7	291	122	363
- Bonds and other fixed-income securities	7	28,169	30,863	31,719
- Derivatives	7	1,138	1,242	1,341
- Loans to customers	7,10	191	2,084	580
Bank deposits		3,315	3,091	3,466
Minority interests in consolidated mutual funds		32,851	30,634	30,303
Total assets company portfolio		**110,305**	**106,593**	**110,424**
Assets customer portfolio				
Tangible fixed assets		324	457	488
Investments in associated companies and joint ventures		5,260	1,904	3,113
Receivables from associated companies		36	39	39
Financial assets at amortised cost:				
- Bonds	7	85,250	83,643	84,071
- Bonds held-to-maturity	7	14,378	15,615	15,128
- Loans to customers	7,10	23,546	20,081	21,425
Reinsurers' share of technical reserves		26	68	63
Investment properties at fair value	7	26,260	25,558	27,403
Properties for own use	7	1,325	3,359	1,408
Biological assets		768	740	791
Accounts receivable and other short-term receivables		1,077	1,511	692
Financial assets at fair value:				
- Equities and fund units	7	160,214	142,170	156,071
- Bonds and other fixed-income securities	7	129,950	137,816	135,042
- Derivatives	7	2,802	3,458	2,723
- Loans to customers	7,10	4,845	4,126	5,104
Bank deposits		4,818	4,834	4,958
Total assets customer portfolio		**460,878**	**445,379**	**458,519**
Total assets		**571,184**	**551,972**	**568,943**

Continue next page

Storebrand Group
Statement of financial position (continue)

(NOK million)	Note	30.06.17	30.06.16	31.12.16
Equity and liabilities				
Paid-in capital		12,858	11,729	12,855
Retained earnings		17,133	16,546	17,652
Hybrid capital		176	226	226
Minority interests		60	57	99
Total equity		**30,227**	**28,559**	**30,832**
Subordinated loan capital	6,7	7,822	7,681	8,867
Capital buffer	11	19,171	17,704	21,137
Insurance liabilities		440,384	424,233	435,749
Pension liabilities		327	286	341
Deferred tax		244	179	238
Financial liabilities:				
- Liabilities to financial institutions	6,7	203	5	155
- Deposits from banking customers	7	15,155	15,005	14,628
- Securities issued	6,7	15,739	17,226	16,575
- Derivatives company portfolio		88	375	282
- Derivatives customer portfolio		1,865	1,323	1,733
Other current liabilities		7,107	8,761	8,102
Minority interests in consolidated mutual funds		32,851	30,634	30,303
Total liabilities		**540,956**	**523,413**	**538,110**
Total equity and liabilities		**571,184**	**551,972**	**568,943**

Storebrand Group
Statement of changes in 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
	Majority's share of 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						1,308	1,308	5	2	1,315
Total other comprehnsive income elements					-568	-41	-610		-5	-614
Total comprehensive income for the period					**-568**	**1,266**	**698**	**5**	**-3**	**701**
Equity transactions with owners:										
Own shares		3		3		48	48			50
Issue of shares									4	4
Hybrid capital classified as equity						1	1	-50		-49
Paid out interest hybrid capital								-5		-5
Dividend paid						-1,168	-1,168			-1,168
Purchase of minority interests						-82	-82		-38	-120
Other						-17	-17		-1	-18
Equity at 30 June 2018	**2,339**	**-2**	**10,521**	**12,858**	**858**	**16,275**	**17,133**	**176**	**60**	**30,227**

1) 467 813 982 shares with a nominal value of NOK 5.
2) Includes undistributable funds in the risk equalisation fund amounting to NOK 98 million and security reserves amounting NOK 55 million.
3) Perpetual hybrid tier 1 capital classified as 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						1,207	1,207	5	1	1,213
Total other comprehensive income elements					343	19	362		3	364
Total comprehensive income for the period					**343**	**1,226**	**1,569**	**5**	**3**	**1,578**
Equity transactions with owners:										
Own shares		3		3		44	44			47
Hybrid capital classified as equity						1	1			1
Paid out interest hybrid capital								-5		-5
Dividend paid						-695	-695			-695
Purchase of minority interests						2	2			2
Other					-3	-3	-7		1	-6
Equity at 30 June 2017	**2,250**	**-5**	**9,485**	**11,729**	**1,381**	**15,165**	**16,546**	**226**	**58**	**28,559**

Storebrand Group

Statement of cash flow

(NOK million)	01.01 - 30.06 2018	2017
Cash flow from operational activities		
Net receipts premium - insurance	13,043	12,359
Net payments compensation and insurance benefits	-10,056	-9,210
Net receipts/payments - transfers	-860	-2,468
Net change insurance liabilities	-10,565	179
Receipts - interest, commission and fees from customers	1,580	1,409
Payments - interest, commission and fees to customers	-102	-248
Taxes paid	-54	
Payments relating to operations	-2,657	-1,564
Net receipts/payments - other operational activities	-629	-1,295
Net cash flow from operations before financial assets and banking customers	**-10,299**	**-838**
Net receipts/payments - loans to customers	-1,774	-4,691
Net receipts/payments - deposits bank customers	460	-273
Net receipts/payments - securities	12,163	7,485
Net receipts/payments - investment properties	1,407	-1,127
Net change in bank deposits insurance customers	142	88
Net cash flow from financial assets and banking customers	**12,398**	**1,481**
Net cash flow from operational activities	**2,099**	**643**
Cash flow from investment activities		
Net receipts - sale of subsidaries	33	
Net payments - purchase of group companies	-772	-2
Net receits/payments - sale/purchase of fixed assets	107	-62
Net receits/payments - sale/purchase of associated companies and joint ventures		245
Net cash flow from investment activities	**-632**	**180**
Cash flow from financing activities		
Payments - repayments of loans	-2,125	-4,599
Receipts - new loans	2,508	4,896
Payments - interest on loans	-154	-207
Receipts - subordinated loan capital	845	150
Payments - repayment of subordinated loan capital	-1,501	-150
Payments - interest on subordinated loan capital	-301	-284
Net receipts/payments - loans to and claims from other financial institutions	48	-402
Receipts - issuing of share capital / sale of shares to own employees	37	36
Payments - dividends	-1,167	-695
Receipts - hybrid capital	100	
Payments - repayment of hybrid capital	-150	
Payments - interest on hybrid capital	-5	-5
Net cash flow from financing activities	**-1,865**	**-1,260**
Net cash flow for the period	**-397**	**-437**
- of which net cash flow in the period before financial assets and banking customers	-12,796	-1,917
Net movement in cash and cash equivalents	-397	-437
Cash and cash equivalents at start of the period for new/sold out companies	91	
Cash and cash equivalents at start of the period	3,863	3,966
Currency translation differences	-121	-45
Cash and cash equivalents at the end of the period [1)]	**3,436**	**3,485**
[1)] Consist of:		
Loans to financial institutions	121	393
Bank deposits	3,315	3,091
Total	**3,436**	**3,485**

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
- change in insurance liabilities
- operating expenses
- other expenses
- interest expenses

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

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, 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 are 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 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.

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.

(NOK million)	Q2 2018	2017	01.01 - 30.06 2018	2017	Full year 2017
Savings	307	319	603	558	1,511
Insurance	230	184	437	355	608
Guaranteed pension	234	290	632	491	766
Other	41	85	70	144	55
Group profit before amortisation	**812**	**878**	**1,743**	**1,549**	**2,940**
Amortisation of intangible assets	-98	-100	-163	-198	-536
Group pre-tax profit	**714**	**778**	**1,580**	**1,351**	**2,404**

SEGMENT INFORMATION AS OF Q2

	Savings		Insurance		Guaranteed pension	
	Q2		Q2		Q2	
(NOK mill.)	2018	2017	2018	2017	2018	2017
Fee and administration income	909	744			370	369
Insurance result			358	290		
- Insurance premiums for own account			*946*	*971*		
- Claims for own account			*-588*	*-681*		
Operating expense	-599	-435	-147	-171	-218	-216
Operating profit	**310**	**309**	**211**	**119**	**153**	**153**
Financial items and risk result life & pension	-2	10	19	65	81	137
Group profit before amortisation	**307**	**319**	**230**	**184**	**234**	**290**
Amortisation of intangible assets [1]						
Group pre-tax profit						

	Other		Storebrand Group	
	Q2		Q2	
(NOK million)	2018	2017	2018	2017
Fee and administration income	-34	-23	1,245	1,091
Insurance result			358	290
- Insurance premiums for own account			*946*	*971*
- Claims for own account			*-588*	*-681*
Operating expense	6	7	-958	-816
Operating profit	**-29**	**-16**	**645**	**565**
Financial items and risk result life & pension	70	102	167	313
Group profit before amortisation	**41**	**85**	**812**	**878**
Amortisation of intangible assets [1]			-98	-100
Group pre-tax profit			**714**	**778**

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

SEGMENT INFORMATION AS OF 01.01 - 30.06

	Savings		Insurance		Guaranteed pension	
(NOK million)	30.06.18	30.06.17	30.06.18	30.06.17	30.06.18	30.06.17
Fee and administration income	1,798	1,444			738	727
Insurance result			693	565		
- Insurance premiums for own account			*1,956*	*1,911*		
- Claims for own account			*-1,263*	*-1,346*		
Operating expense	-1,182	-894	-303	-344	-420	-437
Operating profit	**615**	**551**	**390**	**222**	**318**	**290**
Financial items and risk result life & pension	-12	8	47	133	314	201
Group profit before amortisation	**603**	**558**	**437**	**355**	**632**	**491**
Amortisation of intangible assets [1)]						
Group pre-tax profit						

	Other		Storebrand Group	
(NOK million)	30.06.18	30.06.17	30.06.18	30.06.17
Fee and administration income	-71	-48	2,465	2,124
Insurance result			693	565
- Insurance premiums for own account			1,956	1,911
- Claims for own account			-1,263	-1,346
Operating expense	28	13	-1,878	-1,661
Operating profit	**-44**	**-34**	**1,280**	**1,028**
Financial items and risk result life & pension	114	179	463	521
Group profit before amortisation	**70**	**144**	**1,743**	**1,549**
Amortisation of intangible assets [1)]			-163	-198
Group pre-tax profit			**1,580**	**1,351**

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

KEY FIGURES BY BUSINESS AREA

(NOK million)	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
Group								
Earnings per ordinary share [1]	2,80	1,55	5,28	4,24	2,69	1,03	4,73	3,22
Equity	30,227	31,140	30,832	29,088	28,559	28,208	27,637	27,189
Savings								
Premium income Unit Linked [2]	3,892	3,947	3,981	3,670	3,649	3,716	3,466	3,185
Unit Linked reserves	178,498	171,749	167,849	157,984	151,425	147,311	139,822	128,117
AuM asset management	707,118	707,102	721,165	625,840	620,584	599,111	576,704	571,425
Retail lending	44,310	43,047	42,133	40,996	39,464	37,585	35,400	26,861
Insurance								
Total written premiums	4,417	4,424	4,462	4,474	4,440	4,413	4,502	4,327
Claims ratio [2]	62 %	67 %	73 %	68 %	70 %	71 %	74 %	85 %
Cost ratio [2]	16 %	15 %	20 %	18 %	18 %	18 %	18 %	16 %
Combined ratio [2]	78 %	82 %	93 %	85 %	88 %	89 %	91 %	101 %
Guaranteed pension								
Guaranteed reserves	257,783	259,426	264,320	261,652	260,459	261,148	258,723	266,811
Guaranteed reseves in % of total reserves	59.1 %	60.2 %	61.2 %	62.4 %	63.2 %	63.9 %	64.9 %	67.6 %
Net transfer out of guaranteed reserves [2]	13	118	117	103	199	541	245	398
Capital buffer in % of customer reserves Storebrand Life Group [3]	6.5 %	6.2 %	7.2 %	5.2 %	5.3 %	5.4 %	5.7 %	5.8 %
Capital buffer in % of customer reserves SPP [4]	8.8 %	9.0 %	9.0 %	9.3 %	8.4 %	7.9 %	6.7 %	7.6 %
Solidity								
Solvency II [5]	167 %	165 %	172 %	160 %	163 %	159 %	157 %	165 %
Solidity capital (Storebrand Life Group) [6]	57,869	58,849	63,972	59,332	58,875	57,139	56,381	61,011
Capital adequacy Storebrand Bank	18.8 %	18.8 %	18.9 %	18.1 %	18.2 %	17.9 %	17.7 %	17.1 %
Core Capital adequacy Stobrand Bank	16.5 %	16.6 %	16.6 %	16.0 %	16.1 %	15.8 %	15.7 %	15.2 %

[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.

The global equity market increased by 1 % during the first half of the year. The Norwegian equity market rose 8 % on the back of rising oil-price. The market for corporate bonds has also been affected by the increased uncertainty, and there has been an increase in credit spreads.

Interest rates rose at the start of the year across all markets, but then fell back in many markets as the concern for increased inflation receded. For the first half of the year the Norwegian 10-year interest rate swap increased by 0.2 pp. The Swedish 10-year interest swap rate fell 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 half of the year against most currencies. The increase is 4 % against the Euro and 9 % 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 half of the year.

Guaranteed portfolios in Norway provided returns that were lower than the interest rate guarantee in the first half of the year due to higher interest rates and credit spreads, but the effect mainly affected the market adjustment reserve. The return therefore has little impact on the results. Excess values of portfolios at amortised cost also fell in the first half due to the same reason. 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 slightly positive returns during the first half of the year. In Sweden, the return was 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 half of 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	2,020	1,000
Storebrand Livsforsikring AS	1,100	NOK	Variable	2,024	1,100
Dated subordinated loan capital					
Storebrand Livsforsikring AS	1,000	SEK	Variable	2,022	911
Storebrand Livsforsikring AS	300	EUR	Fixed	2,023	3,029
Storebrand Livsforsikring AS	750	SEK	Variable	2,021	687
Storebrand Livsforsikring AS	900	SEK	Variable	2,025	819
Storebrand Bank ASA	125	NOK	Variable	2,019	126
Storebrand Bank ASA	150	NOK	Variable	2,022	150
Total subordinated loans and hybrid tier 1 capital 30.06.18					**7,822**
Total subordinated loans and hybrid tier 1 capital 30.06.17					7,681
Total subordinated loans and hybrid tier 1 capital 31.12.17					8,867

SPECIFICATION OF LIABILITIES TO FINANCIAL INSTITUTIONS

	Book value		
(NOK million)	30.06.18	30.06.17	31.12.17
Call date			
2017		5	
2018	203		155
Total liabilities to financial institutions	**203**	**5**	**155**

SPECIFICATION OF SECURITIES ISSUED

	Book value		
(NOK million)	30.06.18	30.06.17	31.12.17
Call date			
2017		301	
2018	753	2,884	2,882
2019	3,162	3,212	3,152
2020	4,321	4,325	4,030
2021	3,500	3,503	3,509
2022	3,002	3,002	3,002
2023	1,000		
Total securities issued	**15,739**	**17,226**	**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 240 million.

Facilities for Storebrand Boligkreditt AS

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

Note 07 Valuation of financial instruments and investment properties

The Group categorises financial instruments valued at fair value on three different levels. Criteria for the categorisation and processes associated with valuing are described in more detail in note 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 minimizing the uncertainty of valuations.

VALUATION OF FINANCIAL INSTRUMENTS TO AMORTISED COST

(NOK million)	Fair value 30.06.18	Fair value 31.12.17	Book value 30.06.18	Book value 31.12.17
Financial assets				
Loans to and due from financial institutions	121	313	121	313
Loans to customers - corporate	6,201	6,501	6,223	6,533
Loans to customers - retail	44,105	41,571	44,105	41,571
Bonds held to maturity	15,889	16,933	14,378	15,128
Bonds classified as loans and receivables	93,969	94,218	89,127	87,474
Total financial assets 30.06.18	**160,285**		**153,953**	
Total financial assets 31.12.17		159,537		151,020
Financial liabilities				
Debt raised by issuance of securities	15,896	16,634	15,739	16,575
Liabilities to financial institutions	203	155	203	155
Deposits from banking customers	15,155	14,628	15,155	14,628
Subordinatd loan capital	7,904	8,990	7,822	8,867
Total financial liabilities 30.06.18	**39,157**		**38,919**	
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	30.06.18	31.12.17
Assets:					
Equities and fund units					
- Equities	23,975	336	641	24,952	23,360
- Fund units	306	127,665	7,582	135,553	133,074
Total equities and fund units 30.06.18	**24,281**	**128,001**	**8,223**	**160,505**	
Total equities and fund units 31.12.17	22,563	125,425	8,445		156,433
Loans to customers [1]					
- Loans to customers - corporate			4,845	4,845	5,104
- Loans to customers - retail			191	191	580
Loans to customers 30.06.18 [1]			**5,036**	**5,036**	
Loans to customers 31.12.17 [1]			5,684		5,684
Bonds and other fixed-income securities					
- Government bonds	18,586	19,746		38,332	49,022
- Corporate bonds	5	50,432	70	50,508	49,331
- Structured notes		74		74	81
- Collateralised securities		25,211		25,211	28,914
- Bond funds		43,038	956	43,994	39,412
Total bonds and other fixed-income securities 30.06.18	**18,592**	**138,502**	**1,026**	**158,119**	
Total bonds and other fixed-income securities 31.12.17	24,186	142,467	108		166,761
Derivatives:					
- Interest derivatives		2,550		2,550	2,799
- Currency derivatives		-563		-563	-751
Total derivatives 30.06.18		**1,988**		**1,988**	
- of which derivatives with a positive market value		3,941		3,941	4,064
- of which derivatives with a negative market value		-1,953		-1,953	-2,015
Total derivatives 31.12.17		2,049			2,049
Properties:					
Investment properties			26,310	26,310	27,453
Properties for own use			1,325	1,325	1,408
Total properties 30.06.18			**27,635**	**27,635**	
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	Corpora-te 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		-686	143	6	-4	-487	35
Additions	11	1,373	361		960	678	44
Sales	-114	-574	-704	-38		-611	-1
Currency translation differences	-23	-209	-449	-6		-928	-161
Other						205	
Book value 30.06.18	**641**	**7,582**	**5,036**	**70**	**956**	**26,310**	**1,325**

As at 30.06.18, Storebrand Livsforsikring had NOK 5.225 million invested in Storebrand Økern AS, 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 is no significant changes in sensitivity in this quarter.

Note 08 Operating costs

	Q2		01.01 - 30.06		Total
(NOK million)	2018	2017	2018	2017	2 017
Personnel expenses	-560	-464	-1,055	-937	-1,955
Amortisation/write-downs	-37	-42	-65	-83	-167
Other operating expenses	-542	-409	-1,128	-849	-2,145
Total operating expenses	**-1,139**	**-915**	**-2,247**	**-1,869**	**-4,266**

Note 09 Tax

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 addition, the 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 Loans

(NOK million)	30.06.18	30.06.18	31.12.17
Corporate market [1]	11,084	12,460	11,685
Retail market	44,365	39,598	42,184
Gross loans	**55,448**	**52,058**	**53,869**
Write-down of loans losses	-85	-114	-80
Net loans [2]	**55,363**	**51,944**	**53,788**
1) Of which Storebrand Bank	62	1,151	360
2) Of which Storebrand Bank	26,971	27,737	27,257
Of which Storebrand Livsforsikring	28,392	24,208	26,531

NON-PERFORMING AND LOSS-EXPOSED LOANS

(NOK million)	30.06.18	30.06.18	31.12.17
Non-performing and loss-exposed loans without identified impairment	75	140	150
Non-performing and loss-exposed loans with identified impairment	88	90	114
Gross non-performing loans	**162**	**231**	**265**
Individual write-downs	-50	-30	-43
Net non-performing loans [1]	**112**	**201**	**222**

[1] The figures apply in their entirety Storebrand Bank

Note 11 Capital buffer

(NOK million)	30.06.18	30.06.18	31.12.17
Additional statutory reserves	8,286	6,736	8,254
Market adjustment reserves	2,720	2,158	3,707
Conditional bonuses	8,165	8,809	9,176
Total	**19,171**	**17,704**	**21,137**

Note 12 Contingent liabilities

(NOK million)	30.06.18	30.06.17	31.12.17
Guarantees	13	22	20
Unused credit facilities	3,449	3,552	3,474
Uncalled residual liabilities re limited partnership	6,373	5,668	5,451
Loan commitment retail market	2,169	3,556	2,007
Debt instrument to Silver Pensjonsforsikring in connection with the acquisition[1]			520
Total contingent liabilities	**12,004**	**12,799**	**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 Solvency II

The Storebrand Group is an insurance-dominated, cross-sectoral financial group with capital requirements in accordance with Solvency II. Storebrand calculates Solvency II according to the standard method as defined in the Solvency II Regulations. Consolidation is carried out in accordance with Section 18-2 of the Norwegian Act relating to Financial Undertakings and Financial Groups. The solvency capital requirement and minimum capital requirement for the group are calculated in accordance with Section 46 (1)-(3) of the Solvency II Regulations using the standard method and include the effect of the transitional arrangement for shares pursuant to Section 58 of the Solvency II Regulations.

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

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

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

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

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

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

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

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

SOLVENCY CAPITAL

NOK million	30.06.18 Total	30.06.18 Group 1 unlimited	30.06.18 Group 1 limited	30.06.18 Group 2	30.06.18 Group 3	31.12.17 Total
Share capital	2,339	2,339				2,339
Share premium	10,521	10,521				10,521
Reconciliation reserve	23,610	23,610				25,694
Including the effect of the transitional arrangement	754	754				4,513
Subordinated loans	7,570		1,121	6,448		8,547
Deferred tax assets	63				63	71
Risk equalisation reserve	98			98		143
Minority interests	47				47	49
Unavailable minority interests	-31				-31	-33
Deductions for CRD IV subsidiaries	-2,748	-2,248	-225	-275		-2,929
Unpaid dividend 2017						-1,168
Expected dividend 2018	-654	-654				
Total basic solvency capital	**40,815**	**33,568**	**896**	**6,272**	**79**	**43,234**
Subordinated capital for subsidiaries regulated in accordance with CRD IV	2,748					2,929
Total solvency capital	**43,564**					**46,164**
Total solvency capital available to cover the minimum capital requirement	**36,342**	**33,568**	**896**	**1,878**		**39,294**

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

SOLVENCY CAPITAL REQUIREMENTS AND - MARGIN

NOK million	30.06.18	31.12.17
Market	21,954	22,936
Counterparty	531	565
Life	10,622	10,453
Health	710	744
P&C	278	283
Operational	1,456	1,496
Diversification	-6,965	-7,023
Loss-absorbing tax effect	-4,972	-5,002
Total solvency capital requirement - insurance company	**23,614**	**24,452**
Capital requirements for subsidiaries regulated in accordance with CRD IV	2,400	2,458
Total solvency capital requirement	26,014	26,910
Solvency margin with transitional rules	**167 %**	**172 %**
Minimum capital requirement	**9,390**	**9,599**
Minimum margin	**387 %**	**409 %**

Note 14 Cross-sectoral financial group

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

NOK million	30.06.18	31.12.17
Capital requirements for CRD IV companies	2,631	2,687
Solvency captial requirements for insurance	23,614	24,452
Total capital requirements	**26,246**	**27,138**
Net primary capital for companies included in the CRD IV report	2,748	2,929
Net primary capital for insurance	40,815	43,234
Total net primary capital	**43,564**	**46,164**
Overfunding	**17,318**	**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 30 June 2018, the difference amounted to NOK 232 million.

Note 15 Information about related parties

Storebrand conducts transactions with related parties as part of its normal business activities. These transactions take place on commercial terms. The terms for transactions with management and related parties are stipulated in notes 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 2th quarter 2018

Storebrand ASA
Profit and loss account

	Q2		01.01. - 30.06		Full year
(NOK million)	2018	2017	2018	2017	2017
Operating income					
Income from investments in subsidiaries		1	39	37	2,154
Net income and gains from financial instruments:					
- bonds and other fixed-income securities	9	10	13	24	36
- financial derivatives/other financial instruments		-1	-4	-2	-4
Other financial income	1	2	32	2	2
Operating income	**10**	**11**	**80**	**61**	**2,188**
Interest expenses	-15	-20	-29	-40	-69
Other financial expenses	5	-2	30	-6	-62
Operating expenses					
Personnel expenses	-15	-10	-24	-23	-41
Amortisation					-1
Other operating expenses	-13	-13	-22	-24	-81
Total operating expenses	**-29**	**-23**	**-46**	**-47**	**-123**
Total expenses	**-39**	**-46**	**-45**	**-93**	**-254**
Pre-tax profit	**-29**	**-34**	**35**	**-32**	**1,934**
Tax	9	9	15	17	-110
Profit for the period	**-21**	**-26**	**51**	**-15**	**1,824**

STATEMENT OF TOTAL COMPREHENSIVE INCOME

	Q2		01.01. - 30.06		Full year
(NOK million)	2018	2017	2018	2017	2017
Profit for the period	**-21**	**-26**	**51**	**-15**	**1,824**
Other result elements not to be classified to profit/loss					
Change in estimate deviation pension					-34
Tax on other comprehensive elements					8
Total other comprehensive income elements					**-25**
Total comprehensive income	**-21**	**-26**	**51**	**-15**	**1,798**

Storebrand ASA
Statement of financial position

(NOK million)	30.06.18	30.06.17	31.12.17
Fixed assets			
Deferred tax assets	150	254	135
Tangible fixed assets	28	28	28
Shares in subsidiaries and associated companies	18,716	17,100	18,724
Total fixed assets	**18,894**	**17,382**	**18,886**
Current assets			
Owed within group			2,207
Other current receivables	6	13	
Investments in trading portfolio:			
- equities and other units	3	3	3
- bonds and other fixed-income securities	2,332	1,876	1,380
- financial derivatives/other financial instruments	19	26	16
Bank deposits	65	71	53
Total current assets	**2,424**	**1,988**	**3,659**
Total assets	**21,318**	**19,370**	**22,545**
Equity and liabilities			
Share capital	2,339	2,250	2,339
Own shares	-2	-5	-5
Share premium reserve	10,521	9,485	10,521
Total paid in equity	**12,858**	**11,729**	**12,855**
Other equity	5,878	5,147	5,793
Total equity	**18,736**	**16,877**	**18,648**
Non-current liabilities			
Pension liabilities	176	159	176
Securities issued	2,275	2,279	2,270
Total non-current liabilities	**2,450**	**2,438**	**2,446**
Current liabilities			
Debt within group			3
Provision for dividend			1,168
Other current liabilities	131	55	280
Total current liabilities	**132**	**56**	**1,451**
Total equity and liabilities	**21,318**	**19,370**	**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				51	51
Total comprehensive income				**51**	**51**
Own share bought back [2]		3		48	50
Employee share [2]				-13	-13
Equity at 30. June 2018	**2,339**	**-2**	**10,521**	**5,878**	**18,736**

[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 30. June 2018 was 431 140.

Equity at 31. December 2016	**2,250**	**-8**	**9,485**	**5,129**	**16,855**
Profit for the period				-15	-15
Total comprehensive income				**-15**	**-15**
Own share bought back		3		44	47
Employee share				-11	-11
Equity at 30. June 2017	**2,250**	**-5**	**9,485**	**5,147**	**16,877**

Storebrand ASA
Statement of cash flow

	01.01 - 30.06	
(NOK million)	2018	2017
Cash flow from operational activities		
Receipts - interest, commission and fees from customers	22	30
Net receipts/payments - securities at fair value	-959	241
Payments relating to operations	-39	-65
Net receipts/payments - other operational activities	2,247	924
Net cash flow from operational activities	**1,270**	**1,130**
Cash flow from investment activities		
Net receipts - sale of subsidiaries	33	
Net payments - sale/capitalisation of subsidiaries	-132	-2
Net receipts/payments - sale/purchase of property and fixed assets		1
Net cash flow from investment activities	**-98**	**-1**
Cash flow from financing activities		
Payments - repayments of loans		-1,425
Receipts - new loans		1,000
Payments - interest on loans	-31	-47
Receipts - sold own shart to employees	37	36
Payments - dividends	-1,167	-695
Net cash flow from financing activities	**-1,160**	**-1,130**
Net cash flow for the period	**12**	**-1**
Net movement in cash and cash equivalents	12	-1
Cash and cash equivalents at start of the period	53	72
Cash and cash equivalents at the end of the period	**65**	**71**

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 Bond and bank loans

(NOK million)	Interest rate	Currency	Net nominal value	30.06.18	30.06.17	31.12.17
Bond loan 2013/2020 [1)]	Fixed	NOK	300	320	327	317
Bond loan 2013/2018	Variable	NOK	450	452	452	452
Bond loan 2014/2019	Variable	NOK	500	500	499	500
Bond loan 2017/2020	Variable	NOK	500	501	501	501
Bond loan 2017/2022	Variable	NOK	500	501	500	500
Total [2)]				**2,275**	**2,279**	**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 240 million.

Storebrand ASA

Statement from the Board of Directors and the CEO

The Board of Directors and the Chief Executive Officer have today considered and approved the Interim report and Interim financial statements for Storebrand ASA and the Storebrand Group for the first six months of 2018 (Report for the first six months, 2018).

The Interim report has been prepared in accordance with the requirements of IAS, 34 Interim Financial Reporting as adopted by the EU and additional Norwegian requirements pursuant to the Norwegian Securities Trading Act.

In the best judgement of the Board and the CEO, the financial statements for the first six months of 2018 have been prepared in accordance with applicable accounting standards, and the information in the financial statements provides a fair and true picture of the parent company's and Group's assets, liabilities, financial standing and results as a whole as at 30 June 2018. In the best judgement of the Board and the CEO, the six-month report provides a fair and true overview of important events during the accounting period and their effects on the financial statements for the first six months for Storebrand ASA and the Storebrand Group. In the best judgement of the Board and the CEO, the descriptions of the most important elements of risk and uncertainty that the Group faces in the remaining six months, and a description of related parties' material transactions, also provide a true and fair view.

Lysaker, 12 July 2018
Board of Directors of Storebrand ASA

Didrik Munch
Chairman of the Board

Karin Bing Orgland

Laila S. Dahlen

Martin Skancke

Jan Chr. Opsahl

Liv Sandbæk

Heidi Storruste

Arne Fredrik Håstein

Ingvild Pedersen

Odd Arild Grefstad
Chief Executive Officer

To the Board of Directors of Storebrand ASA

Report on Review of interim balance sheet

Introduction

We have reviewed the accompanying consolidated interim balance sheet of Storebrand ASA as of 30 June 2018, the income statement, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with IAS 34 Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISAs), and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information does not present fairly, in all material respects, the financial position of the entity as at 30 June 2018, and its financial performance and its cash flows for the six-month period then ended in accordance with IAS 34 Interim Financial Reporting.

Oslo, 12 July 2018
PricewaterhouseCoopers AS

Magne Sem

Magne Sem
State Authorised Public Accountant

HOVEDKONTOR:

Storebrand ASA
Professor Kohts vei 9
Postboks 500
1327 Lysaker, Norge
Tlf.: 22 31 50 50
www.storebrand.no

Kundesenter: 08880

ØVRIGE SELSKAPER I KONSERNET:

SPP Livförsäkring AB
Vasagatan 10
S-105 39 Stockholm, Sverige
Tlf.: +46 8 451 70 00
www.spp.se

Storebrand Livsforsikring AS
- filial Sverige
Vasagatan 10
S-105 39 Stockholm, Sverige
Tlf.: +46 8 700 22 00
www.storebrand.se

Storebrand Kapitalforvaltning AS -
filial Sverige
Vasagatan 10
S-105 39 Stockholm, Sverige
Tlf.: +46 8 614 24 00
www.storebrand.se

Storebrand Helseforsikring AS
Professor Kohts vei 9
Postboks 464
1327 Lysaker, Norge
Tlf.: 22 31 13 30
www.storebrandhelse.no

DKV Hälsa
Vasagatan 10
S-105 39 Stockholm, Sverige
Tlf.: +46 8 619 62 00
www.dkvhalsa.se

Financial calendar 2018

7th February	Results 4Q 2017
11th April	Annual General Meeting
12th April	Ex dividend date
25th April	Results 1Q 2018
13th July	Results 2Q 2018
24th October	Results 3Q 2018
February 2019	Results 4Q 2018

Investor Relations contacts

Kjetil Ramberg Krøkje	Head of IR	kjetil.r.krokje@storebrand.no	+47 9341 2155
Lars Løddesøl	CFO	lars.loddesol@storebrand.no	+47 2231 5624

Storebrand ASA
Professor Kohtsvei 9, P.O. Box 500,
N-1327 Lysaker, Norway
Telephone +47 22 31 50 50

www.storebrand.com/ir

storebrand