storebrand

Interim report 3rd quarter 2019

Storebrand Group

Contents

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Storebrand Group

- **Group result of NOK 700m for the 3rd quarter and NOK 2 011m YTD**
- **Solvency II ratio 177%**
- **Good relative fund performance gives NOK 99m in earned not booked performance fees for the 3rd quarter and 265m YTD. Booked performance related costs amounts to NOK 49m in the quarter and NOK 111m YTD**

Storebrand's ambition is to build a world class Savings Group supported by 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 RESULT [2)]

	2019			2018		01.01 - 30.09		Full Year
(NOK million)	Q3	Q2	Q1	Q4	Q3	2019	2018	2018
Fee and administration income	1,296	1,235	1,215	1,301	1,246	3,746	3,710	5,011
Insurance result	268	269	245	282	316	782	1,009	1,291
Operational cost	-979	-1,030	-929	-1,031	-877	-2,938	-2,755	-3,786
Operating profit	**586**	**474**	**531**	**551**	**685**	**1,591**	**1,965**	**2,516**
Financial items and risk result life	114	105	202	11	168	420	631	642
Profit before amortisation	**700**	**578**	**733**	**563**	**853**	**2,011**	**2,595**	**3,158**
Amortisation and write-downs of intangible assets	-115	-114	-99	-99	-98	-328	-261	-360
Profit before tax	**585**	**464**	**634**	**464**	**755**	**1,683**	**2335**	**2,799**
Tax	-124	-13	-139	1,391	-229	-277	-494	898
Profit after tax	**461**	**451**	**494**	**1855**	**526**	**1,406**	**1841**	**3,697**

The Group's profit before amortisation was NOK 700m (NOK 853m) in the 3rd quarter and NOK 2,011m (NOK 2,595m) year to date. The figures in brackets are from the corresponding period last year.

Total fee and administration income amounted to NOK 1,296m (NOK 1,246m) in the 3rd quarter.

This is an increase of 4% compared to the same period last year. Income in the Savings segment was NOK 957m (NOK 905m) and grew by 6% in the same period. Total assets under management have increased with NOK 61bn since the 3rd quarter last year, contributing to the increase in income. Performance related income earned, but not booked, amounted to NOK 99m (NOK -45m) in the quarter and NOK 265m (NOK 53m) year to date. The corresponding performance related costs have however been book as explained below. In the Guaranteed segment, fee and administration income was NOK 384m (NOK 369m), an increase of 4%.

The Insurance result was NOK 268m (NOK 316) and the total combined ratio was 89% (81%) in the quarter. This is in line with the targeted range of 90-92%. Last year's lower combined ratio in the 3rd quarter was largely driven by run-off gains.

The Group's operational costs for the quarter were NOK -979m (NOK -877m) and year to date NOK -2,938m (NOK -2,755m) are in line with the group's targeted cost level, but increased compared to the same period last year. This is partly due to good relative performan-ce in funds with performance fees that have lead to an increase in performance related costs, but also because last year's costs in the 3rd quarter were lower than normal due to items of non-reoccurring nature. Performance related costs amounted to NOK 49m booked in the quarter and NOK 111m year to date. The underlying cost control is strong and the Group maintains the target of flat nominal costs in 2020 compared to 2018.

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

Overall, the operating profit decreased in the quarter and year to date compared to last year. Strong insurance results in 2018 combined with higher performance related costs in 2019 are the main explanations for the difference. Performance related income earned, but which will only be booked at the end of the year, amounted to NOK 99m in the 3rd quarter and NOK 265m year to date.

The 'financial items and risk result' of NOK 114m (NOK 168m) was satisfactory in the quarter. A strong risk result in Paid up policies contributes positively. Lower interest rates lead to lower financial results in the Swedish business SPP and only modest net profit sharing. Year to date, net profit sharing is considerably lower compared to last year because of last year's reserve release of NOK 200m from deferred capital contributions (DCC) in SPP.

Amortisation of intangible assets remained stable at NOK -115m (NOK -98). The increase compared to last year is due to the acquisition of Cubera. Normal amortisation of intangible assets is expected to remain at around NOK 110m per quarter.

The Group reported a tax cost of NOK -124m (NOK -229) for the quarter. This is in line with the estimated tax rate of 21-23% for 2019. The effective tax rate is influenced by the fact that the Group has operations in countries with tax rates that are different from Norway, and it varies from quarter to quarter depending on each legal entity's contribution to the Group result. Tax related issues are described in note 9.

GROUP RESULT BY RESULT AREA

	2019			2018		01.01 - 30.09		Full Year
(NOK million)	Q3	Q2	Q1	Q4	Q3	2019	2018	2018
Savings - non-guaranteed	303	224	290	325	334	817	932	1,257
Insurance	128	139	103	97	214	369	651	748
Guaranteed pension	237	211	249	217	295	697	932	1,148
Other profit	32	5	91	-76	10	128	81	5
Profit before amortisation	**700**	**578**	**733**	**563**	**853**	**2,011**	**2,595**	**3,158**

The Savings segment reported a profit before amortisation of NOK 303m (NOK 334m) for the 3rd quarter and NOK 817m (NOK 932m) year to date. Growth in assets under management from premium income and stable yet positive equity markets contribute to the result. Performance related costs from good relative returns in some Skagen funds with performance fees – where the corresponding income is only booked at the end of the year – negatively affect the profit in Asset Management with NOK -49m (NOK 22m) in the quarter and NOK -111m (NOK 0) year to date. Adjusting for performance related costs, the profit increased 13% compared to the same quarter last year.

The Insurance segment reported a profit before amortisation of NOK 128m (NOK 214m) for the 3rd quarter and NOK 369m (NOK 651m) year to date. The claims ratio increased from 67% to 73% compared to last year and the cost ratio increased from 14% to 17%, resulting in a combined ratio of 89% (81%) for the 3rd quarter. Run-off gains and cost reducing items of non-reoccurring nature contributed positively to the result last year. Over time, the combined ratio is targeted to be in the range 90-92%.

The Guaranteed Pension segment reported a profit before amortisation of NOK 237m (NOK 295m) for the 3rd quarter and NOK 697m (NOK 932m) year to date. Good results for disability risk coverages in the Norwegian paid-up policy and defined benefit portfolio contribute to a strong risk result in Norway, but the result is dampened by weak longevity results in Sweden. The products within Guaranteed Pension are in long-term runoff and reduced earnings from this segment are to be expected over time.

The Other segment, which primarily consists of company capital, subordinated loans, and small subsidiaries, reported a profit of NOK 32m (NOK 10m) in the quarter and NOK 128m (NOK 81m) year to date.

[1] Tax rate based on profit before amortisation

CAPITAL SITUATION

Storebrand uses the standard model for the calculation of Solvency II. The Storebrand Group's target solvency margin in accordance with the Solvency II regulations is a minimum of 150%, including use of the transitional rules. The solvency margin was 177% at the end of the 3rd quarter 2019. The Solvency margin without transitional rules was 172%. Despite the fall in interest rates during the quarter, increased volatility adjustment, an increase of mass lapse reinsurance and an increase in subordinated loans in addition to earnings generation explain the increase in Solvency II ratios. The subordinated loan with call in March 2020 amounts to approximately 3 percentage points of the group solvency ratio as of the 3rd quarter 2019.

MARKET AND SALES PERFORMANCE

The growth in Unit linked savings is driven by premiums from existing contracts, investment returns, conversion from Defined Benefit to Defined Contribution schemes and increased savings rates. Assets under management in the Unit Linked business in Norway and Sweden increased by NOK 19.7bn (11%) compared to the same period in 2018. Both the Swedish and the Norwegian Unit Linked business manages over 100bn of pension assets each in local currency. In Norway, Storebrand is the market leader in Unit Linked occupational pension with 29% of the market share of gross premiums written (at the end of the 2nd quarter 2019). SPP has a market share of 14% in the Swedish market for non-unionised occupational pensions ("Övrig Tjänstepension") and is rapidly growing its sales within United Linked pensions. New sales of the product, measured in annual premium equivalent, are 32% higher year to date compared to last year.

The Storebrand Group has a 13% market share (Pr.31.08.2019) within retail mutual funds in Norway. Within Insurance, after a period of flat premium development, written premiums grew by 4% compared to the same period last year. Storebrand has an ambition to achieve 5% premium growth. Lending volume at Storebrand Bank amounted to NOK 46,7bn. The growth in lending has slowed since the bank balance has reached a targeted level of NOK 45-50bn in mortgages. The lending volume increased 2% compared to the same period last year. While margins have improved.

GROUP - KEY FIGURES

	2019			2018		01.01 - 30.09		Full Year
(NOK million)	Q3	Q2	Q1	Q4	Q3	2019	2018	2018
Earnings per share adjusted[1]	1.22	1.21	1.26	4.18	1.33	3.70	4.48	8.66
Equity	32,680	32,242	33,177	32,873	30,742	32,680	30,742	32,873
Quarterly adjusted ROE, annualised	7.5%	7.4%	7.9%	29.0%	8.6%	7.5%	8.6%	13.7%
Solvency II	177%	167%	173%	173%	169%	177%	169%	173%

Financial targets	Target	Actual (Q4)
Return on equity (after tax)[1]	> 10%	7.5%
Dividend (after tax)[2]	> 50%	N/A
Solvency II margin Storebrand Group	> 150%	177%

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

Savings

- **Strong growth in Assets under Management in the 3rd quarter of NOK 34bn**
- **13% profit growth quarter on quarter adjusted for performance related costs**
- **Good relative performance in Skagen gives NOK 99m earned, not booked performance fees in Q3, NOK 265m YTD. Booked performance related costs amounts to 49m in the quarter and NOK 111 YTD**

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

SAVINGS - NON GUARANTEED

	2019			2018		01.01 - 30.09		Full Year
(NOK million)	Q3	Q2	Q1	Q4	Q3	2019	2018	2018
Fee and administration income	957	911	896	1,006	905	2,764	2,703	3,709
Operational cost	-643	-672	-615	-652	-565	-1,929	-1,753	-2,405
Operating profit	314	239	281	354	340	834	950	1,303
Financial items and risk result life	-11	-16	9	-29	-5	-18	-17	-46
Profit before amortisation	**303**	**224**	**290**	**325**	**334**	**817**	**932**	**1,257**

FINANCIAL PERFORMANCE

The Savings segment reported a profit before amortisation of NOK 303m (NOK 334m) for the 3rd quarter and NOK 817m (932m) year to date. The recent acquisition of Cubera is included with a profit of NOK 12m in the quarter and 23m year to date.

The result is negatively affected by good relative performance in Skagen in the quarter. Performance related elements reduce the operating profit as well as profit before amortisation for the Savings segment by NOK -49m in the quarter and NOK -111m year to date. In accordance with IFRS, the performance related income is not booked until the end of the year, amounting to NOK 99m in the quarter and NOK 265m year to date. Thus, the reported IFRS-result does not fully reflect the real profit development in the Savings segment. Including earned not booked income, the profit before amortisation was NOK 402 (NOK 289m) for the 3rd quarter and NOK 1,082m (985m) year to date.

Compared to last year, the fee- and administration income in the Savings segment increased by 6% in the quarter and by 2% year to date. In the Norwegian and Swedish United Linked businesses, income year to date grew 10% and 7% respectively. Returns, customer conversion from Defined Benefit to Defined Contribution pension schemes, new business and higher savings rates drive income growth. Increased competition contributes to moderate margin pressure both for the Norwegian and the Swedish Unit Linked products. In Asset Management, growth in index based products slowly leads to lower net margins. Interest rate changes in the 3rd quarter increased the interest margin in Storebrand Bank, and net interest income as a percentage of average total assets was 1.33% (1.19%) in the quarter and 1.24% (1.15%) year to date.

Operational cost in the 3rd quarter increased compared to the same quarter and year to date 2018. This is primarily due to the booking of performance related costs described above.

BALANCE SHEET AND MARKET TRENDS

Turbulent market conditions in the 4th quarter 2018 lead to lower assets under management at the beginning of 2019, but good returns year to date have contributed to growth. The Unit Linked premiums were NOK 4.2bn at the end of 3rd quarter, growing by 3% compared to the previous year. The total assets under management in Unit Linked have increased by 9bn (4%) during 3rd quarter and 20bn (11%) compared to the previous year, and amounted to NOK 206bn at the end of the quarter. In the Norwegian Unit Linked business the assets under management increased by NOK 3.5bn (3%) in the quarter and NOK 8.8 bn (9%) last year. The underlying growth is driven by premium payments for existing contracts, returns and conversion from defined benefit schemes. In Norway, Storebrand is the market leader in Unit Linked with 29% of the market share of gross premiums written (at the end of the 2nd quarter).

In the Swedish market, SPP is the fourth largest supplier in the non-unionised pensions segment with a market share of 14% measured by premium income (excluding transfers) from Unit Linked. Customer assets increased by SEK 4.7bn (5%) in the quarter and 10.5bn (12%) year to date.

Assets under management in Storebrand Asset Management increased by NOK 34bn (5%) in the quarter and NOK 61bn (8%) over the last year including Cubera with 7 bn. Adjusted for currency changes, the growth would have been NOK 16bn higher at the end of the quarter.

The bank lending portfolio in the retail market grew by NOK 2.4bn (5%) from the same quarter in the previous year, and 0.5bn (1%) during the 3rd quarter. The portfolio consists of low-risk home mortgages with an average LTV of 57%. Storebrand Life Insurance manages NOK 18.2bn of the mortgages on its balance sheet.

SAVINGS - KEY FIGURES

	2019			2018	
(NOK million)	Q3	Q2	Q1	Q4	Q3
Unit linked Reserves	206,717	198,032	190,980	179,299	187,016
Unit linked Premiums	4,205	4,175	4,237	4,086	4,096
AuM Asset Management	786,326	751,926	728,712	707,297	725,171
Retail Lending	46,722	46,201	46,476	46,526	45,669

Insurance

- **Results in line with target level of 90-92% combined ratio**
- **Claims development satisfactory in most areas**
- **Continued cost control keeps the operational costs stable**

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

	2019			2018		01.01 - 30.09		Full Year
NOK million	Q3	Q2	Q1	Q4	Q3	2019	2018	2018
Insurance premiums f.o.a.	981	965	948	1,003	949	2,895	2,850	3,854
Claims f.o.a.	-713	-696	-703	-721	-633	-2,112	-1,841	-2,562
Operational cost	-162	-159	-150	-175	-136	-471	-438	-614
Operating profit	**106**	**111**	**95**	**107**	**181**	**311**	**571**	**677**
Financial result	21	28	8	-9	33	58	80	71
Contribution from SB Helseforsikring AS	*12*	*10*	*1*	*6*	*15*	*22*	*25*	*32*
Profit before amortisation	**128**	**139**	**103**	**97**	**214**	**369**	**651**	**748**
Claims ratio	73%	72%	74%	72%	67%	73%	65%	66%
Cost ratio	17%	16%	16%	17%	14%	16%	15%	16%
Combined ratio	89%	89%	90%	89%	81%	89%	80%	82%

FINANCIAL PERFORMANCE

In the 3rd quarter, Insurance delivered a result before amortisation of NOK 128m (NOK 214m). The combined ratio for the quarter was 89% (81%). The underlying combined ratio is targeted to be in the range 90-92%.

The 3rd quarter claims ratio was 73% (67%) and the result is weaker than last year due to weaker results in P&C, Individual insurance coverages and Group Life. P&C insurance has higher claims for the current year due to larger claims in property and vehicle liability, and lower result than last year due to high run-off gains in 2018. Individual insurance coverage has a lower result due to higher claims on lump sum critical illness coverages, and a claims ratio higher than last year. Group Life continues to deliver a weak risk result due to high claims, yet a better result than in recent quarters after reserve strengthening in the 2nd quarter. The risk result for Group Disability Pension is driven by a generally good disability development in Norway, but competition and price pressure are high in the market. The Swedish disability result is strong. Health insurance experiences slightly higher claims rates in Sweden and Norway than in the previous year, but this has been compensated for by lower costs.

The cost ratio was 17% (14%) in the 3rd quarter and is higher than last year due to cost reducing items of non-reoccurring nature in P&C in 2018. Cost control has continued to be satisfactory. Insurance's investment portfolio in Norway amounted to NOK 8.1bn as of the 3rd quarter, which is primarily invested in fixed income securities with short to medium duration.

BALANCE SHEET AND MARKET TRENDS

Storebrand aims to grow in the retail market. The competition is strong, but a shift in distribution strategy last year has started to pay off with satisfying sales growth this year. Health related insurance is growing and Storebrand is succeeding well in this market.

INSURANCE PREMIUMS

	2019			2018		01.01 - 30.09		Full Year
(NOK million)	Q3	Q2	Q1	Q4	Q3	2019	2018	2018
P&C & Individual life[1)]	1,845	1,810	1,769	1,743	1,717	1,845	1,717	1,743
Health & Group life[2)]	1,609	1,563	1,548	1,574	1,538	1,609	1,538	1,574
Pension related disability insurance[3)] Nordic	1,130	1,134	1,124	1,138	1,153	1,130	1,153	1,138
Total written premiums	**4,583**	**4,507**	**4,442**	**4,455**	**4,408**	**4,583**	**4,408**	**4,455**

[1)] NOK 2,7bn of the investment portfolio is linked to disability coverages where the investment result goes to the customer reserves and not as a result element in the P&L.
[2)] Group disability, workers comp. and health insurance. Includes all written premiums in Storebrand Helseforsikring AS (50/50 joint venture with Munich Health).
[3)] DC risk premium Norwegian line of business

Guaranteed pension

- **Income development in line with strategy and product run-off**
- **Moderate net profit sharing due to lower interest rates**

GUARANTEED PENSION

	2019			2018		01.01 - 30.09		Full Year
NOK million	Q3	Q2	Q1	Q4	Q3	2019	2018	2018
Fee and administration income	384	364	361	333	369	1,108	1,107	1,440
Operational cost	-199	-209	-186	-223	-179	-594	-594	-816
Operating profit	**185**	**155**	**174**	**111**	**190**	**514**	**513**	**624**
Risk result life & pensions	30	52	61	58	91	144	134	191
Net profit sharing and loan losses	22	4	13	48	13	39	285	333
Profit before amortisation	**237**	**211**	**249**	**217**	**295**	**697**	**932**	**1,148**

FINANCIAL PERFORMANCE

Guaranteed Pension achieved a profit before amortisation of NOK 237m (NOK 295m) in the 3rd quarter and NOK 697m year to date (NOK 932m).

Fee and administration income has performed in line with the fact that a large part of the portfolio is mature and in long-term decline. Income was NOK 384m (NOK 369m) in the 3rd quarter and NOK 1,108m year to date (NOK 1,107m). Accrual effects had a positive impact on the income in the quarter.

Operating costs amounted to NOK 199m (NOK 179m) in the 3rd quarter and NOK 594m year to date (NOK 594m). Over time, operating costs are reduced as a result of the products being in long-term runoff.

The risk result amounted to NOK 30m (NOK 91m) in the 3rd quarter and NOK 144m year to date (NOK 134m). The risk result in the quarter is strong in the Norwegian Paid-up policy and Defined Benefit portfolio due to good results for disability risk coverages. In the Swedish business, the risk result was minus NOK 30m in the quarter due to weak longevity results. Natural variation will occur, but measures are being taken to improve results.

The result from profit sharing in the Guaranteed Pension segment was NOK 22m (NOK 13m) in the 3rd quarter and NOK 39m year to date (NOK 285m). Compared to last year, net profit sharing is considerably lower, the main reason being last year's reserve release of NOK 200m from deferred capital contributions (DCC) in SPP. Low interest rates is the main reason for moderate risk profit sharing year to date.

BALANCE SHEET AND MARKET TRENDS

The majority of products are closed for new business, and the customers' choice of transferring from guaranteed to non-guaranteed products is in line with the Group's strategy. As of the 3rd quarter, customer reserves for guaranteed pensions amounted to NOK 264bn, which is an increase of NOK 1.7bn compared to the previous quarter and an increase of NOK 3.1bn year to date. The increase is primarily attributed to growth in buffer capital. The premium income for guaranteed pensions (excluding transfers) was NOK 1.0bn (NOK 0.9bn) for the 3rd quarter and NOK 4.0bn for the year to date (NOK 4.2bn).

In the Norwegian business, Paid-up policies is the only guaranteed pension portfolio experiencing some growth over time as active Define Benefit contracts will eventually become Paid-up policies. The portfolio amounted to NOK 137bn as of the 3rd quarter – an increase of NOK 0.4bn in the quarter. Reserves for Defined Benefit pensions in Norway amounted to NOK 33bn at the end of the 3rd quarter, in line with the level at the start of the year.

Guaranteed portfolios in the Swedish business totalled NOK 81bn as of the 3rd quarter, a reduction of NOK 0.4bn year to date.

GUARANTEED PENSION - KEY FIGURES

	2019			2018		01.01 - 30.09		Full Year
(NOK million)	Q3	Q2	Q1	Q4	Q3	2019	2018	2018
Guaranteed reserves	263,677	261,973	260,560	260,573	257,570	263,677	257,570	260,573
Guaranteed reserves in % of total reserves	56.1%	57.0%	57.7%	59.2%	57.9%	56.1%	57.9%	59.2%
Net transfers	-14	1	-75	-10	-24	-88	-155	-165
Buffer capital in % of customer reserves Norway	8.3%	7.9%	7.4%	6.4%	6.6%	8.3%	6.6%	6.4%
Buffer capital in % of customer reserves Sweden	9.8%	9.9%	9.4%	8.7%	9.5%	9.8%	9.5%	8.7%

Other/Eliminations

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

RESULT EXCLUDING ELIMINATIONS

	2019			2018		01.01 - 30.09		Full Year
NOK million	Q3	Q2	Q1	Q4	Q3	2019	2018	2018
Fee and administration income	10	14	14	23	32	38	79	102
Operational cost	-29	-45	-33	-42	-58	-107	-148	-190
Operating profit	-19	-31	-19	-20	-25	-69	-69	-89
Financial items and risk result life	51	36	111	-56	35	197	185	128
Profit before amortisation	**32**	**5**	**91**	**-76**	**10**	**128**	**116**	**40**

ELIMINATIONS

	2019			2018		01.01 - 30.09		Full Year
(NOK million)	Q3	Q2	Q1	Q4	Q3	2019	2018	2018
Fee and administration income	-54	-54	-55	-61	-60	-163	-178	-239
Operational cost	54	54	55	61	60	163	178	239
Financial result							-35	-35
Profit before amortisation							-35	-35

The Other segment reported a profit of NOK 32m (NOK 10m) in the quarter and NOK 128m (NOK 116m) year to date. Fee and administration income as well as operational cost was reduced in comparison with the same quarter last year due to run-off of the corporate bank and the sale of Nordben.

The financial result for the Other segment includes the company portfolios of SPP and Storebrand Life Insurance, and the financial result of Storebrand ASA.

The Storebrand Life Insurance Group is funded by a combination of equity and subordinated loans. Given the interest rate level at the end of the 3rd quarter, interest expenses of approximately NOK 90m per quarter are expected. The company portfolios in the Norwegian and Swedish life insurance companies amounted to NOK 21.5bn at end of the quarter.

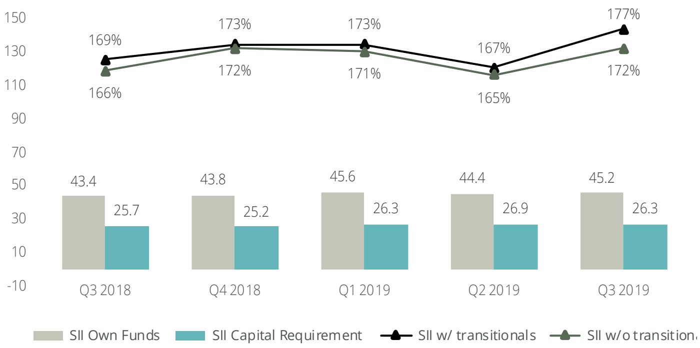
The investments are primarily in interest-bearing securities, with short maturities, in Norway and Sweden. The Norwegian company portfolio reported a return of 0.63% for the quarter. The Swedish company portfolio provided a return of 0.2% in the quarter.

Balance sheet, solidity and capital situation

Continuous monitoring and active risk management is core to Storebrand's business. Risk and capital adequacy are 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

The solvency margin was 177% at the end of the 3rd quarter 2019, an increase from 167% by the end of the 2nd quarter. The Solvency margin without transitional rules was 172%. Effects of falling interest rates in the 3rd quarter are to a large extent offset by an increase in the volatility adjustment (VA). The Solvency position is further strengthened by the quarterly results, an increase of a reinsurance contract related to mass lapse and an increase in subordinated loans. The subordinated loan with call in March 2020 amounts to approximately 3 percentage points of the group solvency ratio as of the 3rd quarter 2019.



STOREBRAND ASA

Storebrand ASA (holding company) held liquid assets of NOK 3.4bn at the end of the quarter. Liquid assets consist primarily of short-term fixed income securities with a good credit rating and bank deposits. Storebrand ASA's total interest-bearing liabilities were NOK 1.3bn at the end of the quarter. This corresponds to a net equity-debt ratio of 10.1%. The next maturity date for bond debt is in May 2020. In addition to the liquidity portfolio, the company has an unused credit facility of EUR 200m that runs until December 2023.

Storebrand ASA owned 0.20% (951,348) of the company's own shares at the end of the quarter.

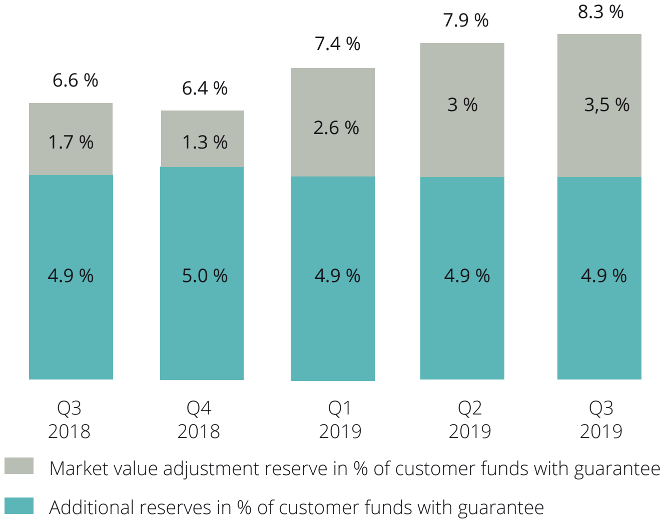
STOREBRAND LIFE INSURANCE GROUP[1)]

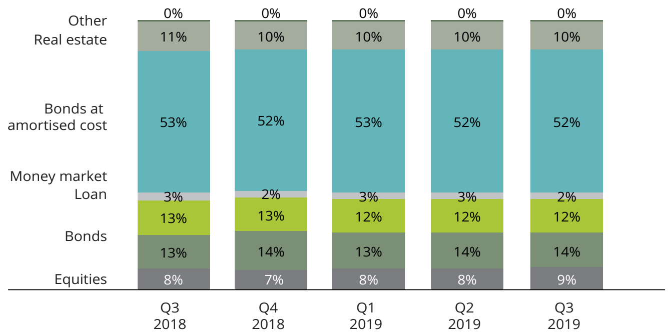
The Solidity capital[1)] measures the amount of IFRS capital available to cover customer liabilities. The solidity capital amounted to NOK 62.1bn at the end of 3rd quarter 2019, an increase of NOK 2.2bn in 3rd quarter. The change in the quarter is due to increased customer buffers in the Norwegian business and a new subordinated loan of SEK 1,000m.

STOREBRAND LIVSFORSIKRING AS

The market value adjustment reserve increased during the 3rd quarter by NOK 0.8bn and year to date by NOK 3.6bn and amounted to NOK 5.9bn at the end of the 3rd quarter 2019. The additional statutory reserves decreased year to date by NOK 0.3bn and amounted to NOK 8.2bn at the end of the 3rd quarter 2019. The excess value of bonds and loans valued at amortised cost increased by NOK 0.4bn in the 3rd quarter and NOK 1.5bn year to date and amounted to NOK 6.5bn at the end of the 3rd quarter 2019 due to decreases in interest rates. The excess value of bonds and loans at amortised cost is not included in the financial statements.

CUSTOMER BUFFERS





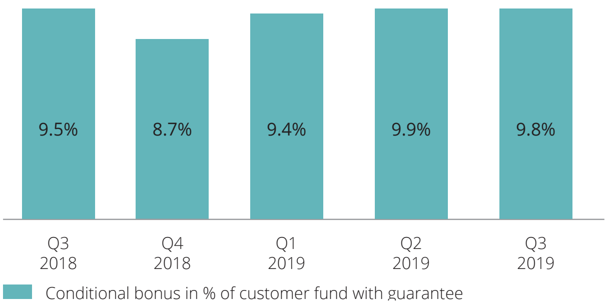
ALLOCATION OF GUARANTEED CUSTOMER ASSETS

Total customer assets increased by NOK 4.3bn in the 3rd quarter and NOK 17.8bn year to date due to positive investment returns. Customer assets totalled NOK 291bn at the end of the 3rd quarter 2019. Customer assets within non-guaranteed savings increased NOK 3.9bn during the 3rd quarter and NOK 14.3bn year to date and amounted to NOK 108bn at the end of 3rd quarter 2019. Guaranteed customer assets increased by NOK 0.5bn in the 3rd quarter and NOK 3.5bn year to date and amounted to NOK 183bn at the end of 3rd quarter 2019.

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

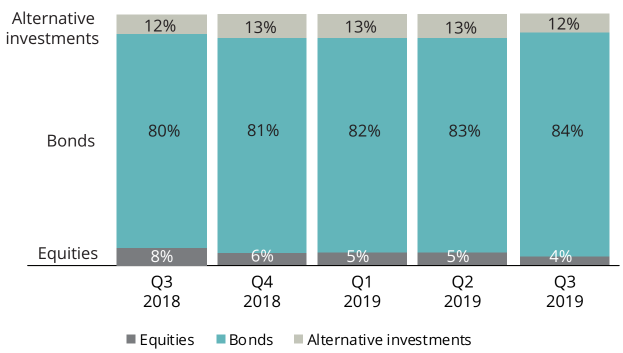
SPP

CUSTOMER BUFFERS - SPP



The buffer capital amounted to SEK 7.8bn (SEK 7.3bn) at the end of the 3rd quarter.

ALLOCATION OF GUARANTEED CUSTOMER ASSETS



Total assets under management in SPP were SEK 191bn (SEK 178bn) at the end of the 3rd quarter. This corresponds to an increase of 7.6% compared to the 3rd quarter last year. For customer assets in non-guaranteed savings, assets under management totaled SEK 107bn (SEK 97bn) at the end of the 3rd quarter, which corresponds to an increase of 11%, compared with the 2nd quarter 2018.

STOREBRAND BANK

The loan portfolio, including loans managed on behalf of Storebrand Livsforsikring AS, amounted to NOK 46.8bn (NOK 46.5bn) at the end of the third quarter, of which the share to Storebrand Livsforsikring AS was NOK 18.2bn (NOK 18.1bn). Lending to customers in the bank group totalled NOK 28.6bn (NOK 28.5bn) at the end of the 3rd quarter.

The Storebrand Bank Group had a net capital base of NOK 2.3bn at the end of the 3rd quarter. The capital adequacy ratio was 18.4% and the Core Equity Tier 1 (CET1) ratio was 14.5% at the end of the 3rd quarter, compared with 18.9% and 15.2%, respectively, at the end of 2018. The combined requirements for capital and CET1 were 17.3% and 13.8% respectively at the end of the third quarter. The countercyclical capital buffer requirement will increase by 0.5 percentage points from 31 December 2019.

Outlook

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

FINANCIAL PERFORMANCE
The market for Defined Contribution pensions is growing, and Storebrand's total reserves within Unit Linked increased by 11% in the last 12 months. Continued good growth for Defined Contribution pensions is expected in the future. The loyalty program for employees at companies that have a pension scheme at Storebrand remains an important area of focus. The sale of banking products and P&C insurance contributes to growth within the Savings and Insurance segments. The competition in the market has resulted in pressure on margins within these segments. This in turn sets requirements for cost reductions and efficiency improvements in distribution and product solutions to achieve continued profitable growth. In order to realise the ambitions in the retail market, sales must continue to increase.

Asset management is an important business area within the Savings segment. With the acquisition of Skagen, Storebrand became a top three mutual fund provider in Norway. The asset management platform is competitive and scalable for further growth. With the acquisition of Cubera as of 1 April, Storebrand has one of the strongest offerings of Private Equity in the Nordics.

The Guaranteed Pension segment is in long term runoff and the reserves for the guaranteed Defined Benefit solutions are decreasing. However, there is continued growth in the reserves linked to Paid-up policies due to companies choosing to convert existing Defined Benefit schemes to Defined Contribution schemes. It is expected that the growth in Paid-up policies will decline in the next few years and that there will be flat growth in reserves over several years before the reserves start to fall. The portfolio of Paid-up policies makes a limited contribution to the Group results with the present interest rates. Guaranteed reserves represent a declining share of the Group's total pension reserves and were 56.1% at the end of the quarter, a 2%-point reduction from the previous year.

The group has a strong track record of cost control. To ensure profitability and counter margin pressure in the financial industry, the group continues a strict reign on cost and invests in digital solutions to improve scalability and efficiency. Storebrand delivered a nominally lower cost base in 2018 compared to the level at the end of 2015 according to plan. The cost base is expected to remain at a nominal flat level towards 2020. The cost ambition is excluding any performance related costs in Asset Management. Storebrand will still make selected investments in growth. Lower cost through automation, digitalisation and the partnerships are expected to cover normal investments in business growth and inflation the coming years.

RISK
Market risk is the Group's biggest risk. In the Board's self-assessment of risk and solvency (ORSA) process, developments in interest rates, credit spreads, and equity and property values are considered to be the biggest risks that influence the solvency of the Group. Storebrand has adapted to the low interest rates by increasing duration in portfolios and building up buffer capital. The level of the average annual interest rate guarantee is gradually reduced as older policies with higher guarantees are phased out. In the long term, continued low interest rates will represent a risk for products with guaranteed high interest rates. Storebrand has adjusted its asset allocation by building a robust portfolio with bonds at amortised cost to achieve the guaranteed interest rate. For insurance risk, increased longevity and the development in disability are the factors that have greatest influence on solvency. Operational risk may also have an effect on solvency. The risk is closely monitored. The span of outcomes from regulatory risk has increased. Several processes, both on the domestic and international level, with potential implications for capital, customer returns and commercial opportunities are described below.

INDIVIDUAL PENSION ACCOUNT
Individual Pension Accounts are to be introduced in 2021 (expcted). The new scheme is based on existing pension accounts in active defined contribution schemes. Defined contribution capital certificates issued by previous employers ("pensjonskapitalbevis") will be transferred into the active scheme unless the holder makes an active choice to stay with the current provider by opting-out ("negative acceptance"). Individuals will be able to transfer the pension account (both current and former earnings) to other providers.

Storebrand is participating in the Ministry of Finance implementing group on individual pension accounts.

Merging management of the active schemes and capital certificates will increase margin pressure. Storebrand currently has a higher market share for active defined contribution schemes than for certificates from such schemes and therefore expects some new net inflows of certificates from the proposed changes.

GUARANTEED PENSIONS

The Ministry of Finance is considering a draft consultation document from the Financial Supervisory Authority regarding changes in guaranteed pension regulation. It is expected that the ministry of Finance will send out a consultation document shortly.

PUBLIC SECTOR PENSIONS

When collective guaranteed pension contracts are transferred to other providers, the provider the customer transfers from can withhold market value adjustment reserves under 2 % of technical provisions. The Ministry of Finance has proposed to abolish this regulation. The public hearing has closed, and we expect implementation of the changes by the end of 2019. This will mainly have an impact in the market for municipal pensions, creating a more level playing field by increase transfer values for municipal customers moving from KLP. Storebrand has decided to enter the public sector pension market and welcomes these changes.

MORTGAGE LOANS HELD BY LIFE INSURANCE COMPANIES

The Financial Supervisory Authority has proposed changes capital requirements for mortage loans held by life insurance companies. The proposal will have limited effect on Storebrand's solvency margin. We expect the Ministry of Finance to consider the proposals after a public hearing.

SOLVENCY II REVIEW

The European Insurance and Occupational Pension Authority has launched a public consultation on technical advice for the 2020 review of Solvency II. The consultation includes a review of the long-term guarantee measures. Changes in the interest rate risk module, volatility adjustment and the methodology for construction of the ultimate forward rate are, based on a preliminary assessment, the most material topics. Stakeholders have until 15 January 2020 to respond to the proposal before EIOPA sends its final opinions to the European Commission by June 2020. The Commission is set to make its recommendations by the end of 2020. Changes in the Solvency II framework could affect Storebrand's solvency calculations.

DIVIDEND POLICY

Storebrand has established a framework for capital management that links dividends to the solvency margin. The dividend policy intends to reflect the strong growth in fee based earnings, the more volatile financial markets related earnings and the future capital release from the guaranteed book. The Board's ambition is to pay a stable and growing base dividend combined with special dividends to reflect financial markets volatility and capital release. The expected capital release will lead to increased payout ratio over time. Storebrand aims to pay a dividend of more than 50% of Group result after tax. The Board of Directors' ambition is to pay ordinary dividends per share of at least the same nominal amount as the previous year. Ordinary dividends are subject to a sustainable solvency margin of above 150%. If the solvency margin is above 180%, the Board of Directors intends to propose special dividends or share buy backs.

Lysaker, 22 October 2019.

Storebrand Group
Income statement

		Q3		01.01 - 30.09		Full year
(NOK million)	Note	2019	2018	2019	2018	2018
Premium income		7,333	7,315	24,317	22,713	29,631
Net income from financial assets and real estate for the company:						
- equities and fund units at fair value		8	1	-2	1	-10
- bonds and other fixed-income securities at fair value		206	81	538	275	286
- financial derivatives at fair value		21	-148	39	18	50
- loans at fair value		4	8	7	5	4
- bonds at amortised cost		56	30	163	85	116
- loans at amortised cost		203	164	582	500	665
- profit from investments in associated companies and joint ventures		-111	16	-92	36	46
Net income from financial assets and real estate for the customers:						
- equities and fund units at fair value		7,962	5,620	29,140	11,024	-5,249
- bonds and other fixed-income securities at fair value		965	424	4,239	646	912
- financial derivatives at fair value		-1,031	-507	2,047	-463	-2,288
- loans at fair value		50	34	125	105	140
- bonds at amortised cost		1,027	972	2,966	2,911	4,254
- loans at amortised cost		134	142	327	234	583
- properties		293	324	1,237	1,095	1,487
- profit from investments in associated companies and joint ventures		89	72	259	295	303
Other income		1,197	1,171	3,341	3,817	4,888
Total income		**18,407**	**15,719**	**69,232**	**43,297**	**35,819**
Insurance claims		-6,065	-5,902	-20,495	-19,139	-25,142
Change in insurance liabilities		-9,466	-6,928	-37,553	-17,286	-3,042
Change in capital buffer		-426	-792	-3,947	161	1,730
Operating expenses	8	-1,189	-1,051	-3,535	-3,298	-4,542
Other expenses		-316	-170	-999	-538	-851
Interest expenses		-245	-24	-692	-602	-813
Total expenses before amortisation		**-17,707**	**-14,867**	**-67,221**	**-40,702**	**-32,661**
Group profit before amortisation		**700**	**853**	**2,011**	**2,595**	**3,158**
Amortisation of intangible assets		-115	-98	-328	-261	-360
Group pre-tax profit		**585**	**755**	**1,683**	**2,335**	**2,799**
Tax expenses	9	-124	-229	-277	-494	898
Profit/loss for the period		**461**	**526**	**1,406**	**1,841**	**3,697**
Profit/loss for the period attributable to:						
Share of profit for the period - shareholders		457	523	1,397	1,830	3,684
Share of profit for the period - hybrid capital investors		3	2	9	7	9
Share of profit for the period - minority		1	1	1	3	3
Total		**461**	**526**	**1,406**	**1,841**	**3,697**
Earnings per ordinary share (NOK)		0.98	1.12	2.99	3.92	7.89
Average number of shares as basis for calculation (million)				466.8	467.1	467.2
There is no dilution of the shares						

Storebrand Group
Statement of comprehensive income

	Q3		01.01 - 30.09		Full year
(NOK million)	2019	2018	2019	2018	2018
Profit/loss for the period	**461**	**526**	**1,406**	**1,841**	**3,697**
Change in actuarial assumptions	-3	-3	-8	-8	-26
Adjustment of value of properties for own use	1	4	-21	46	48
Gains/losses from cash flow hedging	4	-16	-17	-53	-23
Total comprehensive income elements allocated to customers	-1	-4	21	-46	-48
Tax on other comprehensive income elements not to be classified to profit/loss					1
Total other comprehensive income elements not to be classified to profit/loss	**1**	**-20**	**-26**	**-61**	**-48**
Translation differences foreign exchange	-18	18	-214	-555	-351
Total other comprehensive income elements that may be classified to profit/loss	**-18**	**18**	**-214**	**-555**	**-351**
Total other comprehensive income elements	**-17**	**-2**	**-239**	**-616**	**-399**
Total comprehensive income	**444**	**524**	**1,167**	**1,224**	**3,297**
Total comprehensive income attributable to:					
Share of total comprehensive income - shareholders	446	520	1,165	1,218	3,286
Share of total comprehensive income - hybrid capital investors	3	2	9	7	9
Share of total comprehensive income - minority	-6	2	-6	-1	2
Total	**444**	**524**	**1,167**	**1,224**	**3,297**

Storebrand Group
Statement of financial position

(NOK million)	Note	30.09.19	30.09.18	31.12.18
Assets company portfolio				
Deferred tax assets		1,789	653	1,972
Intangible assets and excess value on purchased insurance contracts		6,268	5,953	6,106
Pension assets		5	3	5
Tangible fixed assets		1,094	44	43
Investments in associated companies and joint ventures		226	243	255
Financial assets at amortised cost:				
- Bonds	7	8,581	3,738	8,349
- Loans to financial institutions	7	941	253	318
- Loans to customers	7,10	28,030	27,290	28,236
Reinsurers' share of technical reserves		30	23	21
Investment properties at fair value	7	50	50	50
Biological assets		67	67	67
Accounts receivable and other short-term receivables		2,577	6,239	7,005
Financial assets at fair value:				
- Equities and fund units	7	268	316	295
- Bonds and other fixed-income securities	7	27,672	28,120	24,055
- Derivatives	7	1,232	1,089	1,226
- Loans to customers	7,10	501	318	220
Bank deposits		2,836	3,073	3,633
Minority interests in consolidated mutual funds		48,616	30,201	29,290
Total assets company portfolio		**130,783**	**107,674**	**111,145**
Assets customer portfolio				
Investments in associated companies and joint ventures		3,983	4,627	4,406
Receivables from associated companies			31	
Financial assets at amortised cost:				
- Bonds	7	90,180	88,544	86,374
- Bonds held-to-maturity	7	13,455	14,469	14,403
- Loans to customers	7,10	24,416	24,710	25,270
Reinsurers' share of technical reserves		62	56	48
Investment properties at fair value	7	28,620	27,151	28,217
Properties for own use	7	1,316	1,331	1,420
Accounts receivable and other short-term receivables		591	875	732
Financial assets at fair value:				
- Equities and fund units	7	182,094	167,876	157,066
- Bonds and other fixed-income securities	7	130,385	127,767	133,531
- Derivatives	7	7,212	2,675	3,701
- Loans to customers	7,10	5,740	5,078	5,708
Bank deposits		5,618	5,068	5,457
Total assets customer portfolio		**493,672**	**470,260**	**466,331**
Total assets		**624,455**	**577,935**	**577,476**

Continue next page

Storebrand Group

Statement of financial position (continue)

(NOK million)	Note	30.09.19	30.09.18	31.12.18
Equity and liabilities				
Paid-in capital		12,855	12,858	12,858
Retained earnings		19,550	17,655	19,782
Hybrid capital		226	176	176
Minority interests		49	53	57
Total equity		**32,680**	**30,742**	**32,873**
Subordinated loan capital	6,7	8,863	7,849	8,224
Capital buffer	11	22,127	19,952	18,983
Insurance liabilities		466,082	447,858	444,218
Pension liabilities		308	325	322
Deferred tax		772	260	258
Financial liabilities:				
- Liabilities to financial institutions	6,7	3	35	2
- Deposits from banking customers	7	14,515	14,953	14,419
- Securities issued	6,7	18,498	16,454	17,529
- Derivatives company portfolio		115	77	460
- Derivatives customer portfolio		2,349	1,419	4,147
- Other non-current liabilities		1,059		
Other current liabilities		8,469	7,812	6,751
Minority interests in consolidated mutual funds		48,616	30,201	29,290
Total liabilities		**591,775**	**547,192**	**544,604**
Total equity and liabilities		**624,455**	**577,935**	**577,476**

Storebrand Group
Statement of changes in equity

(NOK million)	Share capital [1]	Own shares	Share premium	Total paid in equity	Currency translation differences	Other equity [2]	Total retained earnings	Hybrid capital[3]	Minority interests	Total equity
	Majority's share of equity									
Equity at 31 December 2017	**2,339**	**-5**	**10,521**	**12,855**	**4**	**17,648**	**17,652**	**226**	**99**	**30,832**
Profit for the period						3,684	3,684	9	3	3,697
Total other comprehensive income elements					-350	-48	-398		-1	-399
Total comprehensive income for the period					**-350**	**3,636**	**3,286**	**9**	**2**	**3,297**
Equity transactions with owners:										
Own shares		3		3		48	48			50
Issue of shares									4	4
Hybrid capital classified as equity						2	2	-50		-48
Paid out interest hybrid capital								-9		-9
Dividend paid						-1,168	-1,168		-2	-1,170
Purchase of minority interests						-82	-82		-38	-120
Other						44	44		-8	36
Equity at 31 December 2018	**2,339**	**-2**	**10,521**	**12,858**	**-346**	**20,128**	**19,782**	**176**	**57**	**32,873**
Profit for the period						1,397	1,397	9	1	1,406
Total other comprehnsive income elements					-207	-26	-233		-7	-239
Total comprehensive income for the period					**-207**	**1,371**	**1,165**	**9**	**-6**	**1,167**
Equity transactions with owners:										
Own shares		-3		-3		-27	-27			-30
Hybrid capital classified as equity						2	2	50		52
Paid out interest hybrid capital								-9		-9
Dividend paid						-1,399	-1,399			-1,399
Other						28	28		-2	26
Equity at 30 September 2019	**2,339**	**-5**	**10,521**	**12,855**	**-553**	**20,102**	**19,550**	**226**	**49**	**32,680**

[1]) 467 813 982 shares with a nominal value of NOK 5.
[2]) Includes undistributable funds in the risk equalisation fund amounting to NOK 428 million and security reserves amounting NOK 61 million.
[3]) Perpetual hybrid tier 1 capital classified as equity.

Equity at 31 December 2017	**2,339**	**-5**	**10,521**	**12,855**	**4**	**17,648**	**17,652**	**226**	**99**	**30,832**
Profit for the period						1,830	1,830	7	3	1,841
Total other comprehensive income elements					-551	-61	-612		-4	-616
Total comprehensive income for the period					**-551**	**1,769**	**1,218**	**7**	**-1**	**1,224**
Equity transactions with owners:										
Own shares		3		3		48	48			50
Issue of shares									4	4
Hybrid capital classified as equity						2	2	-50		-48
Paid out interest hybrid capital								-7		-7
Dividend paid						-1,167	-1,167		-2	-1,169
Purchase of minority interests						-82	-82		-38	-120
Other						-16	-16		-8	-24
Equity at 30 September 2018	**2,339**	**-2**	**10,521**	**12,858**	**-547**	**18,201**	**17,655**	**176**	**54**	**30,742**

Storebrand Group
Statement of cash flow

(NOK million)	01.01 - 30.09 2019	2018
Cash flow from operational activities		
Net receipts premium - insurance	19,731	19,165
Net payments claims and insurance benefits	-15,843	-15,100
Net receipts/payments - transfers	-436	-577
Net change insurance liabilities	-6,711	-5,868
Receipts - interest, commission and fees from customers	2,431	2,430
Payments - interest, commission and fees to customers	-422	-124
Taxes paid	-17	-54
Payments relating to operations	-3,426	-3,929
Net receipts/payments - other operational activities	8,692	893
Net cash flow from operations before financial assets and banking customers	**4,000**	**-3,164**
Net receipts/payments - loans to customers	430	-3,882
Net receipts/payments - deposits bank customers	37	282
Net receipts/payments - securities	-3,825	7,401
Net receipts/payments - investment properties	11	563
Net change in bank deposits insurance customers	-290	-150
Net cash flow from financial assets and banking customers	**-3,637**	**4,215**
Net cash flow from operational activities	**362**	**1,051**
Cash flow from investment activities		
Net receipts - sale of subsidaries		1,175
Net payments - purchase of group companies	-339	-771
Net receits/payments - sale/purchase of fixed assets	-83	-39
Net receipts/payments - sale of insurance portfolios	65	
Net cash flow from investment activities	**-357**	**365**
Cash flow from financing activities		
Payments - repayments of loans	-1,649	-2,125
Receipts - new loans	2,601	2,701
Payments - interest on loans	-306	-224
Receipts - subordinated loan capital	1,052	845
Payments - repayment of subordinated loan capital	-253	-1,501
Payments - interest on subordinated loan capital	-318	-337
Net receipts/payments - loans to and claims from other financial institutions	1	-120
Receipts - issuing of share capital / sale of shares to own employees	-36	37
Payments - dividends	-1,399	-1,168
Receipts - hybrid capital	125	100
Payments - repayment of hybrid capital	-75	-150
Payments - interest on hybrid capital	-9	-7
Net cash flow from financing activities	**-266**	**-1,948**
Net cash flow for the period	**-261**	**-532**
- of which net cash flow in the period before financial assets and banking customers	3,377	-4,747
Net movement in cash and cash equivalents	-261	-532
Cash and cash equivalents at start of the period for new/sold out companies	30	35
Cash and cash equivalents at start of the period	3,951	3,780
Currency translation differences	57	43
Cash and cash equivalents at the end of the period [1)]	**3,777**	**3,326**
[1)] Consist of:		
Loans to financial institutions	941	253
Bank deposits	2,836	3,073
Total	**3,777**	**3,326**

Notes to the interim accounts Storebrand Group

Note 01 Accounting policies

The Group's interim financial statements include Storebrand ASA, subsidiaries, associated companies and joint ventures. The financial statements are prepared in accordance with IAS 34 Interim Financial Reporting. The interim financial statements do not contain all the information that is required in full annual financial statements.

A description of the accounting policies applied in the preparation of the financial statements are provided in the 2018 annual report, and the interim financial statements are prepared in accordance with these accounting policies.

There are new accounting standards that entered into effect in 2019.

IFRS 16

IFRS 16 Leases replaces the current IAS 17, and entered into force from 1 January 2019. IFRS 16 stipulates principles for recognition, measurement, presentation and disclosure for leases. The new leasing standard do not entail major changes for lessors, but significantly change accounting for lessees. IFRS 16 requires that lessees must, as a starting point, recognise all leases in the balance sheet according to a simplified model that resembles accounting of financial leases under IAS 17. The present value of total lease payments must be recognised as a lease liability and an asset that reflects the right of use of the asset during the lease period, with the exception of short-term agreements and agreements in which the asset has a low value. The `right of use`asset is amortised over the lease period and the depreciation expense is continually recognised in the income statement as an operating expense. Interest expense on the lease liability is recognised in the income statement as a financial expense.

IFRS 16 can be implemented either in accordance with the full retrospective method or modified retrospective method, and Storebrand has selected the modified retrospective method. This means that comparable figures are not restated and the effect is entered in the balance sheet for the implementation year of 2019. Upon implementation, the `right of use` asset and the lease liability is the same amount and have no effect on equity. The transition to IFRS 16 and effects in 2019 is showned in the table below.

Storebrand has used alternative loan rate as discount rate for calculating the present value of the lease payments, and this discount rate is adapted to the individual lease agreement duration. Leases that are shorter than 12 months as of 1 January 2019 and leases that include assets with a value lower than NOK 50,000 will not be recognised in the balance sheet but as an expense over the lease period.

BALANCE SHEET - LEASES

	Rent		Other equipment		Total	
(NOK million)	01.01.19	30.09.19	01.01.19	30.09.19	01.01.19	30.09.19
Right of use asset	1,009	1,000	62	50	1,071	1,050
Lease liability	1,009	1,007	62	52	1,071	1,059

INCOME STATEMENT- LEASES

	Q3 2019			01.01.19 - 30.09.19		
(NOK million)	Rent	Other equipment	Total	Rent	Other equipment	Total
Depreciation after IFRS 16	-26	-4	-30	-85	-12	-97
Interest expenses after IFRS 16	-7		-8	-24	-1	-25
Profit after IFRS 16	**-34**	**-4**	**-38**	**-109**	**-13**	**-122**
Operating expenses (after IAS 17)	-33	-4	-37	-102	-11	-113
Deviation operating expenses between IAS 17 and IFRS 16	**6**		**7**	**17**	**-1**	**16**
Deviation profit (before tax) between IAS 17 and IFRS 16	**-1**		**-1**	**-7**	**-2**	**-9**

Note 02 Estimates

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

Actual results may differ from these estimates.

A description of the most critical estimates and judgements that can affect recognised amounts is included in the 2018 annual report in note 2, insurance risk in note 7 and valuation of financial instruments at fair value is described in note 12.

Note 03 Aquisition

On 11 February, Storebrand Asset Management AS entered into an agreement to acquire Cubera Private Equity AS [Cubera]. Cubera is a Nordic firm offering investors exposure to Nordic private equity primarily through the secondary market. The firm is a leading player within Nordic private equity and has around NOK 9 billion under management, mainly from international investors.

The transaction was completed on 1 April 2019.

The purchase price of the acquisition was NOK 329 million and was settled with cash only. The purchase price may increase with up to NOK 198 million related to fundraising to new funds managed by Cubera.

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

Excess value of NOK 383 million has been identified before deferred tax in the acquisition analysis. Of the total excess value, NOK 225 million is linked to customer relations, which is amortized over 7 years, while NOK 140 million is linked to customer contracts, which are amortized over 5 years. In addition, excess value of NOK 18 million has been identified related to IT systems, which are amortized over 3 years. Deferred tax of NOK 92 million has been calculated for the excess value. Goodwill amounts to NOK 206 million and this item is not depreciated, but is tested yearly against impairment.

ACQUISITION ANALYSIS CUBERA

(NOK million)	Book values in the company	Excess value upon acquistion	Book values
Assets			
- Customer lists		225	225
- Customer contracts		140	140
- IT systems		18	18
Total intangible assets	1	383	384
Other assets	6		6
Bank deposits	30		30
Total assets	**36**	**383**	**419**
Liabilities			
Current liabilities	7		7
Deferred tax		92	92
Net identifiable assets and liabilities	**29**	**291**	**320**
Goodwill			206
Fair value at acquisition date			**526**
Conditional payment			**198**
Cash payment			**329**

Note 04

Profit by segments

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

Savings

The savings segment includes products for retirement savings with no interest rate guarantees. The segment consists of defined contribution pensions in Norway and Sweden, asset management and retail banking products. In addition, certain other subsidiaries in Storebrand Livsforsikring and SPP are included in Savings.

Insurance

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

Guaranteed pension

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

Other

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

Reconciliation with the official profit and loss accounting

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

A description of the most important differences is included in the 2018 annual report in note 4 Segment reporting.

	Q3		01.01 - 30.09		Full year
(NOK million)	2019	2018	2019	2018	2018
Savings	303	334	817	932	1,257
Insurance	128	214	369	651	748
Guaranteed pension	237	295	697	932	1,148
Other	32	10	128	81	5
Group profit before amortisation	**700**	**853**	**2,011**	**2,595**	**3,158**
Amortisation of intangible assets	-115	-98	-328	-261	-360
Group pre-tax profit	**585**	**755**	**1,683**	**2,335**	**2,799**

SEGMENT INFORMATION AS OF Q3

(NOK million)	Savings Q3 2019	Savings Q3 2018	Insurance Q3 2019	Insurance Q3 2018	Guaranteed pension Q3 2019	Guaranteed pension Q3 2018
Fee and administration income	957	905			384	369
Insurance result			268	316		
- Insurance premiums for own account			*981*	*949*		
- Claims for own account			*-713*	*-633*		
Operating expense	-643	-565	-162	-136	-199	-179
Operating profit	**314**	**340**	**106**	**181**	**185**	**190**
Financial items and risk result life & pension	-11	-5	21	33	52	105
Group profit before amortisation	**303**	**334**	**128**	**214**	**237**	**295**
Amortisation of intangible assets [1)]						
Group pre-tax profit						

(NOK million)	Other Q3 2019	Other Q3 2018	Storebrand Group Q3 2019	Storebrand Group Q3 2018
Fee and administration income	-44	-28	1,296	1,246
Insurance result			268	316
- Insurance premiums for own account			*981*	*949*
- Claims for own account			*-713*	*-633*
Operating expense	25	3	-979	-877
Operating profit	**-19**	**-25**	**586**	**685**
Financial items and risk result life & pension	51	35	114	168
Group profit before amortisation	**32**	**10**	**700**	**853**
Amortisation of intangible assets [1)]			-115	-98
Group pre-tax profit			**585**	**755**

SEGMENT INFORMATION AS OF 01.01 - 30.09

(NOK million)	Savings 30.09.19	Savings 30.09.18	Insurance 30.09.19	Insurance 30.09.18	Guaranteed pension 30.09.19	Guaranteed pension 30.09.18
Fee and administration income	2,764	2,703			1,108	1,107
Insurance result			782	1,009		
- Insurance premiums for own account			*2,895*	*2,850*		
- Claims for own account			*-2,112*	*-1,841*		
Operating expense	-1,929	-1,753	-471	-438	-594	-594
Operating profit	**834**	**950**	**311**	**571**	**514**	**513**
Financial items and risk result life & pension	-18	-17	58	80	183	419
Group profit before amortisation	**817**	**932**	**369**	**651**	**697**	**932**
Amortisation of intangible assets [1)]						
Group pre-tax profit						

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

(NOK million)	Other 30.09.19	Other 30.09.18	Storebrand Group 30.09.19	Storebrand Group 30.09.18
Fee and administration income	-125	-99	3,746	3,710
Insurance result			782	1,009
- Insurance premiums for own account			*2,895*	*2,850*
- Claims for own account			*-2,112*	*-1,841*
Operating expense	56	30	-2,938	-2,755
Operating profit	**-69**	**-69**	**1,591**	**1,965**
Financial items and risk result life & pension	197	149	420	631
Group profit before amortisation	**128**	**81**	**2,011**	**2,595**
Amortisation of intangible assets [1]			-328	-261
Group pre-tax profit			**1,683**	**2,335**

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

KEY FIGURES BY BUSINESS AREA

(NOK million)	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
Group								
Earnings per ordinary share [1]	2.99	2.01	1.05	7.89	3.92	2.80	1.55	5.28
Equity	32,680	32,242	33,177	32,873	30,742	30,227	31,140	30,832
Savings								
Premium income Unit Linked [2]	4,205	4,175	4,237	4,086	4,096	3,892	3,947	3,981
Unit Linked reserves	206,717	198,032	190,980	179,299	187,016	178,498	171,749	167,849
AuM asset management	786,326	751,926	728,712	707,297	725,171	707,118	707,102	721,165
Retail lending	46,722	46,201	46,476	46,526	45,669	44,325	43,054	42,137
Insurance								
Total written premiums	4,583	4,507	4,442	4,455	4,408	4,417	4,424	4,462
Claims ratio [2]	73%	72%	74%	72%	67%	62%	65%	73%
Cost ratio [2]	17%	16%	16%	17%	14%	16%	16%	20%
Combined ratio [2]	89%	89%	90%	89%	81%	78%	81%	93%
Guaranteed pension								
Guaranteed reserves	263,677	261,973	260,560	260,573	257,570	257,783	259,426	264,320
Guaranteed reseves in % of total reserves	56.1%	57.0%	57.7%	59.2%	57.9%	59.1%	60.2%	61.2%
Net transfer out of guaranteed reserves [2]	14	-1	75	10	24	13	118	117
Capital buffer in % of customer reserves Storebrand Life Group [3]	8.3%	7.9%	7.4%	6.4%	6.6%	6.5%	6.2%	7.2%
Capital buffer in % of customer reserves SPP [4]	9.8%	9.9%	9.4%	8.7%	9.5%	8.8%	9.0%	8.4%
Solidity								
Solvency II [5]	177%	167%	173%	173%	169%	167%	165%	172%
Solidity capital (Storebrand Life Group) [6]	62,127	59,921	58,606	58,978	57,702	57,869	58,849	63,972
Capital adequacy Storebrand Bank	18.4%	18.4%	19.2%	18.9%	18.4%	18.8%	18.8%	18.9%
Core Capital adequacy Stobrand Bank	16.2%	16.3%	16.6%	16.6%	16.1%	16.5%	16.6%	16.6%

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

Note 05 Financial market risk and insurance risk

Risks are described in the annual report for 2018 in note 7 (Insurance risk), note 8 (Financial market risk), note 9 (Liquidity risk), note 10 (Credit risk) and note 11 (Concentrations of risk).

Market risk means changes in the value of assets due to unexpected volatility or changes in prices in the financial markets. It also refers to the risk that the value of the insurance liability develops differently than the assets. The most significant market risks for Storebrand are equity market risk, credit risk, property price risk, interest rate risk and currency exchange rate risk.

For the life insurance companies, the financial assets are invested in a variety of sub-portfolios. Market risk affects Storebrand's income and profit differently in the different portfolios. There are three main types of sub-portfolios: company portfolios, customer portfolios without a guarantee (unit linked) and customer portfolios with a guarantee.

The market risk in the company portfolios has a direct impact on Storebrand's profit.

The market risk in customer portfolios without a guarantee (unit linked) is 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 also the level and duration of the interest rate guarantee. If the investment return is not sufficiently high to meet the guaranteed interest rate, the shortfall will be met by using customer buffers in the form of risk capital built up from previous years' surpluses. Risk capital primarily consists of unrealised gains, additional statutory reserves and conditional bonuses. Storebrand is responsible for meeting any shortfall that cannot be covered by the customer buffers.

For guaranteed customer portfolios, the risk is affected by changes in the interest rate level. Falling interest rates are positive for the investment return in the short term due to price appreciation for bonds, but negative in the long term because it reduces the probability of achieving a return higher than the guarantee.

During the first quarter, the equity market were strong, regaining most of the sharp corrections during the fourth quarter of 2018. In the second and the third quarter the markets have been more volatile, with no clear trend. The global equity market rose 16 % during the first three quarters. The Norwegian equity market rose 11 %. The market for corporate bonds has also been strong and credit spreads fell during the first three quarters, with most of the fall coming in the first quarter. Reduced spreads was positive for return in the first three quarters, but lower credit spreads are negative for expected return going forward.

The trend towards lower long term interest rates continued in the third quarter. Since year-end 2018 the Norwegian 10-year interest rate swap fell by 0.4 pp. The Swedish 10-year interest swap rate fell by 0.9 pp. But short term interest rates has increased, both in Norway and Sweden. Due to the majority of the interest rate investments in the Norwegian customer portfolios being held at amortized cost, changes in interest rates have a limited effect on booked returns in the short term. However, with the present interest rates, new bond investments provide a lower return than the average interest rate guarantee. Lower interest rate is a negative factor for the solvency position.

The Norwegian Krone strengthened during the first two quarters, but weakened in the third quarter. Since year-end 2018 the Norwegian Krone has weakened 5 % against the US dollar, has strengthened 5 % against the Swedish Krona and is near unchanged against the Euro. A high degree of currency hedging in the portfolio means that the exchange rate fluctuations have a modest effect on results and risk.

During the first three quarters, the investment allocation was not materially changed.

Return for guaranteed customer portfolios in Norway on average was higher than the guaranteed rate in the first three quarters. Most of the excess return came in the form of increased unrealized gains and overvalues in portfolios held at amortized cost. Return for guaranteed customer portfolios in Sweden was positive and in excess of the increase in value for the liabilities. This lead to an increase in conditional bonuses.

Return for unit linked portfolios was good during the first three quarters, positively affected by the strong equity markets.

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

The insurance risk has only had minor changes during the first three quarters.

Note 06 Liquidity risk

SPECIFICATION OF SUBORDINATED LOAN CAPITAL

(NOK million)	Nominal value	Currency	Interest rate	Call date	Book value
Issuer					
Perpetual subordinated loan capital					
Storebrand Livsforsikring AS	1,000	NOK	Variable	2020	873
Storebrand Livsforsikring AS	1,100	NOK	Variable	2024	1,100
Dated subordinated loan capital					
Storebrand Livsforsikring AS	1,000	SEK	Variable	2022	925
Storebrand Livsforsikring AS	300	EUR	Fixed	2023	3,235
Storebrand Livsforsikring AS	750	SEK	Variable	2021	698
Storebrand Livsforsikring AS	900	SEK	Variable	2025	831
Storebrand Livsforsikring AS	1,000	SEK	Variable	2024	925
Storebrand Bank ASA	150	NOK	Variable	2022	151
Storebrand Bank ASA	125	NOK	Variable	2025	125
Total subordinated loans and hybrid tier 1 capital 30.09.19					**8,863**
Total subordinated loans and hybrid tier 1 capital 30.09.18					7,849
Total subordinated loans and hybrid tier 1 capital 31.12.18					8,224

SPECIFICATION OF LIABILITIES TO FINANCIAL INSTITUTIONS

	Book value		
(NOK million)	30.09.19	30.09.18	31.12.18
Call date			
2018		35	
2019	3		2
Total liabilities to financial institutions	**3**	**35**	**2**

SPECIFICATION OF SECURITIES ISSUED

	Book value		
(NOK million)	30.09.19	30.09.18	31.12.18
Call date			
2018		753	
2019	843	3,170	2,779
2020	3,601	4,324	4,314
2021	4,915	3,702	4,414
2022	5,622	3,002	4,519
2023	3,517	1,503	1,503
Total securities issued	**18,498**	**16,454**	**17,529**

The loan agreements contain standard covenants.

Covered bonds

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

Credit facilities

Storebrand ASA has an unused credit facility of EUR 200 million, expiration December 2023.

Facilities for Storebrand Boligkreditt AS

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

Note 07 Valuation of financial instruments and investment properties

The Group categorises financial instruments valued at fair value on three different levels. Criteria for the categorisation and processes associated with valuing are described in more detail in note 12 in annual report for 2018.

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

VALUATION OF FINANCIAL INSTRUMENTS TO AMORTISED COST

(NOK million)	Fair value 30.09.19	Fair value 31.12.18	Book value 30.09.19	Book value 31.12.18
Financial assets				
Loans to and due from financial institutions	941	318	941	318
Loans to customers - corporate	6,243	6,980	6,219	6,998
Loans to customers - retail	46,227	46,508	46,227	46,508
Bonds held to maturity	14,714	15,679	13,455	14,403
Bonds classified as loans and receivables	103,988	98,485	98,761	94,723
Total financial assets 30.09.19	**172,113**		**165,604**	
Total financial assets 31.12.18		167,970		162,950
Financial liabilities				
Debt raised by issuance of securities	18,633	17,565	18,498	17,529
Liabilities to financial institutions	3	2	3	2
Deposits from banking customers	14,515	14,419	14,515	14,419
Subordinatd loan capital	8,914	8,218	8,863	8,224
Total financial liabilities 30.09.19	**42,064**		**41,878**	
Total financial liabilities 31.12.18		40,205		40,175

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	30.09.19	31.12.18
Assets:					
Equities and fund units					
- Equities	26,468	199	500	27,167	24,038
- Fund units	173	145,718	9,303	155,194	133,323
Total equities and fund units 30.09.19	**26,641**	**145,917**	**9,803**	**182,362**	
Total equities and fund units 31.12.18	23,379	125,493	8,489		157,361
Loans to customers					
- Loans to customers - corporate			5,740	5,740	5,708
- Loans to customers - retail			501	501	220
Total Loans to customers 30.09.19			**6,241**	**6,241**	
Total Loans to customers 31.12.18			5,928		5,928
Bonds and other fixed-income securities					
- Government bonds	12,027	19,959		31,986	34,347
- Corporate bonds		62,135	15	62,149	50,890
- Structured notes		72		72	79
- Collateralised securities		3,265		3,265	22,793
- Bond funds	149	55,255	5,181	60,585	49,478
Total bonds and other fixed-income securities 30.09.19	**12,176**	**140,686**	**5,196**	**158,058**	
Total bonds and other fixed-income securities 31.12.18	13,839	140,370	3,377		157,586
Derivatives:					
- Equity derivatives		4		4	
- Interest derivatives		7,256		7,256	3,100
- Currency derivatives		-1,280		-1,280	-2,781
Total derivatives 30.09.19		**5,980**		**5,980**	
- of which derivatives with a positive market value		8,444		8,444	3,172
- of which derivatives with a negative market value		-2,464		-2,464	-2,853
Total derivatives 31.12.18		319			319
Properties:					
Investment properties			28,670	28,670	28,266
Properties for own use			1,316	1,316	1,420
Total properties 30.09.19			**29,986**	**29,986**	
Total properties 31.12.18			29,686		29,686

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

FINANCIAL INSTRUMENTS AND REAL ESTATE AT FAIR VALUE - LEVEL 3

(NOK million)	Equities	Fund units	Loans to custo-mers	Corporate bonds	Bond funds	Investment properties	Properties for own use
Book value 01.01.19	**640**	**7,849**	**5,929**	**56**	**3,321**	**28,266**	**1,420**
Net gains/losses on financial instruments	12	1,291	168	2	-6	99	-29
Additions	8	1,074	1,420		2,284	440	40
Sales	-9	-776	-826	-42	-269		-1
Currency translation differences	-8	-135	-288	-2	-148	-640	-113
Other	-143		-162			504	
Book value 30.09.19	**500**	**9,303**	**6,241**	**15**	**5,181**	**28,670**	**1,316**

As at 30.09.19, Storebrand Livsforisikring had NOK 3.982 million invested in Storebrand Eiendomsfond Norge KS and Ruseløkkveien 26, Oslo. The investments are classified as "Investment in associated Ccmpanies and joint ventures" in the Consolidated Financial Statements.

SENSITIVITY ASSESSMENTS

Sensitivity assessments of investments on level 3 are described in note 12 in the 2018 annual report. There is no significant changes in sensitivity in this quarter.

Note 08 Operating expenses

	Q3		01.01 - 30.09		Full year
(NOK million)	2019	2018	2019	2018	2018
Personnel expenses	-576	-512	-1,722	-1,567	-2,143
Amortisation/write-downs	-56	-43	-172	-108	-147
Other operating expenses	-558	-496	-1,640	-1,624	-2,252
Total operating expenses	**-1,189**	**-1,051**	**-3,535**	**-3,298**	**-4,542**

Note 09 Tax

The tax rate for the Group will vary from quarter to quarter depending on the individual legal entities' contribution to earnings. The net income tax expense for the quarter and year also reflects effects that each give a higher or lower effective tax rate. The effective tax rate is influenced by the fact that the Group has operations in countries with tax rates that are different from Norway. In addition, the Group includes Norwegian entities that are subject to taxrates, ranging from 22-25%. The company tax rate that applies for the individual Norwegian Group companies is used in the consolidated financial statements.

The group's Swedish business has used customer assets to invest in real estate. Each individual property is owned by separate companies. In the event of a property sale, all market practice indicates that this will be conducted as a sale of the company that owns the applicable property. In accordance with Swedish tax rules, any profits and losses realised from such a sale will not be included in the basis for calculating income tax. However, in accordance with IAS 12, provisions are still made for deferred tax on differences between the fair value and tax value of the properties that have arisen during the ownership period. No provisions are made for deferred tax linked to temporary differences that existed when the property companies were purchased. The deferred tax that has accrued during the ownership period is linked to the customer assets and not the company's assets and is therefore recognised against customer liabilities.

Uncertain tax positions

The tax legislation and interpretations of the tax rules for the Norwegian life & pension industry have undergone significant changes in the last years, which have entailed complex assessments. Storebrand's uncertain tax positions are described in note 26 in the annual accounts for 2018 and below. In certain instances, Storebrand and The Norwegian Tax Administration (TNTA) have different interpretations of the tax rules. Consequently, this may lead to both a higher or lower tax expense than recognized in the financial reports based on the current uncertain tax positions.

A. In 4th quarter 2015 Storebrand booked a tax income of NOK 1.7 billion due to the liquidation of the real estate holding company Storebrand Eiendom Holding AS (SEH). On 23 May 2019, Storebrand received a draft letter from TNTA, claiming changes in the tax returns for 2015.

   If the preliminary decision drafted by TNTA should be upheld after a final and enforceable judgement by the court, Storebrand assess that it would be a tax cost for Storebrand of NOK 1.3 billon. In addition, there will be a negative effect on customer investment return after tax. Based on TNTA's preliminary decision Storebrand will be in a payable tax position.

   The amount will not be booked in the accounts based on the draft notice received, as Storebrand is of the opinion that Storebrand's view on the technical tax issue in question most likely will be confirmed by the court of law. The tax effect in 2015 was calculated using our best judgment and after a thorough review with internal as well as external expertise. In case TNTA's preliminary draft should be upheld, Storebrand would appeal the decision and, if necessary, try the case in the Norwegian court system in order to clarify the tax related questions relevant to the case.

B. In December 2018, the Norwegian Parliament (Stortinget) adopted amendments to the tax rules for pension and life insurance companies. Subsequently, the Norwegian Directorate of Taxes (NDT) gave a statement of principles of their understanding of the corresponding transitional rule. In line with the statement from NDT, Storebrand booked a tax income of NOK 1.6 billon for 2018 related to the transitional effect.

   When submitting the tax return for 2018, Storebrand has assumed the actual wording of the transitional rule, which deviates from NDT's statement, implying a tax income in excess of the NOK 1.6 billon already booked. The difference is not recognised in the financial reporting per year-end 2018 nor per 3rd quarter 2019. If the difference is recognised it will cause an additional tax income of approximately NOK 0.9 billion.

Note 10 Loans

(NOK million)	30.09.19	30.09.18	31.12.18
Corporate market [1]	11,971	11,747	12,751
Retail market	46,769	45,707	46,746
Gross loans	**58,740**	**57,454**	**59,498**
Write-down of loans losses	-54	-57	-63
Net loans [2]	**58,687**	**57,397**	**59,435**
[1] Of which Storebrand Bank	24	39	29
[2] Of which Storebrand Bank	28,530	27,607	28,456
Of which Storebrand Livsforsikring	30,156	29,789	30,979

NON-PERFORMING AND LOSS-EXPOSED LOANS

(NOK million)	30.09.19	30.09.18	31.12.18
Non-performing and loss-exposed loans without identified impairment	96	78	71
Non-performing and loss-exposed loans with identified impairment	48	62	59
Gross non-performing loans	**144**	**141**	**129**
Individual write-downs	-19	-21	-21
Net non-performing loans [1)]	**125**	**119**	**108**

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

Note 11 Capital buffer

(NOK million)	30.09.19	30.09.18	31.12.18
Additional statutory reserves	8,194	8,267	8,494
Market adjustment reserves	5,893	2,841	2,245
Conditional bonuses	8,040	8,843	8,243
Total	**22,127**	**19,952**	**18,983**

Note 12 Contingent liabilities

(NOK million)	30.09.19	30.09.18	31.12.18
Guarantees	2	12	1
Unused credit facilities	3,173	3,449	3,362
Uncalled residual liabilities re limited partnership	7,162	6,272	5,818
Loan commitment retail market	2,039	2,517	1,672
Total contingent liabilities	**12,376**	**12,250**	**10,853**

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 43 in the 2018 annual report.

Note 13 Solidity and capital management

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

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

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

Capital management

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

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

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

SOLVENCY CAPITAL

	30.09.19					31.12.18
NOK million	Total	Group 1 unlimited	Group 1 limited	Group 2	Group 3	Total
Share capital	2,339	2,339				2,339
Share premium	10,521	10,521				10,521
Reconciliation reserve	25,049	25,049				23,444
Including the effect of the transitional arrangement	*1,152*	*1,152*				
Subordinated loans	8,524		926	7,598		7,780
Deferred tax assets	201				201	873
Risk equalisation reserve	428			428		234
Minority interests	55				55	56
Unavailable minority interests	-36				-36	-37
Deductions for CRD IV subsidiaries	-2,880	-2,880				-3,311
Expected dividend 2019	-1,049	-1,049				-1,402
Total basic solvency capital	**43,151**	**33,980**	**926**	**8,026**	**220**	**40,498**
Subordinated capital for subsidiaries regulated in accordance with CRD IV	2,880					3,311
Total solvency capital	**46,032**					**43,808**
Total solvency capital available to cover the minimum capital requirement	**36,890**	**33,980**	**926**	**1,984**		**34,623**

SOLVENCY CAPITAL REQUIREMENTS AND - MARGIN

NOK million	30.09.19	31.12.18
Market	21,488	20,917
Counterparty	586	625
Life	10,714	10,412
Health	735	713
P&C	291	278
Operational	1,507	1,485
Diversification	-7,006	-6,838
Loss-absorbing tax effect	-4,892	-4,764
Total solvency capital requirement - insurance company	**23,424**	**22,827**
Capital requirements for subsidiaries regulated in accordance with CRD IV	2,568	2,482
Total solvency capital requirement	**25,992**	**25,309**
Solvency margin with transitional rules	**177%**	**173%**
Minimum capital requirement	**9,919**	**9,711**
Minimum margin	**372%**	**357%**

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	30.09.19	31.12.18
Capital requirements for CRD IV companies	2,805	2,714
Solvency captial requirements for insurance	23,424	22,827
Total capital requirements	**26,229**	**25,541**
Net primary capital for companies included in the CRD IV report	2,880	3,311
Net primary capital for insurance	43,151	40,498
Total net primary capital	**46,032**	**43,808**
Overfunding	**19,803**	**18,267**

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 September 2019, the difference amounted to NOK 237 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 44 in the 2018 annual report.

Storebrand has not carried out any material transactions other than normal business transactions with related parties at the close of the 3rd quarter 2019.

Storebrand ASA
Income statement

	Q3		01.01 - 30.09		Full year
(NOK million)	2019	2018	2019	2018	2018
Operating income					
Income from investments in subsidiaries			65	39	4 131
Net income and gains from financial instruments:					
- equities and other units	-1		-3		1
- bonds and other fixed-income securities	17	8	36	21	26
- financial derivatives/other financial instruments	-1	-2	-5	-6	-7
Other financial instruments			1	32	33
Operating income	**15**	**6**	**95**	**86**	**4,184**
Interest expenses	-13	-15	-39	-44	-60
Other financial expenses	-8	8	-20	38	35
Operating expenses					
Personnel expenses	-9	-10	-31	-33	-41
Other operating expenses	-13	-7	-47	-30	-44
Total operating expenses	**-22**	**-17**	**-78**	**-63**	**-86**
Total expenses	**-43**	**-24**	**-137**	**-69**	**-111**
Pre-tax profit	**-28**	**-18**	**-42**	**17**	**4,074**
Tax	5	6	25	22	-111
Profit for the period	**-23**	**-12**	**-17**	**39**	**3,963**

STATEMENT OF TOTAL COMPREHENSIVE INCOME

	Q3		01.01 - 30.09		Full year
(NOK million)	2019	2018	2019	2018	2018
Profit for the period	**-23**	**-12**	**-17**	**39**	**3,963**
Other total comprehensive income elements not to be classified to profit/loss					
Change in estimate deviation pension					9
Tax on other comprehensive elements					-2
Total other comprehensive income elements					6
Total comprehensive income	**-23**	**-12**	**-17**	**39**	**3,969**

Storebrand ASA
Statement of financial position

(NOK million)	30.09.19	30.09.18	31.12.18
Fixed assets			
Deferred tax assets	69	156	47
Tangible fixed assets	26	27	26
Shares in subsidiaries and associated companies	19,286	18,716	19,286
Total fixed assets	**19,381**	**18,899**	**19,359**
Current assets			
Owed within group			4 ,092
Other current receivables	23	11	21
Investments in trading portfolio:			
- equities and other units	25	21	22
- bonds and other fixed-income securities	3,326	2,305	1,820
- financial derivatives/other financial instruments	15	21	9
Bank deposits	35	42	34
Total current assets	**3,425**	**2,400**	**5,998**
Total assets	**22,806**	**21,299**	**25,357**
Equity and liabilities			
Share capital	2,339	2,339	2,339
Own shares	-5	-2	-2
Share premium reserve	10,521	10,521	10,521
Total paid in equity	**12,855**	**12,858**	**12,858**
Other equity	8,348	5,867	8,395
Total equity	**21,203**	**18,725**	**21,253**
Non-current liabilities			
Pension liabilities	161	176	161
Securities issued	1,320	2,277	1,813
Total non-current liabilities	**1,481**	**2,453**	**1,974**
Current liabilities			
Debt within group	2		597
Provision for dividend			1,402
Other current liabilities	120	121	131
Total current liabilities	**122**	**122**	**2,130**
Total equity and liabilities	**22,806**	**21,299**	**25,357**

Storebrand ASA
Statement of changes in equity

(NOK million)	Share capital [1]	Own shares	Share premium	Other equity	Total equity
Equity at 31. December 2017	**2,339**	**-5**	**10,521**	**5,793**	**18,648**
Profit for the period				3,963	3,963
Total other result elements				6	6
Total comprehensive income				**3,969**	**3,969**
Provision for dividend				-1,402	-1,402
Own share sold [2]		3		48	50
Employee share [2]				-13	-13
Equity at 31. December 2018	**2,339**	**-2**	**10,521**	8,395	21,253
Profit for the period				-17	-17
Total comprehensive income				**-17**	**-17**
Provision for dividend				3	3
Own share bought back [2]		-5		-63	-68
Own share sold [2]		2		35	38
Employee share [2]				-5	-5
Equity at 30. September 2019	**2,339**	**-5**	**10,521**	**8,348**	**21,203**

[1] 467 813 982 shares with a nominal value of NOK 5.
[2] In 2019, Storebrand ASA has bought 1 000 000 own shares. In 2019, 479 792 shares were sold to our own employees.
Holding of own shares 30. September 2019 was 951 348..

Equity at 31. December 2017	**2,339**	**-5**	**10,521**	**5,793**	**18,648**
Profit for the period				39	39
Total comprehensive income				**39**	**39**
Own share sold back		3		48	50
Employee share				-13	-13
Equity at 30. September 2018	**2,339**	**-2**	**10,521**	**5,867**	**18,725**

Storebrand ASA
Statement of cash flow

	01.01 - 30.09	
(NOK million)	2019	2018
Cash flow from operational activities		
Receipts - interest, commission and fees from customers	24	30
Net receipts/payments - securities at fair value	-1,499	-950
Payments relating to operations	-100	-65
Net receipts/payments - other operational activities	4,157	2,247
Net cash flow from operational activities	**2,583**	**1,262**
Cash flow from investment activities		
Net receipts - sale of subsidiaries		33
Net payments - sale/capitalisation of subsidiaries	-605	-131
Net receipts/payments - sale/purchase of property and fixed assets		2
Net cash flow from investment activities	**-605**	**-96**
Cash flow from financing activities		
Payments - repayments of loans	-500	
Receipts - new loans	1	1
Payments - interest on loans	-43	-47
Receipts - sold own shart to employees	-36	37
Payments - dividends	-1,399	-1,168
Net cash flow from financing activities	**-1,977**	**-1,176**
Net cash flow for the period		**-11**
Net movement in cash and cash equivalents		-11
Cash and cash equivalents at start of the period	34	53
Cash and cash equivalents at the end of the period	**35**	**42**

Notes to the financial statements Storebrand ASA

Note 01 Accounting policies

The financial statements are presented in accordance with the accounting policies applied in the annual financial statements for 2018. The accounting policies are described in the 2018 annual report.

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

Note 02 Estimates

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

Note 03 Bond and bank loans

(NOK million)	Interest rate	Currency	Net nominal value	30.09.19	30.09.18	31.12.18
Bond loan 2013/2020 [1)]	Fixed	NOK	300	317	323	311
Bond loan 2013/2018	Variable	NOK	450		452	
Bond loan 2014/2019	Variable	NOK	500		500	500
Bond loan 2017/2020	Variable	NOK	500	502	501	501
Bond loan 2017/2022	Variable	NOK	500	501	501	501
Total [2)]				**1,320**	**2,277**	**1,813**

1) Loans with fixed rates are hedged by interest swaps, which are booked at fair value through profit and loss. Changes in values of loans that can be related to the hedged risk are included in the carrying amount and included in the result.
2) Loans are booked at amortised cost and include earned not due interest.
Signed loan agreements have covenant requirements.
Storebrand ASA has an unused drawing facility for EUR 200 million.

To the Board of Directors of Storebrand ASA

Report on Review of Interim Financial Information

Introduction

We have reviewed the accompanying consolidated interim statement of financial position of Storebrand ASA as of 30 September 2019, the income statement, the statement of total comprehensive income, the statement of changes in equity and the statement of cash flow for the nine-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with IAS 34 Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information does not present fairly, in all material respects, the financial position of the entity as at 30 September 2019, and its financial performance and its cash flows for the nine-month period then ended in accordance with IAS 34 Interim Financial Reporting.

Oslo, 22 October 2019
PricewaterhouseCoopers AS

Magne Sem
State Authorised Public Accountant

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Financial calendar

12 February 2020:	Results Q4 2019
30 March 2020:	Annual Report
22 April 2020:	Annual General Meeting
30 April 2020:	Results Q1 2020
15 July 2020:	Results Q2 2020
21 October 2020:	Results Q3 2020
10 February 2021:	Results Q4 2020

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