storebrand

Interim report 2nd quarter 2022

Storebrand Group

2nd quarter 2022

Contents

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Storebrand Group

- **Group profit[1] of NOK 577m in the 2nd quarter and NOK 1,204m year to date**
- **Solvency II ratio 195%**
- **Strong operating profit on stable fee income and 44% improvement in the insurance result year to date**

Storebrand's ambition is to provide our customers with financial freedom and security by being the best provider of long-term savings and insurance. 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 profit[2]

	2022		2021			01.01 - 30.06		Full year
NOK million	Q2	Q1	Q4	Q3	Q2	2022	2021	2021
Fee and administration income	1,456	1,457	2,108	1,544	1,473	2,914	2,954	6,607
Insurance result	430	365	307	342	332	795	552	1,201
Operational cost	-1,181	-1,145	-1,377	-1,124	-1,119	-2,326	-2,176	-4,678
Operating profit	**705**	**678**	**1,038**	**762**	**686**	**1,383**	**1,331**	**3,130**
Financial items and risk result life	-129	-50	329	151	667	-178	893	1,372
Profit before amortisation	**577**	**628**	**1,367**	**912**	**1,353**	**1,204**	**2,223**	**4,503**
Amortisation and write-downs of intangible assets	-138	-138	-140	-133	-129	-276	-254	-527
Profit before tax	**439**	**489**	**1,227**	**779**	**1,225**	**928**	**1,970**	**3,976**
Tax	-26	398	-310	-181	-52	372	-354	-846
Profit after tax	**413**	**887**	**917**	**598**	**1,173**	**1,300**	**1,615**	**3,130**

Financial performance

Storebrand Group's profit before amortisation and tax was NOK 577m (NOK 1,353m) in the 2nd quarter and NOK 1,204m (NOK 2,223m) year to date. The figures in brackets are from the corresponding period last year, and include a positive gain of NOK 546m from the divestment of AS Værdalsbruket. Underlying growth continues to be strong across the business, but the growth in assets under management has paused due to weak market returns. The higher interest rate environment has strengthened Storebrand's solvency. Mark-to-market effects from rising rates and wider credit spreads have led to lower financial results in the quarter and first half of the year. Moving forward, Storebrand's financial result is expected to benefit from higher yields. Strong buffer capital levels and prudent risk management have secured sufficient customer returns in the guaranteed products and shielded the Group's results during this year's volatile markets. The buffer capital remains intact at 10% of guaranteed customer reserves in the Group.

Total fee and administration income was relatively stable and amounted to NOK 1,456m (NOK 1,473m) in the 2nd quarter and NOK 2,914m (NOK 2,954m) year to date, corresponding to a decrease of 1% compared to the same quarter last year and a decrease of 1% year to date. Adjusted for currency effects, the fee and administration income was unchanged. Strong lending growth in the Bank and underlying growth with positive net flows in Unit Linked, Public Occupational Pensions, and Asset Management contribute to income growth. However, the growth is offset by lower assets under management due to market returns and lower fee margins in Unit Linked due to the introduction of Individual Pensions Accounts.

The Insurance result improved to NOK 430m (NOK 332m) in the 2nd quarter and NOK 795m (NOK 552m) year to date due to strong growth and lower claims ratios. The total combined ratio for the Insurance segment was 88% (91%) in the 2nd quarter and 90% (94%) year to date – slightly better than the target of 90-92%.

The Group's operational cost amounted to NOK -1,181m (NOK -1,119m) in the 2nd quarter and NOK -2,326m (NOK -2,176m) year to date. Performance related costs in Asset Management amounted to NOK -6m (NOK -68m) in the quarter and NOK -17m (NOK -95m) year to date. Growth initiatives are expected to gradually increase costs during the year. Storebrand continues to focus on strong cost discipline, as has been demonstrated over the past decade, and has set a cost target for 2022 (full year) of NOK 4.9bn (excluding performance related costs, currency effects and acquisitions).

Overall, the operating profit increased to NOK 705m (NOK 686m) in the 2nd quarter and NOK 1,383m (NOK 1,331m) year to date.

The 'financial items and risk result' amounted to NOK -129m (NOK 667m) in the 2nd quarter and NOK -178m (NOK 893m) year to date. Last year's strong financial result benefited from the divestment of AS Værdalsbruket. Rising interest rates, wider credit spreads and falling equities have resulted in lower mark-to-market valuations so far this year, leading to weaker investment results – particularly in Storebrand's company portfolios. Running yield in the portfolios have increased accordingly. Net profit sharing has been close to absent and amounted to NOK 11m (NOK 108m) in the 2nd quarter and NOK -28m (NOK 212m) year to date. The risk result has strengthened, particularly in the Norwegian guaranteed

[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.

products with improving labour market conditions this year, and amounted to NOK 54m (NOK 21m) in the 2nd quarter and NOK 135m (NOK 54m) year to date.

Amortisation of intangible assets amounted to NOK -138m (NOK -129m) in the 2nd quarter and NOK -276m (NOK -254m) year to date. Quarterly amortisation of intangible assets is expected to increase to around NOK -160m due to acquired business.

Tax expenses for the Group amounted to NOK -26m (NOK -52m) in the 2nd quarter and NOK 372m (NOK -354m) year to date. The low effective tax rate in the quarter is due to a reversal of taxable unrealised gains that occurred in the 1st quarter on currency hedges related to the Swedish business, as the Swedish krona depreciated 4% in the 1st quarter, but appreciated 3% against the Norwegian krone in the 2nd quarter. The tax income year to date is due to new information received in the 1st quarter from The Norwegian Tax Administration in connection with their decision on the uncertain tax position for the income year 2018. This resulted in a tax income of NOK 568m being booked in the 1st quarter. The estimated normal tax rate is 19-22%, depending on each legal entity's contribution to the Group result. Different tax rates in different countries of operations and currency fluctuations impact the quarterly tax rate. Tax related issues are described more under the Outlook section and in note 9.

The Group reports the results by business segment. For a more detailed description of the results, see the sections by segment in the report. Savings reported a profit before amortisation of NOK 392m (NOK 435m) in the 2nd quarter and NOK 796m (NOK 963m) year to date. Profit before amortisation in Insurance increased to NOK 169m (NOK 145m) in the 2nd quarter and NOK 278m (NOK 201m) year to date. In Guaranteed pensions, it decreased to NOK 254m (NOK 310m) in the 2nd quarter and NOK 485m (NOK 631m) year to date due to lower profit sharing. In the Other segment, profit before amortisation also fell to NOK -238m (NOK 464m) in the 2nd quarter and -354m (NOK 428m) year to date due to weaker investment returns in company portfolios, while last year's result included the above mentioned divestment gain.

Capital situation

The solvency ratio was 195% at the end of the 2nd quarter, an increase of 11 percentage points from the previous quarter and 15 percentage points above the targeted range of 150-180%. Turbulent financial markets, with falling equity markets and wider credit spreads, detracted 9 percentage points from the solvency ratio while rising interest rates added 2 percentage points. Countercyclical regulatory factors, including an increase in the volatility adjustment (VA) and a lower symmetric equity stress, added 15 percentage points. Risk management actions, including changes made in the investment portfolios, improved the solvency ratio by 7 percentage points. The total of group profit after tax, net of capital set aside for dividends for 2022 and share buybacks, reduced the solvency ratio by 1 percentage point. Other factors detracted 3 percentage points.

During the 2nd quarter, S&P Global Ratings upgraded their ratings on Storebrand on ongoing profitable growth and improved financial strength. Storebrand Livsforsikring AS's rating was upgraded to 'A' from 'A-' with a stable outlook, reflecting the agency's expectation that Storebrand will continue to maintain its capital and balance sheet strength and profitable growth in diverse operations.

Based on Storebrand's reported solvency ratio of 184% in the 1st quarter, the Board of Directors announced its intentions to initiate a share buyback program amounting to NOK 500m. The program has been approved by the Norwegian Financial Supervisory Authority (FSA) and will commence shortly after the 2nd quarter results for 2022. The Board intends to apply for a new program during the second half of the year.

Group profit by segment

	2022		2021			01.01 - 30.06		Full year
NOK million	Q2	Q1	Q4	Q3	Q2	2022	2021	2021
Savings - non-guaranteed	392	404	916	476	435	796	963	2,355
Insurance	169	109	61	162	145	278	201	423
Guaranteed pension	254	232	485	315	310	485	631	1,432
Other profit	-238	-116	-95	-40	464	-354	428	293
Profit before amortisation	577	628	1,367	912	1,353	1,204	2,223	4,503

Group - Key figures

	2022		2021			01.01 - 30.06		Full year
	Q2	Q1	Q4	Q3	Q2	2022	2021	2021
Earnings per share, adj. for amortisation	1.16	2.18	2.25	1.56	2.79	3.34	4.00	7.81
Equity	37,268	38,430	37,709	36,735	35,823	37,268	35,823	37,709
Adjusted ROE, annualised	6.3%	12.1%	12.8%	8.7%	16.1%	9.0%	11.3%	10.7%
Solvency II ratio	195%	184%	175%	178%	172%	195%	172%	175%

Financial targets

	Target	Actual
Return on equity (after tax)*	> 10%	9.0%
Future Storebrand (Savings & Insurance)**		41%
Back book (Guaranteed & Other)**		3%
Dividend pay-out ratio	> 50%	N/A
Solvency II ratio Storebrand Group	> 150%	195%

* YTD profit after tax, adjusted for amortisation of intangible assets. Includes the tax income of NOK 568m in the 1st quarter 2022. Excluding this effect, the figure was 5.7%.

** The RoE is calculated based on the profit for the last 12 months, after tax and before amortisation of intangible assets, divided on a pro forma distribution of the IFRS equity less hybrid capital per line of business (opening balance). The capital is allocated based on the capital consumption under SII and CRD IV adjusted for positive capital contribution to own funds. The segments Savings, Insurance and Other are calibrated at 150% of the capital requirement (before own funds contribution), while the remainder of the capital is allocated to the Guaranteed segment. The methodology is an estimation of ROE pr. reporting segment.

Savings

- **Stable fee income in the quarter of NOK 1,130m (NOK 1,129m)**
- **Total assets under management amounting to NOK 1,009bn, down 3% y/y on weak financial markets**
- **15% growth in the Bank's lending volume y/y with 18% growth in fee income year to date**

The Savings segment includes savings products without interest rate guarantees. The segment consists of Defined Contribution pensions in Norway and Sweden under the Unit Linked products, asset management and retail banking products.

Savings – Results

NOK million	2022 Q2	Q1	2021 Q4	Q3	Q2	01.01 - 30.06 2022	2021	Full year 2021
Fee and administration income	1,130	1,136	1,748	1,182	1,129	2,266	2,285	5,215
Operational cost	-718	-702	-838	-716	-703	-1,420	-1,373	-2,927
Operating profit	412	434	910	466	427	846	911	2,288
Financial items and risk result life	-20	-30	6	9	8	-50	51	67
Profit before amortisation	392	404	916	476	435	796	963	2,355

Financial performance

The Savings segment reported a profit before amortisation of NOK 392m (NOK 435m) in the 2nd quarter and NOK 796m (NOK 963m) year to date. Underlying growth continues to be strong, but negative market returns have led to a decline in assets under management this year.

The fee and administration income in the Savings segment remained stable and amounted to NOK 1,130m (NOK 1,129m) in the 2nd quarter and NOK 2,266m (NOK 2,285m) year to date. Adjusted for non-recurring and currency effects, the overall income within Savings increased by 2% year to date. Income in Asset Management and the Bank grew 10% and 18% respectively in the first half of the year, adjusted for a reallocation of fees of NOK 17m in the 1st quarter from Asset Management to Unit Linked Norway. Earned but not booked performance related income in Asset Management amounted to NOK 20m (NOK 157m) in the quarter and NOK 47m (NOK 230) year to date. Within Unit Linked, falling equity markets and lower fee margins from the introduction of Individual Pension Accounts in 2021 have resulted in income decline in the first half of the year. In Norway, income fell by 12%, adjusted for the reallocation effect mentioned above. In Sweden, income fell by 5% adjusted for currency effects and a transaction fee income amounting to SEK 37m last year.

The resulting fee margin in Unit Linked Norway was 0.62% (0.73%) in the quarter, down from 0.64% in the previous quarter (adjusted for the reallocation mentioned above). In Sweden, the margin was relatively stable from last quarter at 0.68% (0.74%). Higher income in Asset Management resulted in a fee margin of 0.20% (0.18%) in the quarter compared to 0.18% last quarter. The Bank's net interest income was 1.16% (1.14%) in the 2nd quarter, down from 1,22% last quarter, as higher funding costs have preceded increased lending rates.

Operational cost amounted to NOK -718m (NOK -703m) in the 2nd quarter and NOK -1,420m (NOK -1,373m) year to date. Performance related costs in funds with performance fees amounted to NOK -6m (NOK -68m) in the quarter and NOK -17m (NOK -95m) year to date. Adjusted for this, operational cost increased by 11% both in the quarter and year to date. The increase is attributed to growth initiatives in the business and digital investments.

The financial result was NOK -20m (NOK 8m) in the 2nd quarter and NOK -50m (NOK 51m) year to date. The loss in the first half of the year stems primarily from lower mark to market values on credit bonds from wider spreads, and changes in the value of fixed-rate mortgages in Storebrand Bank due to higher interest rates.

Balance sheet and market trends

Unit Linked premiums were stable and amounted to NOK 5.3bn (NOK 5.3bn) in the quarter. Net inflow amounted to NOK 1.6bn (NOK -1.3bn) in the 2nd quarter and NOK 1.8bn (NOK -0.2bn) year to date. Due to weak financial markets, total assets under management in Unit Linked decreased by NOK 14.7bn (-5%) to NOK 276bn in the quarter and by NOK 18.9bn (-6%) compared to the same quarter last year.

In the Norwegian Unit Linked business, assets under management decreased during the quarter by NOK 8.3bn (-5%) to NOK 146bn, and decreased by NOK 4.8bn (-3%) from the same quarter last year. Underlying growth is driven by growth in occupational pension premium payments and new sales, but turbulent markets reduce assets under management. Storebrand is the second largest provider of Defined Contribution pensions in Norway, with a market share of 27% of gross premiums written (at the end of the 1st quarter 2022).

In the Swedish market, SPP is the second largest provider of non-unionised occupational pensions with a market share of 12% measured by gross premiums written including transfers within Unit Linked (as at the end of the 1st quarter 2022). Unit Linked assets under management decreased during the quarter by SEK 10.6bn (-7%) to SEK 136bn, and decreased by SEK 8.3bn (-6%) from the second quarter last year. The underlying growth is driven by strong growth in sales (APE), which were the highest on record in the second quarter and amounted to SEK 790m (SEK 522m). However, turbulent markets reduce assets under management both in the quarter and year to date.

Assets under management in Storebrand Asset Management decreased during the quarter by NOK 30.9bn (-3%) to NOK 1,009bn and decreased by NOK 28.7bn (-3%) from the same quarter last year due to negative market returns. The net flow in the quarter was NOK -2bn, but the net inflow year to date amounted to NOK 9bn.

The bank lending portfolio increased by NOK 3.3bn (6%) to NOK 62.6bn during the quarter and by NOK 8.2bn (15%) from the same quarter last year. The growth is attributed to improved sales. The portfolio consists of low-risk home mortgages with an average loan-to-value (LTV) of 56%. NOK 16bn of the mortgages are booked on the balance sheet of Storebrand Livsforsikring AS.

Savings - Key figures

	2022		2021		
NOK million	Q2	Q1	Q4	Q3	Q2
Unit linked Reserves	276,312	291,036	308,351	295,790	295,195
Unit linked Premiums	5,333	5,288	5,350	5,201	5,316
AuM Asset Management	1,008,705	1,039,654	1,096,556	1,058,435	1,037,470
Retail Lending	62,559	59,223	57,033	55,663	54,288

Insurance

- **14% overall growth in portfolio premiums y/y**
- **Strong combined ratio of 88% in the quarter and 90% year to date**
- **16% profit growth in the quarter and 38% year to date compared to last year**

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 – Results

	2022		2021			01.01 - 30.06		Full year
NOK million	Q2	Q1	Q4	Q3	Q2	2022	2021	2021
Insurance premiums f.o.a.	1,449	1,397	1,366	1,336	1,279	2,846	2,473	5,175
Claims f.o.a.	-1,019	-1,032	-1,059	-995	-946	-2,051	-1,920	-3,974
Operational cost	-260	-251	-253	-207	-214	-510	-416	-875
Operating profit	170	114	54	135	119	284	137	326
Financial result	-1	-5	6	27	27	-7	64	97
Contribution from SB Helseforsikring AS	*0*	*-7*	*-9*	*13*	*10*	*-7*	*13*	*17*
Profit before amortisation	169	109	61	162	145	278	201	423

Claims ratio	70%	74%	78%	74%	74%	72%	78%	77%
Cost ratio	18%	18%	19%	15%	17%	18%	17%	17%
Combined ratio	88%	92%	96%	90%	91%	90%	94%	94%

Financial performance

Insurance premiums f.o.a. amounted to NOK 1,449m (NOK 1,279m) in the 2nd quarter and NOK 2,846m (NOK 2,473m) year to date, corresponding to an increase of 13% compared to the same quarter last year and an increase of 15% year to date. Profit before amortisation amounted to NOK 169m (NOK 145m) in the 2nd quarter and NOK 278m (NOK 201m) year to date. The total combined ratio was 88% (91%) in the 2nd quarter and 90% (94%) year to date. The result is in line with the target combined ratio of 90-92%. Improving labour market conditions in the economy, after the removal of infection controls, seem to have improved disability levels in the quarter, however future developments remain uncertain.

Within 'P&C & Individual life', strong growth continued with premiums f.o.a. growing 23% year to date compared to last year. Profit before amortisation was NOK 121m (NOK 110m) in the 2nd quarter and NOK 192m (NOK 172m) year to date. The claims ratio improved to 63% (64%) in the 2nd quarter and 66% (67%) year to date. Few large claims combined with run-off gains in P&C, as well as improved disability levels, strengthened the result in the quarter. Operational cost increased to NOK -186m (NOK -154m) in the 2nd quarter and NOK -355m (NOK -290m) year to date due to growth and increased activity. Altogether, the product segment delivered a combined ratio of 85% (86%) in the 2nd quarter and 88% (90%) year to date.

'Health and Group life' reported a profit before amortisation of NOK 14m (NOK -7m) in the 2nd quarter and NOK 8m (NOK 4m) year to date. Measures, including repricing, have been taken to improve the robustness and profitability in the Group Life product. The Health insurance business delivered a zero result in the quarter and a loss of NOK -7m (NOK 13m) year to date. The weak but improving result is due to higher claims in the Norwegian business and seasonal variation.

The result for 'Pension related disability insurance Nordic' was NOK 34m (NOK 42m) in the 2nd quarter and NOK 78m (NOK 26m) year to date. While the Norwegian business experienced increases in disability claims in the 1st quarter, partly due to effects of infection controls on the labour market, the development in the 2nd quarter is positive. In the Swedish business, the result is driven by low claims and run-off gains. Altogether the claims ratio in the 2nd quarter was 78% (76%) and NOK 76% (84%) year to date.

The cost ratio was 18% (17%) in the 2nd quarter and year to date, with cost amounting to NOK -260m in the 2nd quarter and NOK -510m year to date. The higher cost level is driven by the growth in the business, including sales commissions increasing in line with the growth in sales.

The Insurance investment portfolio is primarily invested in fixed income securities with short to medium duration and achieved a financial return of 0.5% in the 2nd quarter and 1.0% year to date.

Balance sheet and market trends

The Insurance segment offers a broad range of products to the retail market in Norway, as well as to the corporate market in both Norway and Sweden. Storebrand has an ambition to grow the insurance business, particularly within P&C. As of the 2nd quarter, 50% of the insurance portfolio is now within 'P&C & Individual Life'. Storebrand was the fastest growing company within Norwegian retail P&C in 2021 in terms of written premiums and now holds a market share of 6.1% as of the 1st quarter compared to 5.2% a year earlier.

Overall growth in annual portfolio premiums amounted to 14% compared to the same quarter last year. Growth in 'P&C & Individual life' amounted to 15% and is driven by strong contribution from sales agents, distribution partnerships and the acquisition of Insr portfolios. 'Health & Group life' grew by 16%, driven by price adjustments, and 'Pension related disability insurance' grew by 10%, driven by price adjustments and salary increases. Overall, double digit growth is expected to continue within Insurance in the coming years.

Insurance – Portfolio premiums

	2022		2021		
NOK million	Q2	Q1	Q4	Q3	Q2
P&C & Individual life	3,512	3,395	3,301	3,160	3,053
Health & Group life*	2,006	1,939	1,775	1,752	1,734
Pension related disability insurance Nordic	1,487	1,457	1,369	1,351	1,346
Total written premiums	7,005	6,791	6,445	6,263	6,133
Investment portfolio**	10,181	10,003	9,584	9,879	9,813

* Includes all written premiums in Storebrand Helseforsikring AS (50/50 joint venture with Munich Health).
** Ca. NOK 2,9bn of the investment portfolio is linked to disability coverages where the investment result goes to the customer reserves and not as a result element in the P&L.

Guaranteed pension

- **Stable operating profit and strong risk result**
- **Limited impact of turbulent financial markets on the results due to strong buffer capital position and risk management**

The Guaranteed Pension segment includes long-term pension savings products that give customers a guaranteed rate of return, but most products are closed for new business and are in run-off. The area includes defined benefit pensions in Norway and Sweden, paid-up policies, public sector occupational pensions, and individual capital and pension insurance.

Guaranteed pension – Results

	2022		2021			01.01 - 30.06		Full year
NOK million	Q2	Q1	Q4	Q3	Q2	2022	2021	2021
Fee and administration income	395	391	418	423	407	786	790	1,631
Operational cost	-206	-202	-248	-217	-227	-409	-424	-890
Operating profit	**189**	**189**	**169**	**206**	**180**	**377**	**366**	**741**
Risk result life & pensions	54	82	63	70	21	135	54	187
Net profit sharing	11	-39	253	38	108	-28	212	504
Profit before amortisation	**254**	**232**	**485**	**315**	**310**	**485**	**631**	**1,432**

Financial performance

Guaranteed pension achieved a profit before amortisation of NOK 254m (NOK 310m) in the 2nd quarter and NOK 485m (NOK 631m) year to date.

Fee and administration income was stable at NOK 395m (NOK 407m) in the 2nd quarter and NOK 786m (NOK 790m) year to date. The majority of the guaranteed products are closed for new business and are in long term run-off. However, Public Occupational Pensions (reported as Defined Benefit Norway) is a growth area.

Operational cost amounted to NOK -206m (NOK -227m) in the 2nd quarter and NOK -409m (NOK -424m) year to date.

The operating profit improved to NOK 189m (NOK 180m) in the 2nd quarter and NOK 377m (NOK 366m) year to date.

The risk result increased to NOK 54m (NOK 21m) in the 2nd quarter and NOK 135m (NOK 54m) year to date. Improving disability risk results in Norwegian Paid-up policies and Defined Benefit products are the main contributors to the result in the quarter and first half of the year. The Swedish products also continued to report positive risk results.

Net profit sharing amounted to NOK 11m (NOK 108m) in the 2nd quarter and NOK -28m (NOK 212m) year to date. Falling equity markets and lower mark-to-market valuations of fixed income investments due to rising interest rates and wider credit spreads have resulted in weak investment returns in the first half of the year. In Norway, the returns have been absorbed by strong customer buffers. The main impact on the result to shareholders in the first half of the year has been an absence of profit sharing. In Sweden, net profit sharing amounted to NOK 15m (NOK 76m) in the quarter, but NOK -23m (NOK 177m) year to date. An increase in the volatility adjustment has offset mark to market losses from wider credit spreads in the 2nd quarter, while active risk management has limited the impact from rising interest rates, and the sale of real estate has contributed with positive investment gains. Consequently, the consolidation ratio has remained stable at 111% (112%) in the largest Defined Benefit portfolio, allowing for partial indexation fees of NOK 13m (NOK 38m) in the quarter despite higher inflation.

Balance sheet and market trends

The majority of the guaranteed products are in long term run-off as pension payments are paid out to policyholders. Most customers have switched from guaranteed to non-guaranteed products.

As of the 2nd quarter, customer reserves of guaranteed pensions amounted to NOK 275bn. This is a decrease of NOK 7bn in the 2nd quarter and NOK 20bn over the last year. Adjusted for currency effects this represent a reduction of 3.1% and 5.5% respectively, driven by a combination of weak financial market returns and the run-off profile of most of the products. Net flow of guaranteed pensions amounted to NOK -2.6bn 2nd quarter and NOK -10.8bn over the last year. As a share of the total balance sheet, guaranteed reserves amounted to 49.9% (50.0%) at the end of the 2nd quarter.

A growth area for Storebrand is public sector occupational pensions, where Storebrand won its first mandates in 2020. The public sector effort has been the driver for a net increase in Defined Benefit reserves in the Norwegian business over the last years. Mandates amounting to an estimated NOK 5.5bn of reserves were won in 2021, most of which has been transferred to Storebrand in the first half of the 2022. Public sector mandates are typically assigned in second half of the year.

Paid-up policies are experiencing some growth over time as active Defined Benefit contracts eventually become Paid-up policies. Reserves amounted to NOK 144bn as of the 2nd quarter, a decrease of NOK 5.4bn in 2022. The decrease is primarily attributed to drawdowns on pensions to policy holders.

Guaranteed portfolios in the Swedish business totalled NOK 80bn as of the 2nd quarter, a decrease of NOK 12.9bn in the first half of the year as consequence of lower mark-to-market valuations of assets and liabilities. Adjusted for currency effects, the decrease was NOK 11.9bn.

Storebrand's strategy is to have solid buffer capital levels in order to secure customer returns and shield shareholder's equity under turbulent market conditions. Buffer capital decreased by NOK 4.0bn to NOK 24.5bn in the 2nd quarter, and by NOK 9.2bn year to date as a result of falling equity markets, rising interest rates, and wider credit spreads. As a share of guaranteed reserves, buffer capital levels in Norwegian products still amount to 6.9% (11.3%) and 17.5% (15.1%) in Swedish products. This does not include off-balance sheet excess values of bonds at amortised cost, which at the end of the 2nd quarter amounted to a deficit of NOK -9.6bn from a surplus of NOK 3.4bn at the end of last year. The deficit indicates that the reinvestment yield in the market is currently higher than the average yield in the portfolio. As bonds at amortised cost mature, their excess values will tend to zero.

Guaranteed pension – Key figures

	2022		2021		
NOK million	Q2	Q1	Q4	Q3	Q2
Guaranteed reserves	275,092	281,474	290,862	292,161	294,909
Guaranteed reserves in % of total reserves	49.9%	49.2%	48.5%	49.7%	50.0%
Net flow of premiums and claims	-2,564	-2,609	-2,663	-2,948	-2,551
Buffer capital in % of customer reserves Norway	6.9%	8.6%	11.2%	10.8%	11.3%
Buffer capital in % of customer reserves Sweden	17.5%	17.9%	17.8%	15.5%	15.1%

Other

The result for Storebrand ASA is reported under Other, as well as the financial result for the company portfolios of Storebrand Life Insurance and SPP. Group eliminations are reported in a separate table below.

Results excluding eliminations

	2022		2021			01.01 - 30.06		Full year
NOK million	Q2	Q1	Q4	Q3	Q2	2022	2021	2021
Fee and administration income	4	6	8	6	4	9	7	21
Operational cost	-70	-64	-103	-52	-43	-134	-90	-246
Operating profit	**-66**	**-59**	**-96**	**-46**	**-39**	**-125**	**-83**	**-225**
Financial items and risk result life	-172	-57	0	6	503	-230	511	518
Profit before amortisation	**-238**	**-116**	**-95**	**-40**	**464**	**-354**	**428**	**293**

Eliminations

	2022		2021			01.01 - 30.06		Full year
NOK million	Q2	Q1	Q4	Q3	Q2	2022	2021	2021
Fee and administration income	-73	-75	-66	-67	-67	-148	-127	-260
Operational cost	73	75	66	67	67	148	127	260
Financial items and risk result life								
Profit before amortisation								

Financial performance

The Other segment reported a profit before amortisation of NOK -238m (NOK 464m) in the 2nd quarter and -354m (NOK 428m) year to date. The loss this year stems primarily from operational cost in the holding company Storebrand ASA, and negative returns on investments in company portfolios due to rising interest rates and wider credit spreads. Correspondingly, the running yield has increased. The result last year includes a positive financial result of NOK 546m from the divestment of AS Værdalsbruket.

The financial result for the Other segment includes the company portfolios of SPP and Storebrand Life Insurance, and the financial result of Storebrand ASA. The financial result for the Other segment amounted to NOK -172m in the 2nd quarter and -230m year to date, primarily due to weak investment returns. The investments in the company portfolios are primarily in interest-bearing securities in Norway and Sweden. The Norwegian company portfolio achieved a return of -0.2% in the 2nd quarter and -0.1% year to date, while the Swedish company portfolio reported a return of -1.7% in the 2nd quarter and -2.3% year to date.

The Storebrand Life Insurance Group is funded by a combination of equity and subordinated loans. Interest expenses in the quarter amounted to NOK -94m. Given the interest rate level at the end of the 2nd quarter, interest expenses of approximately NOK -130m per quarter are expected going forward. The company portfolios in the Norwegian and Swedish life insurance companies and the holding company amounted to NOK 31.0bn at the end of the quarter.

Balance sheet and capital situation

- **Solvency II ratio 195%**
- **9.0% Return on Equity (adj. and annualised) year to date, 5.7% excluding positive tax effect in Q1**
- **Buffer capital at 10% of customer reserves with guarantees, -3 p.p. this year due to market volatility**

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

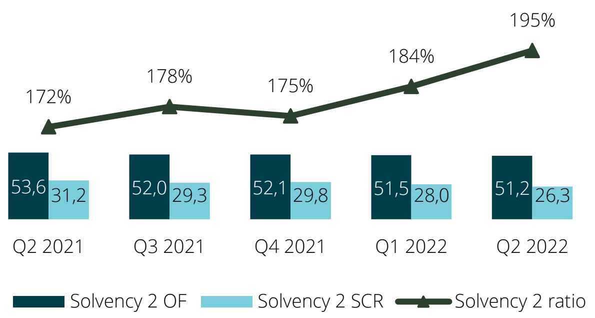
Storebrand Group

Solvency

Storebrand uses the standard model for the calculation of Solvency II. The Storebrand Group's target solvency ratio is 150%-180%. This includes the use of the transitional rules, but with the current balance sheet in the current interest rate environment, Storebrand does not benefit from any transitional capital.

The solvency ratio was 195% at the end of the 2nd quarter, an increase of 11 percentage points from the previous quarter and 15 percentage points above the targeted range of 150-180%. Turbulent financial markets, with falling equity markets and wider credit spreads, detracted 9 percentage points from the solvency ratio while rising interest rates added 2 percentage points. Countercyclical regulatory factors, including an increase in the volatility adjustment (VA) and a lower symmetric equity stress, added 15 percentage points. Risk management actions, including changes made in the investment portfolios, improved the solvency ratio by 7 percentage points. The total of group profit after tax, net of capital set aside for dividends for 2022 and share buybacks, reduced the solvency ratio by 1 percentage point. Other factors detracted 3 percentage points.

Solvency development - Storebrand Group



Return on equity

Storebrand is a blend of fast-growing capital-light business that delivers high returns on equity, and capital-intensive run-off business with low returns on equity. The back book of guaranteed business ties up more than three quarters of the Group's capital, delivering an estimated return on equity of 3% over the last twelve months, whereas the front book, the "future Storebrand" delivered an estimated return on equity of 41%[1]. Large variations in the estimated pro forma return on equity in the front book are expected as earnings are market dependent, while the capital base is primarily related to mortgage lending in the bank and to insurance. Overall, the Group's return on equity year to date (adjusted for amortisation) was 9.0% on an annualised basis. As the business mix shifts, the return on equity is expected to reach the targeted 10% on a sustainable basis from 2023 onwards.

Storebrand ASA

Storebrand ASA (holding company) held liquid assets of NOK 5.7bn at the end of the 2nd quarter. Liquid assets consist primarily of short-term fixed income securities with a high credit rating and bank deposits. Storebrand ASA's total interest-bearing liabilities were NOK 0.5bn at the end of the 2nd quarter. The next maturity date for bond debt is in Sept 2025, when NOK 0.5bn matures. In addition to the liquidity portfolio, the company has an unused credit facility of EUR 200m that runs until December 2025.

Storebrand ASA owned 0.28% (1,322,238) of the company's own shares at the end of the 2nd quarter.

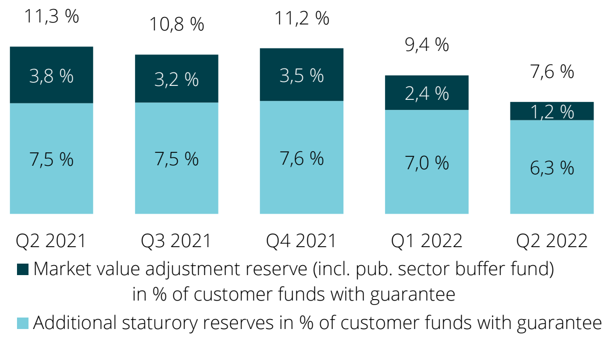
Storebrand Life Insurance Group[2]

The Solidity capital[3] measures the amount of IFRS capital available to cover customer liabilities. The solidity capital amounted to NOK 50.5bn at the end of 2nd quarter 2022, a decrease in the 2nd quarter by NOK 7.3bn and by NOK 23.6bn year to date. The change in the quarter and year to date is primarily due to increased interest rates and decreased customer buffers, mainly in Norway.

[1]The RoE is calculated based on the profit for the last 12 months, after tax and before amortisation of intangible assets, divided on a pro forma distribution of the IFRS equity less hybrid capital per line of business (opening balance). The capital is allocated based on the capital consumption under SII and CRD IV adjusted for positive capital contribution to own funds. The segments Savings, Insurance and Other are calibrated at 150% of the capital requirement (before own funds contribution), while the remainder of the capital is allocated to the Guaranteed segment. The methodology is an estimation of ROE pr. reporting segment.
[2] Storebrand Livsforsikring AS, SPP and BenCo
[3] 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

Storebrand Livsforsikring AS

Customer buffers (NOR)



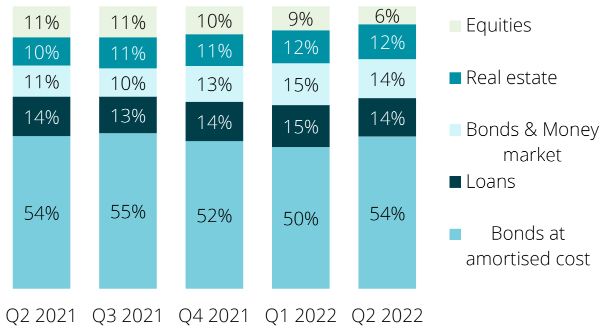
The market value adjustment reserve and bufferfund decreased during the 2nd quarter by NOK 1.9bn and NOK 4.3 year to date. At the end of 2nd quarter, the market value adjustment reserve and bufferfund amounted to NOK 2.0bn, corresponding to 1.2% (2.4% at the end of 1st quarter) of customer funds with a guarantee. New business transferred in contributed positively with NOK 0.8bn to the bufferfund year to date, all which came in the 1st quarter.

The additional statutory reserves amounted to NOK 10.5bn at the end of the 2nd quarter, corresponding to 6.3% (7.0% at the end of the 1st quarter) of customer funds with guarantee. Investment returns lower than the guaranteed interest rate in customer portfolios decreased reserves by NOK 1.3bn in 2nd quarter and NOK 1.8bn year to date. In connection with the implementation of the bufferfund in Public Sector Pensions at the start of the year, NOK 1bn was transferred between market value adjustment reserve and additional statutory reserves.

Altogether, the customer buffers amounted to 7.5% (9.4% at the end of the 1st quarter) of customer funds with guarantee at the end of 2nd quarter.

The excess value of bonds and loans valued at amortised cost decreased by NOK 4.8bn in the 2nd quarter and NOK 13.0bn year to date due to higher interest rates, and amounted to NOK -9.6bn at the end of the 2nd quarter. Excess values are not included in the financial statements.

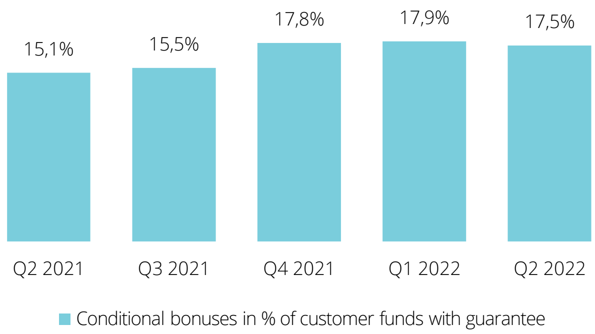
Allocation of guaranteed customer assets (NOR)



Customer assets decreased in the 2nd quarter by NOK 11.0bn and by NOK 15.1bn year to date, amounting to NOK 341bn at the end of 2nd quarter. Customer assets within non-guaranteed savings decreased by NOK 8.3bn during the 2nd quarter and by NOK 12.0bn year to date, amounting to NOK 146bn at the end of 2nd quarter. Guaranteed customer assets decreased by NOK 2.7bn in the 2nd quarter and by NOK 3.1bn year to date, amounting to NOK 195bn at the end of 2nd quarter.

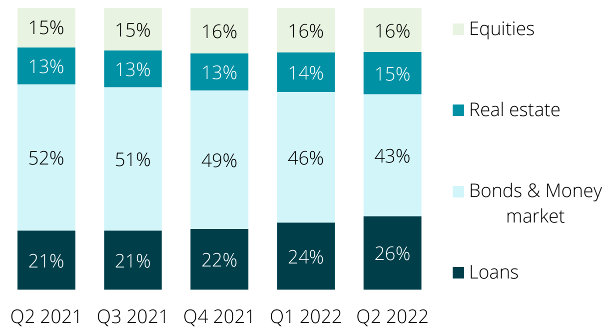
SPP

Customer buffers (SWE)



The buffer capital (conditional bonuses) amounted to SEK 12.5bn (SEK 12.6bn) at the end of the 2nd quarter.

Allocation of guaranteed customer assets (SWE)



Customer assets amounted to SEK 215bn (SEK 226bn) at the end of the 2nd quarter, corresponding to a decrease of SEK 11bn over the last year. Customer assets within non-guaranteed savings amounted to SEK 135bn (SEK 144bn) at the end of the 2nd quarter, which is a decrease of SEK 9bn compared to the same quarter last year. Guaranteed customer assets decreased by SEK 2bn in the same period and amounted to SEK 80bn (SEK 82bn) at the end of the 2nd quarter.

Storebrand Bank

Loans outstanding increased by NOK 5.9bn during the 2nd quarter. The home mortgage portfolio managed on behalf of Storebrand Livsforsikring AS decreased by NOK 2.5bn during the quarter. The combined portfolio of loans in Storebrand Bank and Storebrand Livsforsikring increased by NOK 3.3bn during the 2nd quarter and NOK 5.5bn year to date.

Storebrand Bank Group had an increase in the risk-weighted balance sheet of NOK 2.7bn year to date. The Bank Group had a net capital base of NOK 3.6bn at the end of the 2nd quarter. The capital adequacy ratio was 19.1% and the Core Equity Tier 1 (CET1) ratio was 13.6%, compared with 20.3% and 15.4% respectively at the end of 2021. The combined requirements for capital and CET1 were 16.3% and 12.8% respectively at the end of the 2nd quarter.

Outlook

Strategy

Storebrand follows a two-fold strategy that gives a compelling combination of self-funded growth in the front book, i.e. the growth areas of the “future Storebrand”, and capital return from a maturing back book of guaranteed pensions.

Storebrand aims to be (a) the leading provider of Occupational Pensions in both Norway and Sweden, (b) continue a strategy to build a Nordic Powerhouse in Asset Management and (c) ensure fast growth as a challenger in the Norwegian retail market for financial services. The combined capital, customer base, cost and data synergies across the Group provide a solid platform for profitable growth and value creation.

At the capital markets day in December 2020, Storebrand announced an ambition to achieve a profit before amortisation and tax of about NOK 4bn in 2023. The profit ambition was reached in 2021, helped by gains from the sale of AS Værdalsbruket and strong performance in funds with performance fees. The full economic effect of individual pension accounts is expected to give a negative result contribution of NOK 100m in 2022. On the other hand, the contribution from acquisition of Danica will have full effect from 2023. Weak market returns in 2022 have lowered assets under management, a primary source of income for the Group. However, strong growth across the Group provides a solid platform for profitable growth in the coming years and Storebrand maintains the profit ambition set out for 2023.

Storebrand continues to manage capital and a back book with guaranteed products for increased shareholder return. This includes both a dividend policy of growing ordinary dividends from earnings as well as managing the legacy products that carry interest guarantees in a capital-efficient manner. In 2020, Storebrand announced that the goal is to release an estimated NOK 10bn of capital by 2030.

Financial performance

In Norway, the market for private sector occupational pensions has experienced increased competition over the last years in anticipation of the new Individual Pension Accounts (IPA) introduced in 2021. Consequently, the Unit Linked segment in Norway has been reporting a gradually lower fee income margin. This has been reinforced by individuals’ contracts being merged into one account in 2021. The product’s profit is expected to decline in 2022, before recovering to previous levels in 2023 through strong underlying growth as well as measures to increase profitability. The market has grown structurally over the past years. High single-digit growth in Defined Contribution premiums and double-digit growth in assets under management are expected during the next years. We aim to defend Storebrand’s strong position in the market, while also focusing on cost leadership and improved customer experience through end-to-end digitalisation.

In July 2022, Storebrand acquired Danica in Norway, which holds a market share of 5% in Defined Contribution pensions. This will strengthen Storebrand’s presence in the segment for small and medium sized businesses, and it will increase Storebrand’s distribution capacity of both Defined Contribution pensions and personal risk products.

In the coming years, Storebrand is also looking to leverage customer, product and capital synergies by expanding our insurance offering to corporate clients within P&C. This will generate an additional income stream for the Group.

As a leading occupational pension provider in the private sector, Storebrand also has a competitive offering to the public sector market. Premiums in the public sector pension market are growing and it is larger in reserves than the private sector. This represents a potential additional source of revenue generation for Storebrand. The ambition is to gain 1% market share annually, or approximately NOK 5bn in annual net inflow.

In Sweden, SPP has become a significant profit contributor to the Storebrand Group, driven by earnings growth and ongoing capital release. Growth is expected to continue, driven by an edge in digital and ESG-enhanced solutions, and a strong market position. The market is expected to grow about 8% annually, supported by increasing transfer volumes. Going forward, SPP’s ambition is to grow 14-16% annually – twice the overall market growth – partly through capturing the largest share of transfers.

Overall reserves for guaranteed pensions are expected to start decreasing in the coming years. Guaranteed reserves represent a declining share of the Group’s total pension reserves and amounted to 49.9% of the pension reserves at the end of the quarter, 1.5 percentage points lower than a year ago. Storebrand’s strategy is to secure customer returns and shield shareholder’s equity under turbulent market conditions by building customer buffers.

In addition to managing internal pension funds, Storebrand Asset Management is growing its external mandates from institutional and retail investors, both in the Nordics and across Europe. Storebrand has a full product range including index, factor and active management. We are also one of the strongest providers of alternative assets in the Nordic region, an asset class offering prospects of higher margins. In the 3rd quarter 2021, Storebrand acquired real estate manager Capital Investment in Denmark to expand our offering of alternative assets. In combination with a strong track record with ESG-enhanced mutual funds, Storebrand is aiming to capitalise on these two trends. The overall ambition is to grow assets under management by NOK 250bn in the period 2021-2023, while maintaining a stable fee margin.

The individualisation of the market for pension and savings is expected to further increase and may be reinforced by the introduction of individual pension accounts in Norway. Retail has already become an increasingly larger part of Storebrand, contributing around 20% to the overall Group profit. In 2021, Storebrand received 62,000 new retail customers, corresponding to a 16% increase. P&C insurance has been an important area for growth. Own sales channels and distribution partnerships will continue to support growth. The ambition is to grow more than 10% annually within savings, mortgage lending and insurance.

Adjusted for acquisitions, currency and performance related cost, the Group has reported flat nominal cost from 2012-2020. In 2021, we delivered on the ambition to keep cost at NOK 4.4bn. The underlying cost base is expected to grow to approximately NOK 4.9bn in 2022. This is partly explained by investments in profitable growth, including public occupational pensions and our

P&C offering in the market for small and medium sized enterprises, as well as newly acquired Capital Investment. Together, these growth initiatives are expected to increase costs by NOK 400m. Should the growth not materialise, management has contingency plans in place to cut costs. High inflation rates, particularly wage inflation, is expected to increase the cost base by NOK 100m. Acquired business such as Danica and fund performance related costs will add to the total cost base.

Risk

Our risk management framework is designed to take appropriate risk in order to deliver returns to customers and shareholders. At the same time, the framework shall ensure that we shield our customers, shareholders, employees and other stakeholders from undesirable incidents and losses. The framework covers all risks that Storebrand may be exposed to.

Financial market risk is the Group's biggest risk, but main risks also include business risk, insurance risk, counterparty risk, operational risk, climate risk and liquidity 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. Should the economic situation worsen, and financial markets deteriorate, investment losses may occur from reduced valuations of such instruments.

In the 1st half of 2022, we have witnessed an outbreak of war on the European continent with increased geopolitical and economic uncertainty, resulting in increased financial market volatility. As a consequence, Storebrand has been on heightened alert with increased monitoring of suppliers and value chains, cyber risk, anti-money laundering (AML) and financial market risk.

Inflation expectations have risen in much of the world, including in Norway and Sweden, as a consequence of global supply chain risk and increased food and energy costs. High and rapidly rising inflation rates may increase costs and insurance claims in Storebrand. While pension premiums and some insurance premiums are directly linked to wage inflation, which could automatically result in premium growth, other products including P&C insurance will have to be repriced to mitigate the negative effects of inflation.

A consequence of higher inflation may be rising interest rates, as seen in the 1st half of the year. Higher interest rates strengthen Storebrand's balance sheet and improves our ability to fulfil guaranteed pension liabilities in the long run, which also strengthens the solvency ratio and reduces solvency risk. However, the immediate short term impact may be mark-to-market losses on fixed income investments and insufficient investment returns to fulfil the annual guarantee in a single year. To reduce the financial impact to shareholders from rising interest rates, Storebrand has made adjustments to the investment portfolios by shortening the duration on mark-to-market bonds, and has over time built a robust portfolio of long-duration bonds at amortised cost which is not affected in the accounts by rising rates. Storebrand has also prioritised building buffer capital from excess returns. The customer buffers limit the financial risk to shareholders and policyholders in markets with rising interest rates by absorbing investment losses. With close to 10% of customer buffers as a share of customer reserves, Storebrand effectively has NOK 25bn more in customer assets than liabilities.

In the long term, low interest rates represent a risk for products with guaranteed high interest rates. The level of the average annual interest rate guarantee is gradually reduced as older policies with higher guarantees are phased out. To reduce the risk, Storebrand has over time reduced the asset-duration mismatch in the Norwegian portfolio and has an asset-duration matched portfolio in Sweden. Customer buffers also increase the expected booked returns in Norway and can compensate for a shortfall in returns in a low-rate environment, limiting the financial risk to shareholders and policyholders.

Increased longevity and development in disability are the main insurance risk factors for the Group. A weakening of the Norwegian economy that leads to higher unemployment may lead to higher disability levels, which can result in increased claims. The Covid-19 pandemic led to increased uncertainty in disability and related claims. In the first half of the year, the removal of infection controls seems to have improved disability levels, but Storebrand continues to monitor the development closely.

Operational risk may also influence solvency. Several regulatory processes, both on the domestic and international level, with potential implications for capital, customer returns and commercial opportunities are described below in a separate section.

Changes have been made to the Norwegian tax legislation for the insurance industry over many years. Storebrand and the Norwegian Tax Administration have interpreted some of the legislation changes and the associated transitional rules differently. Consequently, Storebrand has three uncertain tax positions with regards to recognised tax expenses. These are described in more detail in note 9. Should Storebrand's interpretation be accepted in all three cases, an estimated positive tax result of up to NOK 2.2bn may be recognised. Should all the Norwegian Tax Administration's interpretations be the final verdict, a tax expense of NOK 1.7bn could be recognised. The timeline for settling the process with the Norwegian Tax Administration might take several years. If necessary, Storebrand will seek clarification from the court of law on the matter.

Regulatory changes

Savings in Norwegian Defined Contribution pensions

The transition period for new legislation making occupational pension contributions mandatory for all employees, regardless of age or employment fraction, ended 1 July 2022. It is estimated that the changes will increase total savings in the Defined Contribution pension market by about NOK 3bn per year, of which Storebrand expects to receive its market share of premiums which was 27% at the end of 2021.

Changes in the National Insurance Pension Scheme

A report proposing changes in the Norwegian National Insurance Pension Scheme was delivered to the Government in June 2022. Among the proposals is automatic adjustment of retirement age for earliest possible withdrawal of pensions as longevity expectations increase. The report states that age limits in occupational and individual pension schemes should be adjusted accordingly.

Solvency II review

The European Commission presented proposals for changes in the Solvency II standard model in September 2021. The Commission's proposals differ significantly compared to earlier proposals from The European Insurance and Occupational Pension Authority (EIOPA).

The main purpose of the revision is to ensure that insurance companies continue to invest in accordance with the political priorities of the EU, especially with regards to financing the post Covid-19 recovery by facilitating long-term investments and increasing the capacity to invest in European business. The Commission emphasises the insurance sector's important role when it comes to financing the green transition and helping society to adapt to climate change. The review intends to correct deficiencies in current regulation and make the insurance sector more robust.

Storebrand currently applies the standard model. In the review, changes to the interest rate risk module could increase the solvency capital requirement for Norwegian and Swedish insurers. The Commission's proposals appear more representative for Norwegian interest rates than earlier proposals from EIOPA. The Commission also proposes changes that could have offsetting effects to increased capital requirements, such as a reduced risk margin. Several changes are proposed in the calculation of the volatility adjustment as well as an increased interval for the symmetric adjustment for equity risk. As they are currently outlined, the Commission's proposals are not expected to have a significant overall impact on Storebrand's solvency ratio.

The Commission has not outlined a timeline for the further process on adapting changes in the standard model. We expect final conclusions to be drawn by the Commission, the Parliament and the Council in 2022. This will be followed by work on delegated acts and guidelines. Changes are not expected to enter into force until 2024-2025. The Commission will consider a phasing-in period of five years for new rules related to the calculation of interest rate risk and the new extrapolation method for interest rates will be phased in gradually until the end of 2031.

Changes in IFRS

A new accounting standard for insurance contracts, IFRS 17, is set to be implemented in 2023. The purpose is to introduce common accounting rules for insurance contracts and improve the comparability of financial statements. IFRS 17 entails, among other things, fair value measurement of liabilities, grouping of insurance contracts based on risk characteristics, internal management and issue date, income recognition over the contract period rather than upfront, and an amendment of the profit and loss statement. Storebrand will implement IFRS 9 for financial instruments at the same time. In preparation for IFRS 9, The Ministry of Finance has conducted a public consultation on changes in Norwegian regulation to facilitate fixed income booked at amortised cost in customers' accounts.

For Storebrand's consolidated financial statements, the new standards will lead to changes in the recognition, measurement and presentation of insurance contracts, classification of fixed income investments and how profits are recognised. A new balance sheet item Contractual Service Margin (CSM), representing the unearned profits of insurance contracts, will be introduced as part of the transition to IFRS 17. Amortisations of CSM will be recognised as income as the service is provided. Storebrand expects that the transition to IFRS 17 will result in a portion of today's equity to become CSM. Estimated effects for Storebrand will be presented closer to implementation. Whether IFRS 17 is implemented in the statutory reporting requirements is decided by national regulations in each country. Storebrand expects that its property and casualty business will be required to implement IFRS 17 in the statutory reporting. For the life insurance business, IFRS 17 is not expected to be applied in the statutory reporting requirements. The effects from the implementation of IFRS 17 is thus not expected to significantly affect the Solvency calculations nor dividend capacity.

Sustainable Finance

The European Union's Action Plan on Sustainable Finance aims to contribute to realising the Paris goals of reduced carbon emissions. It intends to increase the share of sustainable investments, promote long-termism and clarify which financial products are actually sustainable. This is followed by new regulation to increase investments in sustainable activities and increase the resilience of the financial system when it comes to climate risk. New legislation introducing the EU Taxonomy on classification of sustainable activities and regulation on climate-related disclosures in Norwegian law was passed in December 2021. The new rules for sustainable finance will establish standards for sustainable asset management, as well as clarify disclosure and customer information requirements. The development should result in a higher quality of financial and nonfinancial reporting, give better information to key stakeholders, and make it easier to compare data across the financial sector.

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 gradually and growing ordinary dividend. When the solvency margin is sustainably above 180% without material use of transitional capital, the Board intends to conduct a share buyback program. The purpose of the buyback program is to return excess capital released from the guaranteed liabilities that are in long-term run-off.

Storebrand's dividend policy is stated as following:

Storebrand aims to pay an ordinary 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.

Lysaker, 13 July 2022

Storebrand Group

Income statement

NOK million	Notes	Q2 2022	Q2 2021	01.01 - 30.06 2022	01.01 - 30.06 2021	Full year 2021
Premium income		10,342	10,714	24,660	28,220	53,681
Net income from financial assets and real estate for the company:						
- equities and fund units at fair value		-7	17	-17	21	37
- bonds and other fixed-income securities at fair value		-98	84	-246	125	220
- derivatives at fair value		-63	-7	11	43	94
- loans at fair value		9	-3	-13	-1	3
- bonds at amortised cost		29	51	80	108	220
- loans at amortised cost		255	170	475	339	720
- profit from investments in associated companies/joint ventures		-1	6	5	14	30
Net income from financial assets and real estate for the customers:						
- equities and fund units at fair value		-15,697	13,886	-29,822	31,814	53,776
- bonds and other fixed-income securities at fair value		-1,107	710	-3,177	412	780
- derivatives at fair value		-12,508	975	-18,546	-1,179	-2,834
- loans at fair value		12	6	17	9	26
- bonds at amortised cost		874	1,027	1,841	2,019	4,101
- loans at amortised cost		191	193	221	121	275
- properties		625	442	1,086	1,083	2,164
- profit from investments in associated companies/joint ventures		34	51	151	131	790
Other income		1,249	1,614	2,326	2,741	5,698
Total income		**-15,861**	**29,937**	**-20,947**	**66,020**	**119,781**
Insurance claims		-9,055	-13,035	-19,710	-22,530	-52,529
Change in insurance liabilities		23,389	-11,093	36,628	-34,760	-50,615
Change in capital buffer		3,803	-2,730	8,817	-3,001	-4,827
Operating expenses	8	-1,461	-1,321	-2,891	-2,690	-5,784
Other expenses		38	-242	-236	-494	-836
Interest expenses		-277	-163	-457	-321	-686
Total expenses before amortisation		**16,437**	**-28,584**	**22,151**	**-63,797**	**-115,278**
Group profit before amortisation		**577**	**1,353**	**1,204**	**2,223**	**4,503**
Amortisation of intangible assets		-138	-129	-276	-254	-527
Group pre-tax profit		**439**	**1,225**	**928**	**1,970**	**3,976**
Tax expenses	9	-26	-52	372	-354	-846
Profit/loss for the period		**413**	**1,173**	**1,300**	**1,615**	**3,130**
Profit/loss for the period attributable to:						
Share of profit for the period - shareholders		410	1,170	1,294	1,611	3,121
Share of profit for the period - hybrid capital investors		3	2	5	4	9
Total		**413**	**1,173**	**1,300**	**1,615**	**3,130**
Earnings per ordinary share (NOK)		0.87	2.51	2.75	3.46	6.68
Average number of shares as basis for calculation (million)				470.3	466.2	467.1
There is no financial instruments that gives diluted effect on earnings per share						

Storebrand Group

Statement of comprehensive income

	Q2		30.06.22		Full year
NOK million	2022	2021	2022	2021	2021
Profit/loss for the period	**413**	**1,173**	**1,300**	**1,615**	**3,130**
Actuarial assumptions pensions own employees	-2	-4	-4	-5	131
Fair value adjustment of properties for own use	38	11	41	69	139
Other comprehensive income allocated to customers	-38	-11	-41	-69	-139
Tax on other comprehensive income elements not to be reclassified to profit/loss					8
Total other comprehensive income elements not to be reclassified to profit/loss	**-2**	**-4**	**-4**	**-6**	**140**
Exchange rate adjustments	60	69	-103	-82	-167
Gains/losses from cash flow hedging	-14	-11	-18	-25	-52
Total other comprehensive income elements that may be reclassified to profit/loss	**46**	**58**	**-121**	**-107**	**-219**
Total other comprehensive income elements	**45**	**54**	**-125**	**-112**	**-79**
Total comprehensive income	**457**	**1,227**	**1,175**	**1,503**	**3,051**
Total comprehensive income attributable to:					
Share of total comprehensive income - shareholders	455	1,225	1,170	1,498	3,042
Share of total comprehensive income - hybrid capital investors	3	2	5	4	9
Total	**457**	**1,227**	**1,175**	**1,503**	**3,051**

Storebrand Group

Statement of financial position

NOK million	Notes	30.06.22	30.06.21	31.12.21
Assets company portfolio				
Deferred tax assets		1,012	1,397	1,104
Intangible assets and excess value on purchased insurance contracts		6,438	6,172	6,667
Tangible fixed assets		1,241	1,317	1,266
Investments in associated companies and joint ventures		451	259	387
Financial assets at amortised cost:				
- Bonds	7	11,447	11,651	12,955
- Loans to financial institutions	7	81	92	67
- Loans to customers	7, 10	48,820	35,923	38,503
Reinsurers' share of technical reserves		43	43	32
Accounts receivable and other short-term receivables		12,865	9,554	11,024
Financial assets at fair value:				
- Equities and fund units	7	462	561	543
- Bonds and other fixed-income securities	7	24,093	29,070	27,706
- Derivatives	7	812	869	903
- Loans to customers	7, 10	321	432	489
Bank deposits		5,081	2,580	3,543
Minority portion of consolidated mutual funds		52,728	72,585	54,912
Total assets company portfolio		**165,897**	**172,507**	**160,101**
Assets customer portfolio				
Investments in associated companies and joint ventures		8,541	6,137	7,141
Financial assets at amortised cost:				
- Bonds	7	106,555	105,078	104,974
- Bonds held-to-maturity	7	8,497	10,033	8,441
- Loans to customers	7, 10	18,026	23,409	23,051
Reinsurers' share of technical reserves		39	13	13
Investment properties at fair value	7	33,901	32,496	33,376
Properties for own use	7	1,693	1,623	1,659
Accounts receivable and other short-term receivables		1,229	909	638
Financial assets at fair value:				
- Equities and fund units	7	248,443	264,162	277,783
- Bonds and other fixed-income securities	7	124,426	141,585	140,810
- Derivatives	7	2,010	3,667	2,916
- Loans to customers	7, 10	7,151	8,264	7,443
Bank deposits		7,360	7,562	6,443
Total assets customer portfolio		**567,872**	**604,939**	**614,689**
Total assets		**733,769**	**777,446**	**774,790**

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Statement of financial position (continued)

NOK million	Notes	30.06.22	30.06.21	31.12.21
Equity and liabilities				
Paid-in capital		13,195	12,851	13,192
Retained earnings		23,848	22,747	24,291
Hybrid capital		226	226	226
Total equity		**37,268**	**35,823**	**37,709**
Subordinated loans	6,7	11,841	11,205	11,441
Customer buffer	11	24,503	32,833	33,693
Insurance liabilities		537,429	566,746	575,457
Pension liabilities		180	342	181
Deferred tax		867	894	832
Financial liabilities:				
- Loans and deposits from credit institutions	6,7	10	302	502
- Deposits from banking customers	7	19,275	17,563	17,239
- Securities issued	6,7	29,783	23,604	24,924
- Derivatives company portfolio		553	207	208
- Derivatives customer portfolio		6,631	2,519	1,840
- Other non-current liabilities		1,184	1,277	1,210
Other current liabilities		11,516	11,546	14,643
Minority portion of consolidated mutual funds		52,728	72,585	54,912
Total liabilities		**696,501**	**741,623**	**737,081**
Total equity and liabilities		**733,769**	**777,446**	**774,790**

Storebrand Group

Statement of changes in equity

	Majority's share of equity								
NOK million	Share capital [1]	Own shares	Share premium	Total paid in equity	Currency translation differences	Other equity [2]	Total retained earnings	Hybrid capital [3]	Total equity
Equity at 31 December 2020	**2,339**	**-2**	**10,521**	**12,858**	**1,208**	**21,631**	**22,839**	**226**	**35,923**
Profit for the period						3,121	3,121	9	3,130
Total other comprehensive income elements					-167	87	-79		-79
Total comprehensive income for the period					**-167**	**3,208**	**3,042**	**9**	**3,051**
Equity transactions with owners:									
Own shares		-7		-7		-97	-97		-104
Issue of shares	21		320	341					341
Hybrid capital classified as equity						2	2		2
Paid out interest hybrid capital								-9	-9
Dividend paid						-1,513	-1,513		-1,513
Other						18	18		18
Equity at 31 December 2021	**2,360**	**-9**	**10,842**	**13,192**	**1,041**	**23,249**	**24,291**	**226**	**37,709**
Profit for the period						1,294	1,294	5	1,300
Total other comprehensive income elements					-103	-21	-125		-125
Total comprehensive income for the period					**-103**	**1,273**	**1,170**	**5**	**1,175**
Equity transactions with owners:									
Own shares		3		3		35	35		37
Hybrid capital classified as equity						1	1		1
Paid out interest hybrid capital								-5	-5
Dividend paid						-1,646	-1,646		-1,646
Other						-2	-2		-2
Equity at 30 June 2022	**2,360**	**-7**	**10,842**	**13,195**	**938**	**22,910**	**23,848**	**226**	**37,268**

[1] 471 974 890 shares with a nominal value of NOK 5.

[2] Includes undistributable funds in the risk equalisation fund amounting to NOK 676 million and security reserves/natural perials capital amounting NOK 166 million.

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

Equity at 31 December 2020	**2,339**	**-2**	**10,521**	**12,858**	**1,208**	**21,631**	**22,839**	**226**	**35,923**
Profit for the period						1,611	1,611	4	1,615
Total other comprehensive income elements					-82	-30	-112		-112
Total comprehensive income for the period					**-82**	**1,581**	**1,498**	**4**	**1,503**
Equity transactions with owners:									
Own shares		-7		-7		-97	-97		-104
Hybrid capital classified as equity						1	1		1
Paid out interest hybrid capital								-4	-4
Dividend paid						-1,513	-1,513		-1,513
Other						19	19		18
Equity at 30 June 2021	**2,339**	**-9**	**10,521**	**12,851**	**1,125**	**21,622**	**22,747**	**226**	**35,823**

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Statement of cash flow

NOK million	01.01 - 30.06 2022	2021
Cash flow from operating activities		
Net receipts premium - insurance	16,248	16,090
Net payments claims and insurance benefits	-11,518	-10,478
Net receipts/payments - transfers	-106	385
Other receipts/payments - insurance liabilities	109	3,974
Receipts - interest, commission and fees from customers	588	432
Payments - interest, commission and fees to customers	-19	-15
Taxes paid	-973	-225
Payments relating to operations	-3,123	-2,786
Net receipts/payments - other operating activities	1,787	2,264
Net cash flow from operations before financial assets and banking customers	*2,996*	*9,641*
Net receipts/payments - loans to customers	-4,930	-5,080
Net receipts/payments - deposits bank customers	2,003	2,041
Net receipts/payments - securities	4,260	-9,705
Net receipts/payments - investment properties	-15	309
Receipts - sale of investment properties	622	481
Payments - purchase of investment properties	-789	-931
Net change in bank deposits for insurance customers (bank deposit in customer portfolio)	-942	2,636
Net cash flow from financial assets and banking customers	*209*	*-10,250*
Net cash flow from operating activities	**3,205**	**-608**
Cash flow from investing activities		
Receipts - sale of subsidiaries		815
Payments - purchase of subsidiaries	-96	-28
Net receipts/payments - sale/purchase of fixed assets	-65	-191
Net receipts/payments - sale/purchase of associated companies and joint ventures	-630	-1
Net cash flow from investing activities	**-791**	**595**
Cash flow from financing activities		
Receipts - new loans	5,500	1,880
Payments - repayments of loans	-4,575	-1,350
Payments - interest on loans	-250	-124
Receipts - subordinated loans	1,050	3,004
Payments - repayment of subordinated loans	-249	-373
Payments - interest on subordinated loans	-245	-289
Receipts - loans to financial institutions	7,056	2,271
Payments - repayments of loans from financial institutions	-7,548	-3,621
Receipts - issuing of share capital / sale of shares to employees	42	44
Payments - repayment of share capital		-144
Payments - dividends	-1,646	-1,513
Payments - interest on hybrid capital	-5	-4
Net cash flow from financing activities	**-869**	**-219**
Net cash flow for the period	**1,545**	**-232**

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Cash and cash equivalents at the start of the period	3,611	2,878
Currency translation cash/cash equivalents in foreign currency	7	27
Cash and cash equivalents at the end of the period [1)]	**5,162**	**2,672**
[1)] **Consists of:**		
Loans to financial institutions	81	92
Bank deposits	5,081	2,580
Total	**5,162**	**2,672**

Storebrand Group

Notes to the interim accounts Storebrand Group

Note 1 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 2021 annual report, and the interim financial statements are prepared in accordance with these accounting policies.

There are none new or changed accounting standards that entered into effect in 2022 that have significant effect on Storebrand's consolidated financial statements.

Note 2 Important accounting estimates and judgements

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 2021 annual report in note 2, insurance risk in note 7 and valuation of financial instruments at fair value is described in note 13.

Note 3 Acquisition

Danica Pensjonsforsikring AS
Storebrand Livsforsikring AS has 20. December 2021 entered into an agreement to buy 100% of the shares in Danica Pensjonsforsikring AS, Norway ("Danica"). Danica, a subsidiary of Danske Bank, is the 6th largest provider of Defined Contribution pensions in Norway with 5% market share. Storebrand Livsforsikring AS will pay NOK 2.05 billion for the shares of Danica. The conclusion of the transaction is approved from the Norwegian Financial Supervisory Authority and the Norwegian Competition Authority, and the transaction was completed 1, July 2022.

Quantfolio AS
Storebrand Asset Management AS acquired 3 100 000 shares in Quantfolio AS on 11 January 2022 at a purchase price of NOK 65 million. This represents 34.13% of the ownership interest in the company.

S:t Erik Livförsäkring AB
SPP Pension & Försäkring has reached an agreement with Stockholm Stadshus AB to acquire the shares in S:t Erik Livförsäkring AB at a purchase price of SEK 260 million. The company handles the City of Stockholm's commitment to the employees within the Stockholm Stadshus AB group and manages approx. SEK 2.5 billion distributed among 5 000 insured. Sweden Financial Supervisory Authority has approved the transaction and the purchase of the shares was completed 8, July 2022.

Note 4 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.

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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 in addition to 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 saving products which provides 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 of Storebrand Livsforsikring and SPP. The elimination of intra-group transactions is also included in the Other segment.

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 include 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 2021 annual report in note 4 Segment reporting.

	Q2		01.01 - 30.06		Full year
NOK million	2022	2021	2022	2021	2021
Savings	392	435	796	963	2,355
Insurance	169	145	278	201	423
Guaranteed pension	254	310	485	631	1,432
Other	-238	464	-354	428	293
Group profit before amortisation	**577**	**1,353**	**1,204**	**2,223**	**4,503**
Amortisation of intangible assets	-138	-129	-276	-254	-527
Group pre-tax profit	**439**	**1,225**	**928**	**1,970**	**3,976**

Storebrand Group

Segment information as of Q2

	Savings		Insurance		Guaranteed pension	
	Q2		Q2		Q2	
NOK million	2022	2021	2022	2021	2022	2021
Fee and administration income	1,130	1,129			395	407
Insurance result			430	332		
- Insurance premiums for own account			1,449	1,279		
- Claims for own account			-1,019	-946		
Operating expense	-718	-703	-260	-214	-206	-227
Operating profit	**412**	**427**	**170**	**119**	**189**	**180**
Financial items and risk result life & pension	-20	8	-1	27	65	130
Group profit before amortisation	**392**	**435**	**169**	**145**	**254**	**310**
Amortisation of intangible assets [1)]						
Group pre-tax profit						

	Other		Storebrand Group	
	Q2		Q2	
NOK million	2022	2021	2022	2021
Fee and administration income	-69	-64	1,456	1,473
Insurance result			430	332
- Insurance premiums for own account			1,449	1,279
- Claims for own account			-1,019	-946
Operating expense	3	25	-1,181	-1,119
Operating profit	**-66**	**-39**	**705**	**686**
Financial items and risk result life & pension	-172	503	-129	667
Group profit before amortisation	**-238**	**464**	**577**	**1,353**
Amortisation of intangible assets [1)]			-138	-129
Group pre-tax profit			**439**	**1,225**

Storebrand Group

Segment information as of 01.01 - 30.06

	Savings		Insurance		Guaranteed pension	
	01.01 - 30.06		01.01 - 30.06		01.01 - 30.06	
NOK million	2022	2021	2022	2021	2022	2021
Fee and administration income	2,266	2,285			786	790
Insurance result			795	552		
- Insurance premiums for own account			2,846	2,473		
- Claims for own account			-2,051	-1,920		
Operating expense	-1,420	-1,373	-510	-416	-409	-424
Operating profit	**846**	**911**	**284**	**137**	**377**	**366**
Financial items and risk result life & pension	-50	51	-7	64	108	266
Group profit before amortisation	**796**	**963**	**278**	**201**	**485**	**631**
Amortisation of intangible assets [1]						
Group pre-tax profit						

	Other		Storebrand Group	
	01.01 - 30.06		01.01 - 30.06	
NOK million	2022	2021	2022	2021
Fee and administration income	-139	-120	2,914	2,954
Insurance result			795	552
- Insurance premiums for own account			2,846	2,473
- Claims for own account			-2,051	-1,920
Operating expense	14	37	-2,326	-2,176
Operating profit	**-125**	**-83**	**1,383**	**1,331**
Financial items and risk result life & pension	-230	511	-178	893
Group profit before amortisation	**-354**	**428**	**1,204**	**2,223**
Amortisation of intangible assets [1]			-276	-254
Group pre-tax profit			**928**	**1,970**

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

Storebrand Group

Key figures by business area

NOK million	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020
Group								
Earnings per ordinary share [1)]	2.75	1.88	6.68	4.73	3.46	0.94	5.02	3.16
Equity	37,268	38,430	37,709	36,735	35,823	36,069	35,923	35,181
Savings								
Premium income Unit Linked [2)]	5,333	5,288	5,350	5,201	5,316	5,346	5,163	5,064
Unit Linked reserves	276,319	291,036	308,351	295,790	295,195	134,379	133,262	117,298
AuM asset management	1,008,705	1,039,654	1,096,556	1,058,435	1,037,470	987,397	962,472	920,540
Retail lending	62,559	59,223	57,033	55,663	54,288	51,594	49,474	47,771
Insurance								
Total written premiums	7,005	6,791	6,445	6,263	6,133	5,745	5,037	5,037
Claims ratio [2)]	70%	74%	78%	74%	74%	82%	70%	73%
Cost ratio [2)]	18%	18%	19%	15%	17%	17%	17%	15%
Combined ratio [2)]	88%	92%	96%	90%	91%	98%	87%	88%
Guaranteed pension								
Guaranteed reserves	274,919	281,474	290,862	292,161	294,909	286,410	287,614	286,427
Guaranteed reserves in % of total reserves	50%	49%	49%	50%	50%	68%	68%	71%
Net transfer out of guaranteed reserves [2)]	-2,564	-2,609	-2,663	-2,948	-2,551	-2,107	-2,872	-2,813
Capital buffer in % of customer reserves Storebrand Life Group [3)]	7%	9%	11%	11%	11%	10%	11%	11%
Capital buffer in % of customer reserves SPP [4)]	18%	18%	18%	16%	15%	14%	11%	10%
Solidity								
Solvency II [5)]	195%	184%	175%	178%	172%	176%	178%	179%
Solidity capital (Storebrand Life Group [6)]	50,450	57,712	74,074	73,780	75,284	69,352	72,766	72,047
Capital adequacy Storebrand Bank	19.1%	20.5%	20.3%	19.6%	18.5%	17.4%	18.7%	18.0%
Core Capital adequacy Storebrand Bank	14.8%	15.6%	16.8%	16.1%	16.8%	15.6%	16.7%	16.0%

[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*

Storebrand Group

Note 5 Financial market risk and insurance risk

Risks are described in the annual report for 2021 in note 7 (Insurance risk), note 8 (Financial market risks), note 9 (Liquidity risk), note 10 (Credit risk) and note 11 (Risk concentrations).

Financial market risk
Market risk means changes in the value of assets due to unexpected volatility or price changes in the financial markets. It also refers to the risk that the value of the insurance liability develops differently than the assets due to interest rate changes. The most significant market risks for Storebrand are interest rate risk, equity market risk, property price risk, credit 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 borne by the customers, 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 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. Rising interest rates are negative in the short term because resulting price depreciation for bonds and interest rates swaps reduce investment return and buffers. But long term, rising interest rates are positive due to higher probability of achieving a return above the guarantee.

The second quarter and the first half of the year has been volatile for financial markets, with negative returns for most risk assets.

Going into 2022, inflation was already increasing due to supply-shortages and increased demand post Covid. The trend has been reinforced during the first half as the Ukraine war has led to a surge in energy and raw-material prices. New Covid-related closures, especially in China, also adds to the price-pressure. There is growing risk for the pick-up in inflation to be more than transitory. This has led central banks to increase rates earlier and at a faster pace than expected at the start of the year. Bank of Norway has increased the policy rate by 0.75 pp to 1.25 percent during the first half of the year and signal further increases to approximately 3 percent by mid-2023. The Swedish Riksbank increased the policy rate by 0.25 percent during the first half and a further 0.5 percent to 0.75 percent in early July. The signal is for the rate to increase to approximately 2 percent by early 2023.

The effects from Covid-19, the increase in inflation and the effects from the war in Ukraine going forward, implies that the risk may still be higher than normal market risk. Storebrand has risk management which through policies and principles handles and dampens the effect of volatile financial markets.

Global equities fell 18 percent in the first half of the year, with most of the fall coming in the second quarter. Norwegian equities also fell in the second quarter. For the first half of the year, Norwegian equities fell a moderate 3 percent, as rising oil- and gas-price was a positive. The credit spreads for corporate bonds rose significantly during the second quarter and the first half of the year.

Long-term interest rates continued to rise strongly in the second quarter. The Norwegian 10-year swap-rate rose 0.5 pp in the second quarter to 3.3 percent. For the first half, the increase was 1.4 pp. The Swedish 10-year swap-rate rose 0.9 pp to 2.8 percent. For the first half, the increase was 1.8 pp. Short term interest rates have also increased, as the central banks continued to raise interest rates and signalled further increases going forward. Most of the interest rate investments in the Norwegian customer portfolios are held at amortized cost. This dampens the effect from interest rate changes on booked returns. The amortized cost portfolio valuation in the accounts is now higher than fair value. For other bond investments and exposure towards interest rate swaps, the increase in interest rates have affected investment returns negatively. Higher interest rates are positive for reinvestment opportunities and for the solvency position.

The Norwegian krone weakened in the second quarter, particularly against the US dollar. In the first half of the year, the Norwegian krone strengthened 1 percent against the Swedish krone, weakened 3 percent against the Euro and weakened 10 percent against the US dollar. A high degree of currency hedging in the portfolio means that the exchange rate fluctuations have a modest effect on results and Storebrand's market risk.

Financial instruments valued at fair value level three are priced based on models. Examples of such financial instruments are investment property, private equity, and mortgages. The valuation models gather and employ information from a wide range of well-informed sources. There is greater uncertainty regarding the input factors and the valuation from these models than normal. Any continued spread of Covid-19, governmental measurements to contain the spread, the war in Ukraine, sanctions against Russia and rapid increase in inflation, creates extra uncertainty for the economy and may have impact on the valuation of financial instruments. There is a large range of possible outcomes for these input data and thus for the modelled prices. Hence, the values reflect management's best estimate, but contain greater uncertainty than in a normal quarter.

During the second quarter and the first half of the year, the investment allocation towards equities has been somewhat reduced because of normal risk management. Interest rate duration has been reduced, as higher rates give lower hedging needs against the liabilities and for the solvency position.

The market-based return for guaranteed customer portfolios in Norway in general was negative in the second quarter and the first half of the year because of weak equity and credit markets and increased interest rates. The booked return was positive after use of customer buffers. The return for guaranteed customer portfolios in Sweden was negative. The effect on the financial result was limited, as reduced value of the liabilities from higher interest rates compensated for lower asset values.

The return for the unit linked portfolios was generally negative, both in the first quarter and the first half of the year due to weak equity markets.

Sensitivity analyses

The tables show the fall in value for Storebrand Life Insurance and SPP's investment portfolios because of immediate changes in value related to financial market risk. The calculation is model-based, and the result is dependent on the choice of stress level for each category of asset. The stresses have been applied to the company portfolio and guaranteed customer portfolios as of 30 June 2022. The effect of each stress changes the return in each investment profile.

Unit linked insurance without a guaranteed annual return is not included in the analysis. For these products, the customers bear the market risk, and the effect of a falling market will not directly affect the result or buffer capital.

The amount of stress is the same that is used for the company's risk management. Two stress tests have been defined. Stress test 1 is a fall in the value of shares, corporate bonds, and property in combination with lower interest rates. Stress test 2 is a somewhat smaller fall in the value of shares, corporate bonds, and property in combination with higher interest rates.

Level of stress

	Stresstest 1	Strestest 2
Interest level (parallel shiftt)	-100bp	+100bp
Equity	-20%	- 12 %
Property	- 12 %	- 7 %
Credit spread (share of Solvency II)	50 %	30 %

Because it is the immediate market changes that are calculated, dynamic risk management will not affect the outcome. If it is assumed that the market changes occur over a period, then dynamic risk management would reduce the effect of the negative outcomes and reinforce the positive outcomes to some extent.

As a result of customer buffers, the effect of the stresses on the result will be lower than the values described in the tables. As of 30 June 2022, the customer buffers are of such a size that the effects on the result are significantly lower.

Stresstest 1

	Storebrand Livsforsikring		SPP Pension & Försäkring	
Sensitivity	NOK Million	Share of portfolio	NOK Million	Share of portfolio
Interest rate risk	2,015	0.9%	-289	-0.4%
Equtiy risk	-3,184	-1.4%	-2,162	-2.7%
Property risk	-2,946	-1.3%	-1,343	-1.7%
Credit risk	-895	-0.4%	-767	-1.0%
Total	**-5,010**	**-2.2%**	**-4,561**	**-5.7%**

Stresstest 2

	Storebrand Livsforsikring		SPP Pension & Försäkring	
Sensitivity	NOK Million	Share of portfolio	NOK Million	Share of portfolio
Interest rate risk	-2,015	-0.9%	289	0.4%
Equtiy risk	-1,911	-0.9%	-1,297	-1.6%
Property risk	-1,718	-0.8%	-783	-1.0%
Credit risk	-537	-0.2%	-460	-0.6%
Total	**-6,181**	**-2.8%**	**-2,252**	**-2.8%**

Storebrand Livsforsikring
Stress test 2, which includes an increase in interest rates, makes the greatest impact for Storebrand Livsforsikring. The overall market risk is NOK 6.2 billion (NOK 8.3 billion as of 31 March 2022), which is equivalent to 2.8 (3.6) percent of the investment portfolio.

If the stress causes the return to fall below the guarantee, it will have a negative impact on the result. Similarly, if the customer buffer is not adequate the result will also be negatively impacted. Other negative effects on the result are a lower return from the company portfolio and that there is no profit sharing from paid-up policies and individual contracts.

SPP Pension & Försäkring
For SPP it is stress test 1, which includes a fall in interest rates, that creates the greatest impact. The overall market risk is SEK 4.6 billion (SEK 4.9 billion as of 31 March 2022), which is equivalent to 5.7 (5.7) percent of the investment portfolio.

The buffer situation for the individual contracts will determine if all or portions of the fall in value will affect the financial result. If the portion of the fall in value cannot be covered by the customer buffer the result will be affected. In addition, the reduced profit sharing or loss of the indexing fees may affect the financial result.

Insurance risk
Insurance risk is the risk of higher-than-expected payments and/or an unfavourable change in the value of an insurance liability due to actual developments deviating from what was expected when premiums or provisions were calculated. Most of the insurance risk for the group is related to life insurance. Changes in longevity is the greatest insurance risk for

Storebrand 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 development of the insurance reserves is dependent on future scenarios and are currently more uncertain than normal. Storebrand will continue to monitor the development of Covid-19 and effects for the economy. A prolonged situation with high unemployment could lead to higher disability levels and increased reserves. However, the current insurance reserves represent Storebrand's best estimate of the insurance liabilities.

Other insurance risk was not materially changed during the second quarter.

Note 6 Liquidity risk

Specification of subordinated loans [1]

NOK million	Nominal value	Currency	Interest rate	Call date	Book value 30.06.22	30.06.21	31.12.21
Issuer							
Perpetual subordinated loans [2]							
Storebrand Livsforsikring AS	1,100	NOK	Variable	2024	1,100	1,100	1,100
Storebrand Livsforsikring AS [3]	900	SEK	Variable	2026	870		876
Dated subordinated loans							
Storebrand Livsforsikring AS [3,4]	750	SEK	Variable	2021		760	
Storebrand Livsforsikring AS [3,6]	899	SEK	Variable	2022	869	1,008	976
Storebrand Livsforsikring AS [3]	900	SEK	Variable	2025	867	907	877
Storebrand Livsforsikring AS [3]	1,000	SEK	Variable	2024	965	1,009	976
Storebrand Livsforsikring AS	500	NOK	Variable	2025	500	499	499
Storebrand Livsforsikring AS [5]	650	NOK	Variable	2027	652		
Storebrand Livsforsikring [3]	250	EUR	Fixed	2023	2,639	2,666	2,685
Storebrand Livsforsikring AS [3,5]	300	EUR	Fixed	2031	2,552	2,980	2,876
Storebrand Bank ASA	150	NOK	Variable	2022		150	150
Storebrand Bank ASA	125	NOK	Variable	2025	125	125	125
Storebrand Bank ASA	300	NOK	Variable	2026	300		300
Storebrand Bank ASA	400	NOK	Variable	2027	401		
Total subordinated loans and hybrid tier 1 capital					11,841	11,205	11,441

1) *Storebrand Bank ASA has issued hybrid tier 1 capital bonds/hybrid capital that is classified as equity. See the statement of changes in equity.*

2) *In the case of perpetual subordinated loans, the cash flow is calculated through to the first call date*

3) *The loans are subject to hedge accounting*

4) *The loan has been repaid on 11.10.21*

5) *Green bonds*

6) *The loan has partly been repaid on 19.05.22*

Specification of loans and deposits from credit institutions

	Book value		
NOK million	30.06.22	30.06.21	31.12.21
Call date			
2021		302	
2022	10		502
Total loans and deposits from credit institutions	**10**	**302**	**502**

Specification of securities issued

	Book value		
NOK million	30.06.22	30.06.21	31.12.21
Call date			
2021		280	
2022	952	6,008	5,532
2023	4,759	4,761	3,282
2024	6,102	6,098	6,100
2025	6,120	5,657	6,139
2026	5,602		3,075
2027	5,506		
2031	741	799	795
Total securities issued	**29,783**	**23,604**	**24,924**

The loan agreements contain standard covenants.

Covered bonds
For issued covered bonds (OMF) that are allocated to Storebrand Boligkreditt's collateral pool, the current regulatory requirement for over-collateralisation of 102 per cent applies. A change in regulatory requirements will be implemented from 8 July 2022 (new requirement 105 percent).

Credit facilities
Storebrand ASA has an unused credit facility of EUR 200 million, expiration December 2025.

Note 7 Valuation of financial instruments and investment properties

Storebrand classify financial instruments valued at fair value in three different levels. The criteria for the classification and processes associated with valuing are described in more detail in note 13 in the annual report for 2021.

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

Valuation of financial instruments at amortised cost

NOK million	Fair value 30.06.22	Book value 30.06.22	Fair value 31.12.21	Book value 31.12.21
Financial assets				
Loans to and due from financial institutions	81	81	67	67
Loans to customers - corporate	4,550	4,665	5,057	5,046
Loans to customers - retail	61,946	62,181	56,521	56,507
Bonds held to maturity	8,584	8,497	9,103	8,441
Bonds classified as loans and receivables	108,656	118,002	120,623	117,929
Total financial assets 30.06.22	**183,817**	**193,427**		
Total financial assets 31.12.21			191,371	187,991
Financial liabilities				
Debt raised by issuance of securities	29,687	29,783	25,000	24,924
Loans and deposits from credit institutions	10	10	502	502
Deposits from banking customers	19,275	19,275	17,239	17,239
Subordinated loan capital	11,779	11,841	11,584	11,441
Total financial liabilities 30.06.22	**60,751**	**60,909**		
Total financial liabilities 31.12.21			54,324	54,106

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	30.06.22	31.12.21
Assets:					
Equities and fund units					
- Equities	30,785	198	384	31,367	40,707
- Fund units		200,306	17,232	217,538	237,619
Total equities and fund units 30.06.22	**30,785**	**200,503**	**17,616**	**248,905**	
Total equities and fund units 31.12.21	40,071	223,201	15,054		278,326
Loans to customers					
- Loans to customers - corporate			7,151	7,151	7,443
- Loans to customers - retail			321	321	489
Total loans to customers 30.06.22			**7,473**	**7,473**	
Total loans to customers 31.12.21			7,932		7,932
Bonds and other fixed-income securities					
- Government bonds	11,992	9,142		21,135	31,148
- Corporate bonds		48,797	8	48,804	55,354
- Collateralised securities		4,664		4,664	5,550
- Bond funds		60,347	13,569	73,916	76,464
Total bonds and other fixed-income securities 30.06.22	**11,992**	**122,950**	**13,577**	**148,519**	
Total bonds and other fixed-income securities 31.12.21	16,722	139,124	12,670		168,516
Derivatives:					
- Interest derivatives		-883		-883	2,292
- Currency derivatives		-3,478		-3,478	-519
Total derivatives 30.06.22		**-4,361**		**-4,361**	
- of which derivatives with a positive market value		2,823		2,823	3,820
- of which derivatives with a negative market value		-7,184		-7,184	-2,048
Total derivatives 31.12.21		1,772			1,772
Properties:					
Investment properties			33,901	33,901	33,376
Properties for own use			1,693	1,693	1,659
Total properties 30.06.22			**35,594**	**35,594**	
Total properties 31.12.21			35,035		35,035

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 customers	Corporate bonds	Bond funds	Investment properties	Properties for own use
Book value 01.01.22	376	14,678	7,932	8	12,663	33,376	1,659
Net gains/losses on financial instruments	11	3,737	-458		358	152	36
Additions		379	542		857	738	51
Sales	-3	-1,521	-469		-195	-621	
Exchange rate adjustments		-29	-74		-114	-126	-54
Other		-12				382	2
Book value 30.06.22	**384**	**17,232**	**7,473**	**8**	**13,569**	**33,901**	**1,693**

As at 30.06.22, Storebrand Livsforisikring had NOK 8.541 million invested in Storebrand Eiendomsfond Norge KS and Ruseløkkveien 26 AS, 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 13 in the 2021 annual report. There is no significant changes in sensitivity in this quarter.

Note 8 Operating expenses

	Q2		01.01 - 30.06		Full year
NOK million	2022	2021	2022	2021	2021
Personnel expenses	-692	-662	-1,356	-1,298	-2,725
Amortisation/write-downs	-85	-75	-165	-143	-329
Other operating expenses	-684	-585	-1,370	-1,249	-2,731
Total operating expenses	**-1,461**	**-1,321**	**-2,891**	**-2,690**	**-5,784**

Note 9 Tax

The effective tax rate is influenced by the fact that the Group has operations in countries with tax rates that are different from Norway and differences from currency hedging of the Swedish subsidiary SPP. The tax rate for companies' subject to the financial tax is 25 per cent. The Storebrand Group includes companies that are both subject to and not subject to the financial tax. Therefore, when capitalising deferred tax/deferred tax assets in the consolidated financial statements, the company tax rate that applies for the individual companies is used (22 or 25 per cent).

The tax rate for companies in Sweden is 20.6 per cent, but a majority of Storebrand's business related to occupational pension is subject to a standardized return tax on the assets managed on behalf of policyholders and not company tax. The expected tax rate from Storebrand's Swedish business is therefore lower than the company tax rate.

Storebrand has hedged part of the currency risk from the investment in the Swedish subsidiaries. Gains/losses on currency derivatives are taxable/deductible, while agio/disagio on the shares in the subsidiaries falls under the exemption method. Hence, large SEK/NOK movements will affect the Group tax cost.

Uncertain tax positions

The tax rules for the insurance industry have undergone changes in recent years. In some cases, Storebrand and the Norwegian Tax Administration have had different interpretations of the tax rules and associated transitional rules. As a result of this, uncertain tax positions arise in connection with the recognised tax expenses. Whether or not the uncertain tax positions have to be recognised in the financial statements is assessed in accordance with IAS 12 and IFRIC 23. Uncertain tax positions will only be recognised in the financial statements if the company considers it to be probable that the Norwegian Tax Administration's interpretation will be accepted in a court of law. Any paid tax related to the uncertain tax positions is not recognized in the financial statements and is classified as receivables. Significant uncertain tax positions are described below.

A. In 2015, Storebrand Livsforsikring AS discontinued the Norwegian subsidiary, Storebrand Eiendom Holding AS, with a tax loss of approximately NOK 6.5 billion and a corresponding increase in the tax loss carryforward. In January 2018, Storebrand Livsforsikring AS received notice of an adjustment to the tax returns for 2015 which claimed that the calculated loss was excessive but provided no further quantification. Storebrand Livsforsikring AS disagrees with the arguments that were put forward and submitted its response to the Norwegian Tax Administration on 2 March 2018. The notice was unclear, but based on the notice, a provision was made in the 2017 annual financial statements for an uncertain tax position of approximately NOK 1.6 billion related to the former booked tax loss (appears as a reduction in the loss carryforward and, in isolation, gave an associated increased tax expense for 2017 of approximately NOK 0.4 billion). In May 2019, Storebrand Livsforsikring AS received a draft decision from the Norwegian Tax Administration claiming changes in the tax return from 2015. Storebrand disagrees with the notice from the Norwegian Tax Administration and submitted its response in October 2019. In March 2021 Storebrand received a decision from the Norwegian Tax Administration based on similar grounds as the ones outlined in the draft decision. Storebrand continues to disagree with the view of the Norwegian Tax Administration in this case and will challenge the decision. The company considers it to be probable that Storebrand's understanding of the tax legislation will be accepted by a court of law and thus, no additional uncertain tax position has been recognised in the financial statements based on the received decision. If the Norwegian Tax Administration's position is accepted, Storebrand estimates that a tax expense for the company of approximately NOK 1.2 billion will arise. There will also be negative effects for returns on customer assets after tax. The effects are based on best estimates and following a review with external expertise.

B. New tax rules for life insurance and pension companies were introduced for the 2018 financial year. These rules contained transitional rules for how the companies should revalue/write-down the tax values as at 31 December 2018. In December 2018, the Norwegian Directorate of Taxes published an interpretive statement that Storebrand does not consider to be in accordance with the wording of the relevant act. When presenting the national budget for 2020 in October 2019, the Ministry of Finance proposed a clarification of the wording of the transitional rules in line with the interpretive statement from the Norwegian Directorate of Taxes. The clarification was approved by the Norwegian Parliament in December 2019. Storebrand considers there to be uncertainty regarding the value such subsequent work on a legal rule has as a source of law, and which in this instance only applies for a previous financial year. In the tax return for 2018, Storebrand Livsforsikring AS applied the wording in the original transitional rule. However, in October 2019 Storebrand received a notice of adjustment of tax assessment in line with the interpretive statement from the Norwegian Directorate of Taxes and the clarification from the Ministry of Finance. Storebrand Livsforsikring AS disagrees with the Norwegian Tax Administration's interpretation but considers it uncertain as to whether the company's interpretation will be accepted if the case is decided by a court of law. In April 2022 Storebrand received a decision from the Norwegian Tax Administration based on similar grounds as the ones outlined in the draft decision. Storebrand continues to disagree with the view of the Norwegian Tax Administration and has challenged the decision to the Norwegian Tax Appeals Committee. The uncertain tax position has therefore been recognised in the financial statements. Based on our revised best estimate, the difference between Storebrand's interpretation and the Norwegian Tax Administration's interpretation is approximately NOK 6.4 billion in an uncertain tax position. If Storebrand's interpretation is accepted, a deferred tax expense of approximately NOK 1.6 billion will be derecognised from the financial statements.

C. The outcome of the interpretation of tax rules for group contributions referred to above under (A) will have an impact when calculating the effect from the transitional rules for the new tax rules referred to under point (B). An equivalent interpretation to that described under (A) has been used as a basis in the financial statements when calculating tax input values on property shares owned by customer assets for 2016 and 2017. There is thus an uncertain tax position relating to the effect from the transitional rules described in (B). The received decision in April 2022 (described under (B)) has reduced the uncertain tax position and has led to a tax income of NOK 0.6 billion being booked in Q1 2022. This effect will depend on the interpretation and outcome of (A). If Storebrand's position is accepted under (A), Storebrand will recognise an additional tax income of approximately NOK 0.2 billion if Storebrand's position under (B) is accepted. If the Norwegian Tax Administration prevails with its argument under point (A), Storebrand will recognise a tax expense of approximately NOK 0.5 billion.

Storebrand has reviewed the uncertain tax positions as part of the reporting process. The review has not reduced the company's assessment of the probability that Storebrand's interpretation will be accepted in a court of law. The timeline for the continued process with the Norwegian Tax Appeals Committee is unclear, but if necessary, Storebrand will seek clarification from the court of law for the aforementioned uncertain tax positions.

Note 10 Loans

NOK million	30.06.22	30.06.21	31.12.21
Corporate market	11,859	13,812	12,532
Retail market	62,545	54,312	57,042
Gross loans	**74,405**	**68,124**	**69,574**
Write-down of loans losses	-86	-96	-88
Net loans[1]	**74,319**	**68,028**	**69,486**
[1] Of which Storebrand Bank	46,224	36,355	38,992
Of which Storebrand Livsforsikring	28,095	31,674	30,494

Non-performing and loss-exposed loans

NOK million	30.06.22	30.06.21	31.12.21
Non-performing and loss-exposed loans without identified impairment	54	78	48
Non-performing and loss-exposed loans with identified impairment	26	40	29
Gross non-performing loans	**80**	**118**	**77**
Individual write-downs	-17	-17	-18
Net non-performing loans[1]	**63**	**101**	**59**

[1] The figures apply in their entirety Storebrand Bank

Note 11 Customer buffer

NOK million	30.06.22	30.06.21	31.12.21
Additional statutory reserves	10,470	13,333	13,602
Market adjustment reserves 1)	2,027	6,820	6,309
Conditional bonuses	12,006	12,680	13,781
Total capital buffer	**24,503**	**32,833**	**33,693**

1)Includes the occupational pensions buffer fund. The Norwegian parliament passed new legislation in December 2021, valid from 1.1.2022, regulating the buffer capital within public occupational pension schemes. The new legislation merges the market value adjustment reserves with the additional statutory reserves into a more flexible customer buffer fund which can cover negative returns. There is no cap on the size of the new buffer fund.

Note 12 Contingent liabilities

NOK million	30.06.22	30.06.21	31.12.21
Unused credit facilities	3,575	3,229	3,322
Loan commitment retail market	5,256	4,746	3,516
Uncalled residual liabilities re limited partnership	4,410	5,553	4,870
Undrawn capital in alternative investment funds	10,198	9,531	10,093
Total contingent liabilities	**23,440**	**23,058**	**21,801**

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 2021 annual report.

Note 13 Solidity and capital management

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

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

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

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The Storebrand companies are subject to various capital requirements depending on the type of business. In addition to the capital requirements for the Storebrand Group and insurance companies, the banking and asset management businesses have capital requirements in accordance with CRD IV. The companies in the Group governed by CRD IV are included in the group's solvency capital and solvency capital requirements with their respective primary capital and capital requirements.

Storebrand has the goal of paying a dividend of more than 50% of the Group profit after tax. The board has the ambition of ordinary dividends per share being, at a minimum, at the same nominal level as the previous year. The normal dividend is paid with a sustainable solvency margin of more than 150%. In second quarter, the Board applied to the Norwegian Financial Supervisory Authority (NFSA) for buy-back of own shares of NOK 500 million and this application has now been approved. In general, equity in the Group can be controlled without material limitations if the capital requirement is met and the respective legal entities have sufficient solvency.

Solvency capital

	30.06.22					31.12.21
NOK million	Total	Group 1 unlimited	Group 1 limited	Group 2	Group 3	Total
Share capital	2,360	2,360				2,360
Share premium	10,842	10,842				10,842
Reconciliation reserve[1]	27,903	27,903				28,711
Including the effect of the transitional arrangement						
Counting subordinated loans[2]	10,021		1,925	8,096		10,860
Deferred tax assets	102				102	356
Risk equalisation reserve	745			745		616
Deductions for CRD IV subsidiaries	-4,079	-4,079				-3,728
Expected dividend	-823	-823				-1,645
Total basic solvency capital	**47,071**	**36,203**	**1,925**	**8,841**	**102**	**48,369**
Subordinated capital for subsidiaries regulated in accordance with CRD IV	4,079					3,728
Total solvency capital	**51,150**					**52,098**
Total solvency capital available to cover the minimum capital requirement	**39,987**	**36,203**	**1,925**	**1,859**		**40,688**

[1] Deduction of buy-back of own shares of NOK 500 million

[2] Following the increase in subordinated loans, the Tier 2 capital exceeds the limit of 50 per cent of the Solvency Capital Requirement, and the available Tier 2 capital is decreased by NOK 873 mill

Storebrand Group

Solvency capital requirement and -margin

NOK million	30.06.22	31.12.21
Market risk	21,102	25,258
Counterparty risk	749	720
Life insurance risk	9,986	10,829
Health insurance risk	925	931
P&C insurance risk	624	590
Operational risk	1,425	1,550
Diversification	-7,203	-7,804
Loss-absorbing ability defferred tax	-4,799	-5,218
Total solvency capital requirement - insurance company	**22,811**	**26,856**
Capital requirements for subsidiaries regulated in accordance with CRD IV	3,475	2,944
Total solvency capital requirement	**26,286**	**29,800**
Solvency margin	**195%**	**175%**
Minimum capital requirement	**9,293**	**10,738**
Minimum margin	**430%**	**379%**

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

Capital- and capital requirement in accordance with the conglomerate directive

NOK million	30.06.22	31.12.21
Capital requirements for CRD IV companies	3,678	3,125
Solvency capital requirements for insurance	22,811	26,856
Total capital requirements	**26,489**	**29,982**
Net primary capital for companies included in the CRD IV report	4,079	3,728
Net primary capital for insurance	47,071	48,369
Total net primary capital	**51,150**	**52,098**
Overfulfilment	**24,661**	**22,116**

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 2022, the difference amounted to NOK 203 million.

Note 14 Information about related parties

Storebrand conducts transactions with related parties as part of its normal business activities. These transactions take place on commercial terms. The terms for transactions with management and related parties are stipulated in notes 23 and 46 in the 2021 annual report.

Storebrand has not carried out any material transactions other than normal business transactions with related parties at the close of the 2nd quarter 2022.

Storebrand ASA

Income statement

NOK million	Q2 2022	Q2 2021	01.01 - 30.06 2022	01.01 - 30.06 2021	Full year 2021
Operating income					
Income from investments in subsidiaries			9		4,542
Net income and gains from financial instruments:					
- equities and other units	-13	3	-15		-2
- bonds and other fixed-income securities	-11	9	-21	24	39
- financial derivatives/other financial instruments					
Other financial instruments	1	204	1	204	204
Operating income	**-24**	**216**	**-26**	**227**	**4,783**
Interest expenses	-8	-5	-14	-9	-18
Other financial expenses	81	-37	95	-35	-79
Operating expenses					
Personnel expenses	-14	-11	-25	-22	-44
Other operating expenses	-40	-29	-78	-58	-136
Total operating expenses	**-54**	**-40**	**-103**	**-80**	**-180**
Total expenses	18	-82	-22	-124	-277
Pre-tax profit	**-6**	**133**	**-49**	**103**	**4,505**
Tax	19	9	35	17	-258
Profit for the period	**13**	**142**	**-14**	**120**	**4,248**

Statement of total comprehensive income

NOK million	Q2 2022	Q2 2021	01.01 - 30.06 2022	01.01 - 30.06 2021	Full year 2021
Profit for the period	**13**	**142**	**-14**	**120**	**4,248**
Other total comprehensive income elements not to be classified to profit/loss					
Change in estimate deviation pension					6
Tax on other comprehensive elements					-1
Total other comprehensive income elements					**4**
Total comprehensive income	**13**	**142**	**-14**	**120**	**4,252**

Storebrand ASA

Statement of financial position

NOK million	30.06.22	30.06.21	31.12.21
Fixed assets			
Deferred tax assets	81	62	46
Tangible fixed assets	28	27	27
Shares in subsidiaries and associated companies	23,011	21,286	23,006
Total fixed assets	**23,119**	**21,374**	**23,079**
Current assets			
Owed within group	136	52	4,542
Other current receivables	15	16	15
Investments in trading portfolio:			
- equities and other units	40	57	55
- bonds and other fixed-income securities	5,649	5,188	4,811
- financial derivatives/other financial instruments			
Bank deposits	67	50	28
Total current assets	**5,907**	**5,363**	**9,450**
Total assets	**29,026**	**26,738**	**32,530**
Equity and liabilities			
Share capital	2,360	2,339	2,360
Own shares	-7	-9	-9
Share premium reserve	10,842	10,521	10,842
Total paid in equity	**13,195**	**12,851**	**13,192**
Other equity	15,154	12,642	15,128
Total equity	**28,349**	**25,493**	**28,321**
Non-current liabilities			
Pension liabilities	142	157	142
Securities issued	500	1,001	1,001
Total non-current liabilities	**642**	**1,158**	**1,143**
Current liabilities			
Debt within group			1,193
Provision for dividend			1,645
Other current liabilities	35	87	228
Total current liabilities	**35**	**87**	**3,066**
Total equity and liabilities	**29,026**	**26,738**	**32,530**

Storebrand ASA

Statement of changes in equity

NOK million	Share capital	Own shares	Share premium	Other equity	Total equity
Equity at 31. December 2020	**2,339**	**-2**	**10,521**	**12,609**	**25,467**
Profit for the period				4,248	4,248
Total other result elements				4	4
Total comprehensive income				**4,252**	**4,252**
Issues of shares	21		320		341
Provision for dividend				-1,640	-1,640
Own shares sold[2)]		-7		-97	-104
Employee share[2)]				4	4
Equity at 31. December 2021	**2,360**	**-9**	**10,842**	**15,128**	**28,321**
Profit for the period				-14	-14
Total other result elements					
Total comprehensive income				**-14**	**-14**
Own shares sold[2)]		3		35	37
Employee share 2)				5	5
Equity at 30. June 2022	**2,360**	**-7**	**10,842**	**15,154**	**28,349**

[1)] 471 974 890 shares with a nominal value of NOK 5.

[2)] In 2022, 517 538 shares were sold to our own employees. Holding of own shares 30. June 2022 was 1 322 238.

Equity at 31. December 2020	**2,339**	**-2**	**10,521**	**12,609**	**25,467**
Profit for the period				120	120
Total other result elements					
Total comprehensive income				**120**	**120**
Own shares bought back		-10		-134	-144
Own shares sold		3		37	40
Employee share				5	5
Equity at 30. June 2021	**2,339**	**-9**	**10,521**	**12,642**	**25,493**

Storebrand ASA

Statement of cash flow

NOK million	01.01 - 30.06 2022	2021
Cash flow from operational activities		
Net receipts/payments - securities at fair value		
Net receipts/payments - securities at fair value	-859	-262
Payments relating to operations	-113	-87
Net receipts/payments - other operational activities	4,414	3,078
Net cash flow from operational activities	**3,442**	**2,728**
Cash flow from investment activities		
Receipts - sale of subsidiaries		202
Payments - purchase/capitalisation of subsidiaries	-1,285	-1,318
Net cash flow from investment activities	**-1,285**	**-1,116**
Cash flow from financing activities		
Payments - repayments of loans	-500	
Payments - interest on loans	-14	-9
Receipts - sold own shares to employees	42	44
Payments - buy own shares		-144
Payments - dividends	-1,646	-1,513
Net cash flow from financing activities	**-2,118**	**-1,622**
Net cash flow for the period	**39**	**-10**
Net movement in cash and cash equivalents	39	-10
Cash and cash equivalents at start of the period	28	61
Cash and cash equivalents at the end of the period	**67**	**50**

Notes to the financial statements Storebrand ASA

Note 1 Accounting policies

The financial statements are presented in accordance with the accounting policies applied in the annual financial statements for 2021. The accounting policies are described in the 2021 annual report.
The financial statements are presented in accordance with the accounting policies applied in the annual financial statements for 2021. The accounting policies are described in the 2021 annual report.

Storebrand ASA does not apply IFRS to the parent company's financial statements.

Note 2 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 3 Bond and bank loan

NOK million	Interest rate	Currency	Net nomial value	01.01 - 30.06 2022	2021	Full year 2021
Bond loan 2020/2025	Variable	NOK	500	500	501	500
Bond loan 2017/2022	Variable	NOK	500		500	501
Total [1)]				**500**	**1,001**	**1,001**

[1)] Loans are booked at amortised cost and include earned not due interest.

Signed loan agreements have covenant requirements.

Storebrand ASA has an unused drawing facility for EUR 200 million, expiration December 2025.

Declaration by the members of the Board 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 2022 (Report for the first six months, 2022).

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 2022 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 2022. 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, 13 July 2022
Board of Directors of Storebrand ASA

Didrik Munch
Chairman of the Board

Martin Skancke	Karin Bing Orgland	Marianne Bergmann Røren
Karl Sandlund	Christel Elise Borge	Fredrik Åtting
Hanne Seim Grave	Hans-Petter Salvesen	Bodil Cathrine Valvik

Odd Arild Grefstad
Chief Executive Officer

To the Board of Directors of Storebrand ASA

Report on Review of Interim Financial Information

Introduction

We have reviewed the accompanying consolidated statement of financial position of Storebrand ASA as at 30 June 2022, and the related consolidated income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flow for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation of this interim financial information that give a true and fair view 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, in all material respects, give a true and fair view of the financial position of the entity as at 30 June 2022, and its financial performance and its cash flows for the six-month period then ended in accordance with IAS 34 Interim Financial Reporting.

Oslo, 13 July 2022
PricewaterhouseCoopers AS

Thomas Steffensen
State Authorised Public Accountant
(This document is signed electronically)

PricewaterhouseCoopers AS, Dronning Eufemias gate 71, Postboks 748 Sentrum, NO-0106 Oslo
T: 02316, org. no.: 987 009 713 MVA, www.pwc.no
Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap

Financial calendar

14 July 2022	Results Q2 2022
26 October 2022	Results Q3 2022
8 February 2023	Results Q4 2022
13 April 2023	AGM 2023

Investor Relations contacts

Lars Aa. Løddesøl	Group CFO	lars.loddesol@storebrand.no	+47 934 80 151
Kjetil R. Krøkje	Group Head of Finance, Strategy and M&A	kjetil.r.krokje@storebrand.no	+47 934 12 155
Daniel Sundahl	Head of Investor Relations and Rating	daniel.sundahl@storebrand.no	+47 913 61 899

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

www.storebrand.com/ir