

# Interim report 2020

Storebrand Livsforsikring AS (unaudited)

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### Notice:

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# Storebrand Livsforsikring group

Storebrand Livsforsikring AS is a wholly owned subsidiary of the listed company Storebrand ASA. For information about the Storebrand Group's 1st half year result please refer to the Storebrand Group's interim report for the 1st half year of 2020. Storebrand Group's ambition is to be the best provider of long-term savings and insurance. The Group offers an integrated product range spanning from life insurance, P&C insurance, asset management and banking to private individuals, companies and public sector entities. The Group is divided into the segments Savings, Insurance, Guaranteed Pension and Other.

## COVID-19 update

In the 2nd quarter, the situation in the Norwegian and Swedish society following the COVID-19 pandemic has started to normalise after a turbulent 1st quarter. The immediate impact on Storebrand has been limited and the company has been close to fully operational throughout the pandemic and continued its strong growth in the underlying business. Storebrand's financial half-year results have been negatively affected by the financial market turmoil and a potential increase in disability in the society. Financial losses were reported in the 1st quarter, but these have partly been reversed in the 2nd quarter.

## PROFIT STOREBRAND LIVSFORSIKRING GROUP

(NOK million)	2020		2019			1.1 - 30.06		Full year
	Q2	Q1	Q4	Q3	Q2	2020	2019	2019
Fee and administration income	867	851	865	844	813	1,717	1,623	3,332
Insurance result	175	-131	120	189	186	44	356	665
Operational expenses	-586	-627	-691	-604	-637	-1,213	-1,215	-2,510
<b>Operating profit</b>	<b>456</b>	<b>93</b>	<b>294</b>	<b>428</b>	<b>362</b>	<b>549</b>	<b>764</b>	<b>1,486</b>
Financial items and risk result life & pension	123	-471	284	112	120	-348	313	709
<b>Profit before amortisation</b>	<b>578</b>	<b>-378</b>	<b>578</b>	<b>540</b>	<b>482</b>	<b>200</b>	<b>1,078</b>	<b>2,196</b>
Amortisation	-94	-89	-87	-85	-84	-183	-169	-341
<b>Profit before tax</b>	<b>484</b>	<b>-467</b>	<b>491</b>	<b>456</b>	<b>398</b>	<b>17</b>	<b>908</b>	<b>1,855</b>

The profit before amortisation was NOK 578m (NOK 482m) in the quarter and NOK 200m (NOK 1 078m) year to date. The figures in brackets are from the corresponding period last year.

Total fee and administration income amounted to NOK 867m (NOK 813m) in the quarter representing an increase of 7% compared to the same period last year. Adjusted for currency changes the increase was 1%. The increase is attributed to the savings segment where assets under management has grown, including Unit Linked in Norway and Sweden. In the Guaranteed segment, fee and administration income declined marginally to NOK 360m for the quarter compared to NOK 364m last year, a decrease in line with the run-off nature of this business. Year to date fee and administration income amounted to NOK 1 717m (NOK 1 623m) in the quarter representing an increase of 6% compared to the same period last year. Adjusted for currency changes the increase was 2%.

The Insurance result was NOK 175m (NOK 186m) and the total combined ratio was 89% (88%) in the quarter, ahead of the target of 90-92%. Year to date the Insurance result was NOK 44m (NOK 356m) with combined ratio of 111% (88%). The lower result in the first half of 2020 is a result of reserve strengthening done in the 1st quarter due to the risk of increased disability in Norway in light of COVID-19 and a possible subsequent economic downturn.

The operating costs in the quarter were NOK 586m (NOK 637m) and NOK 1 213m (NOK 1 215m) year to date. In the quarter strong cost discipline and somewhat lower marketing activity has affected the cost level. The underlying cost control is strong.

Overall, the operating profit increased to NOK 456m (NOK 362m) in the quarter due to growth in the Group's income, lower costs and a stable insurance result. Year to date operating profit was NOK 549m (NOK 764m) due to weak result in the 1st quarter.

The 'financial items and risk result' improved to NOK 123m (NOK 120m). Rebounding financial markets in the quarter reversed some of the mark to market losses from spreads widening on credit bond investments in the first quarter, primarily in the company portfolios. However, a lower volatility adjustment (VA) increases the need for Deferred Capital Contribution in the guaranteed Swedish pensions, resulting in negative total net profit sharing of NOK -205m for the Group. Year to date, the financial result is still negative at NOK -348m (NOK 313m).

Storebrand Livsforsikring Group booked a tax expense of NOK 190m (minus NOK 2m) in the quarter and a tax income of NOK 542m (minus NOK 106m) year to date. The effective tax rate in the 2nd quarter is affected by a partial reversal of the tax loss booked in the first quarter due to currency hedging of subsidiaries. Generally,

the effective tax rate is influenced by the fact that the Group has operations in countries with tax rates that are different from Norway, and it varies from quarter to quarter depending on each legal entity's contribution to the Group result. The estimated normal tax rate is 20-23%, but currency can impact the quarterly tax rate. Tax related issues are described in note 7.

## PROFIT STOREBRAND LIVSFORSIKRING GROUP - BY BUSINESS AREA

(NOK million)	2020		2019			1.1 - 30.06		Full year
	Q2	Q1	Q4	Q3	Q2	2020	2019	2019
Savings	207	148	146	152	117	355	267	566
Insurance	90	-253	23	89	96	-163	170	281
Guaranteed pensions	-8	95	332	237	211	86	460	1,029
Other	289	-368	77	62	58	-78	182	320
<b>Profit before amortisation</b>	<b>578</b>	<b>-378</b>	<b>578</b>	<b>540</b>	<b>482</b>	<b>200</b>	<b>1,078</b>	<b>2,196</b>

The Group reports the results by business segment. For a more detailed description of the results, see the sections by segment below. In the 2nd quarter, the Savings segment reported a profit before amortisation of NOK 207m (NOK 117), driven by increased assets under management and strong cost control. The insurance segment had a stable result development and reported a profit before amortisation of NOK 90m (NOK 96m). A loss of NOK -8m (NOK 211m) occurred in the Guaranteed pension segment, primarily due to increased need for Deferred Capital Contribution in SPP. In the Other segment, the profit amounted to NOK 289m (NOK 58m) as some of the unrealised losses on credit bonds in the company portfolios that occurred in the 1st quarter were reversed in the 2nd quarter.

### 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 163% at the end of 1st half year 2020, this is within the target level of 150-180%. The Solvency margin without transitional rules was 137%. The reduction of the solvency margin in the quarter is due to record low interest rates, lower regulatory volatility adjustment and increased equity stress, as well as a higher allocation to bonds and equities. Market returns and group profit after tax, net of dividend set aside for 2020, as well as issuance of sub debt contribute positively to the solvency margin.

### MARKET AND SALES PERFORMANCE

The growth in Unit linked savings is driven by premiums from existing contracts, new sales, investment returns, conversion from Defined Benefit to Defined Contribution schemes and increased savings rates. Both the Swedish and the Norwegian Unit Linked business manage over NOK 100bn of pension assets each. In Norway, Storebrand is the market leader in Unit Linked occupational pension with 30% market share of gross premiums written (at the end of the 1st quarter 2020). 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, measured in annual premium equivalent<sup>1)</sup>, grew to NOK 1,183m (NOK 453m) in the quarter and the net transfer balance was NOK 4,609m (NOK 339m).

Within Insurance, the annual portfolio premiums grew by 13% compared to the same period last year in line with our growth ambitions.

<sup>1)</sup> Measured in SEK, as reported to Finansinspektionen, the Swedish Financial Supervisory Authority.

# Savings

- 81% growth in operating profit in the 2nd quarter compared to last year
- 23% growth in Unit Linked premiums compared to last year
- Strong cost control

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

## SAVINGS

(NOK million)	2020		2019			1.1 - 30.06		Full year
	Q2	Q1	Q4	Q3	Q2	2020	2019	2019
Fee and administration income	487	488	484	450	436	975	871	1,805
Operational expenses	-265	-305	-338	-291	-313	-570	-594	-1,222
<b>Operating profit</b>	<b>222</b>	<b>183</b>	<b>146</b>	<b>160</b>	<b>123</b>	<b>405</b>	<b>277</b>	<b>583</b>
Financial items and risk result life & pension	-15	-36	0	-7	-6	-51	-10	-17
<b>Profit before amortisation</b>	<b>207</b>	<b>148</b>	<b>146</b>	<b>152</b>	<b>117</b>	<b>355</b>	<b>267</b>	<b>566</b>

## PROFIT

The Savings segment reported a profit before amortisation and tax of NOK 207m (NOK 117m) for the quarter and NOK 355m (NOK 267m) year to date.

Compared to last year, the fee- and administration income in the Savings segment increased by 12% year to date, or 8% when adjusted for currency effects. The income growth within Norwegian Unit Linked is 12% and for Swedish United Linked it is 12% (3% currency adjusted). In the 2nd quarter the income increased by 5% when adjusted for currency effects.

Despite a record high unemployment level at the peak of the COVID-19 pandemic in Norway, pension premium payments have remained stable and retail savings into mutual funds have increased in the 2nd quarter. Altogether, returns, new sales and higher savings rates have driven asset growth leading to growth in management fees. Some of the growth is also attributed to currency effects from the Swedish business.

Operational cost within Savings decreased in the 2nd quarter both compared to the 1st quarter 2020 and to the 2nd quarter 2019. This is partly explained by lower marketing activity in light of Covid -19, and generally good cost control.

The financial result was NOK minus 15m (NOK minus 6m), explained by positive effects from reduced credit spreads and negative one-off item in the quarter. Year to date the financial result is NOK minus 51m (NOK minus 10m) due to the negative effects in the 1st quarter related to wider credit spreads.

## KEY FIGURES

(NOK million)	2020		2019		
	Q2	Q1	Q4	Q3	Q2
Unit Linked Reserves	234,644	210,061	219,793	206,717	198,032
Unit Linked Premiums	5,121	5,046	4,551	4,205	4,175

## BALANCE SHEET AND MARKET TRENDS

The Unit Linked premiums were NOK 5.1bn (NOK 4.2bn) at the end of 2nd quarter, growing 23% compared to the 2nd quarter last year. Total assets under management in Unit Linked increased by NOK 25bn (12%) during the 2nd quarter to NOK 235bn. Compared to the same quarter last year, the growth is NOK 37bn (18%). Total net transfers in the quarter amounted to NOK 3.7bn net inflow, and NOK 7.0bn year to date.

In the Norwegian Unit Linked business, assets under management increased by NOK 12.1bn (12%) in the quarter, and by NOK 13.5bn (13%) compared to the same quarter last year. The underlying growth is driven by growth in occupational pension premium payments as well as good market returns and new sales. Storebrand remains market leader with 30% market share of gross premiums written (at the end of the 1st quarter 2020) within defined contribution corporate pensions.

In the Swedish market, SPP is the fourth largest, and fastest growing provider of non-unionised occupational pensions with a market share of 14% measured by gross premiums written (excluding transfers) within Unit Linked. Assets under management increased by SEK 14.3bn in the quarter and SEK 10.8bn (10,5%) compared to the same quarter last year. The growth is driven by strong growth in sales (APE) and positive net transfers – both from individual's pensions savings, but also from small scale consolidation of funds into SPP.

# Insurance

- 13% growth in portfolio premiums y/y
- Combined ratio of 89% in the quarter, target 90-92%
- Stability and positive results from all lines of business

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

## INSURANCE

(NOK million)	2020		2019			1.1 - 30.06		Full year 2019
	Q2	Q1	Q4	Q3	Q2	2020	2019	
Insurance result	175	-131	120	189	186	44	356	665
- Insurance premiums f.o.a.	736	706	704	689	683	1,442	1,358	2,750
- Claims f.o.a.	-561	-837	-584	-500	-497	-1,398	-1,001	-2,086
Operational expenses	-95	-107	-115	-105	-102	-202	-197	-417
<b>Operating profit</b>	<b>80</b>	<b>-238</b>	<b>5</b>	<b>84</b>	<b>83</b>	<b>-158</b>	<b>159</b>	<b>248</b>
Financial items and risk result life & pension	10	-15	18	5	12	-5	11	33
<b>Profit before amortisation</b>	<b>90</b>	<b>-253</b>	<b>23</b>	<b>89</b>	<b>96</b>	<b>-163</b>	<b>170</b>	<b>281</b>

## PROFIT

Insurance delivered a result before amortisation of NOK minus 90m (NOK 96m) for the quarter and NOK minus 163m (NOK 170m) year to date. The combined ratio was 89% (88%) in the quarter and 111% (88%) year to date.

The 2nd quarter result is ahead of the target (a combined ratio of 90-92%) and an improvement from the 1st quarter when reserve strengthening was taken due to the COVID-19 pandemic and an expected increase in disability levels. The 2nd quarter claims ratio was 76% (73%) and all the three main product categories are generating positive results.

For Individual life, the result is weaker than normal due to increases in disability and child insurance claims. Price adjustments and discount restrictions have been implemented to improve results.

Group life, the result was NOK 17m (NOK -19m) in the quarter and NOK -243m (-39m) year to date. Most of the reserve strengthening conducted in the 1st quarter is attributed to Group life, explaining the negative result year to date. In light of this, the result in the quarter is satisfactory for Group life.

The result for Pension related disability insurance Nordic was NOK 35m (NOK 40m) in 2nd quarter and NOK 29m (NOK 77m) year to date. The positive result is mainly generated in the Swedish business with continuing lower disability claims. In the Norwegian business, disability claims are stable.

Cost control has continued to be satisfactory. The cost ratio remains was 13% in the 2nd quarter (15%), lower than in the last quarter and compared to the 2nd quarter last year.

Insurance's investment portfolio in Norway amounted to NOK 7.0bn<sup>1)</sup> as of the 2nd quarter. It is primarily invested in fixed income securities with short to medium duration and achieved a financial return of 1.6% in the quarter and 1.5% year to date.

## BALANCE SHEET AND MARKET TRENDS

The Insurance segment offers a broad range of products to the retail market in Norway, as well as to the corporate market in both Norway and Sweden. Portfolio premium (annual) amounts to NOK 3,000m (NOK 2,628m) in the 2nd quarter. Overall growth in portfolio premiums (annual basis) amounted to 13% year to date, which is above Storebrand's target of 5%. The premium growth is attributed to increased business volumes in all lines of business. Profitability in the retail and corporate markets is satisfactory in general. The corporate market is more mature with lower margins and a strong focus on price. For risk cover in connection with defined-contribution pensions in Norway, future growth is expected to be driven by pension related disability insurance and salary growth. Storebrand is aiming to grow in the retail market.

## PORTFOLIO PREMIUM (ANNUAL)

(NOK million)	2020		2019		
	Q2	Q1	Q4	Q3	Q2
Individual life *	695	680	673	662	655
Group life **	990	975	805	895	857
Pension related disability insurance ***	1,315	1,269	1,144	1,130	1,134
<b>Portfolio premium</b>	<b>3,000</b>	<b>2,923</b>	<b>2,622</b>	<b>2,687</b>	<b>2,645</b>

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

## KEY FIGURES

(NOK million)	2020		2019		
	Q2	Q1	Q4	Q3	Q2
Claims ratio	76 %	119 %	83 %	73 %	73 %
Cost ratio	13 %	15 %	16 %	15 %	15 %
<b>Combined ratio</b>	<b>89 %</b>	<b>134 %</b>	<b>99 %</b>	<b>88 %</b>	<b>88 %</b>

<sup>1)</sup> 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.

# Guaranteed pension

- Income development in line with strategy and long term run-off
- Negative profit sharing driven by reduction in volatility adjustment (VA) in Sweden

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

## GUARANTEED PENSION

(NOK million)	2020		2019			1.1 - 30.06		Full year 2019
	Q2	Q1	Q4	Q3	Q2	2020	2019	
Fee and administration income	360	349	368	384	364	710	724	1,475
Operational expenses	-214	-202	-225	-199	-209	-416	-395	-819
<b>Operating profit</b>	<b>147</b>	<b>147</b>	<b>143</b>	<b>185</b>	<b>155</b>	<b>294</b>	<b>329</b>	<b>657</b>
Financial items and risk result life & pension	-155	-52	189	52	56	-208	131	372
<b>Profit before amortisation</b>	<b>-8</b>	<b>95</b>	<b>332</b>	<b>237</b>	<b>211</b>	<b>86</b>	<b>460</b>	<b>1,029</b>

## PROFIT

Guaranteed Pension achieved a loss (profit before amortisation) of NOK -8m (NOK 211m) in the 2nd quarter and NOK 86m (NOK 460m) year to date.

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 of NOK 360m (NOK 364m) in the 2nd quarter and NOK 710m (724m) year to date represents a stable level.

Operating costs amounted to NOK 214m (NOK 209m) in the 2nd quarter and NOK 416m (NOK 395m) year to date. Over time, operating costs will be reduced as a result of the products being in long-term run-off.

The risk result amounted to NOK 50m (NOK 52m) in the 2nd quarter and NOK 24m (NOK 113m) year to date. The risk result continues to be strong in Norwegian Paid-up policies in the quarter based on strong tariffs for disability. In addition, SPP delivered a solid risk result in the quarter driven by positive longevity and disability improvements. However, the result in the Norwegian Defined Benefit portfolio is negative in the quarter and year to date due to weak disability results. To counter this, price adjustments are being implemented.

The result from profit sharing was NOK -205m (NOK 4m) in the 2nd quarter and NOK -231m (NOK 18m) year to date. The negative result stems primarily from Swedish Guaranteed business in SPP, which amounted to NOK -211 in the 2nd quarter and NOK -240m year to date. The negative result is mainly driven by developments in credit spreads, leading to unrealised losses and an increased need for Deferred Capital Contributions, as well as by changes in the volatility adjustment (VA). Although changes in VA should offset the financial impact of credit spread movements, an imperfect match between the actual investment portfolio and the VA reference portfolio impact the results.

## BALANCE SHEET AND MARKET TRENDS

The majority of the guaranteed 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 2nd quarter, customer reserves for guaranteed pensions amounted to NOK 274bn. This is an increase of NOK 11.2bn year to date, but adjusted for currency effects the change is NOK 2.8bn year to date. As a share of the total balance sheet, guaranteed reserves amounted to 53.9% (57.0%) as of the 2nd quarter, a reduction of 3.1 percentage points since last year. The premium income for guaranteed pensions (excluding transfers) was NOK 0.8bn (NOK 1.3bn) in the 2nd quarter and NOK 2.7bn (NOK 3.0bn) year to date.

In the Norwegian business, Paid-up policies is the only guaranteed pension portfolio experiencing some growth over time as active Defined Benefit contracts eventually become Paid-up policies. The Paid-up portfolio amounted to NOK 143bn as of the 2nd quarter – an increase of NOK 6.5bn from same period last year. The increase is mainly attributed to one large Defined Benefit contract converting to a Hybrid pension plan, resulting in a transfer of NOK 3bn in assets to Paid up policies in the 1st quarter this year. Reserves for Defined Benefit pensions in Norway amounted to NOK 30bn at the end of the 2nd quarter, representing a reduction of NOK 3.2bn compared to the level at the start of the year.

Guaranteed portfolios in the Swedish business totalled NOK 89bn as of the 2nd quarter, an increase of NOK 8.6bn compared to the level at the start of the year. Adjusted for currency effects, reserves increased by only NOK 0.3bn.

Driven by the development in financial markets, the total buffer capital for Guaranteed Pension increased by NOK 5.6bn in the 2nd quarter to NOK 33.1bn. Significant increases in the market value adjustment reserve, excess value of bonds at amortised cost and in conditional bonuses are the main reasons. As a share of the total customer reserves, the buffer capital in Sweden increased by 2.0 percentage points to 9.3% in the quarter, while the buffer capital in Norway increased by 1.2 percentage points to 9.5%.

## KEY FIGURES

(NOK million)	2020		2019		
	Q2	Q1	Q4	Q3	Q2
Guaranteed reserves	274,343	271,878	263,185	263,677	261,973
Guaranteed reserves in % of total reserves	53.9 %	56.4 %	54.5 %	56.1 %	57.0 %
Transfer out of guaranteed reserves	- 684	-95	16	14	-1
Buffer capital in % of customer reserves Storebrand	9.5 %	8.4 %	8.6 %	8.3 %	7.9 %
Buffer capital in % of customer reserves SPP	9.3 %	7.3 %	10.7 %	9.8 %	9.9 %

# Other

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

## OTHER

(NOK million)	2020		2019			1.1 - 30.06		Full year
	Q2	Q1	Q4	Q3	Q2	2020	2019	2019
Fee and administration income	19	13	13	10	14	32	28	51
Operational expenses	-12	-13	-14	-10	-14	-25	-28	-52
<b>Operating profit</b>	<b>7</b>	<b>1</b>	<b>-1</b>	<b>0</b>	<b>0</b>	<b>7</b>	<b>0</b>	<b>-1</b>
Financial items and risk result life & pension	283	-368	78	62	58	-85	182	321
<b>Profit before amortisation</b>	<b>289</b>	<b>-368</b>	<b>77</b>	<b>62</b>	<b>58</b>	<b>-78</b>	<b>182</b>	<b>320</b>

## PROFIT

The Other segment reported a profit before amortisation of NOK 289m (NOK 58m) in the 2nd quarter. The positive result stems primarily from spreads narrowing on credit bond investments in the company portfolios, reversing some of the unrealised losses that occurred in the 1st quarter during the financial market turmoil. Year to date however, profit before amortisation still amount to a loss of NOK minus 78m (NOK 182m).

Fee and administration income of NOK 19m (NOK 14m) in the quarter as well as operational cost of NOK -12m (NOK -14m) were in line with the levels of previous quarters.

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

The Storebrand Life Insurance Group is funded by a combination of equity and subordinated loans. Given the interest rate level at the end of the 2nd quarter, interest expenses of approximately NOK 70m per quarter are expected going forward. The company portfolios in the Norwegian and Swedish life insurance companies amounted to NOK 27bn at end of the 2nd quarter.

The investments are primarily in interest-bearing securities in Norway and Sweden. The Norwegian company portfolio reported a return of 1.87% for the quarter and 0.62% year to date. The Swedish company portfolio achieved a return of 0.80% in the quarter and 0,06% year to date.



# Balance sheet and capital situation

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

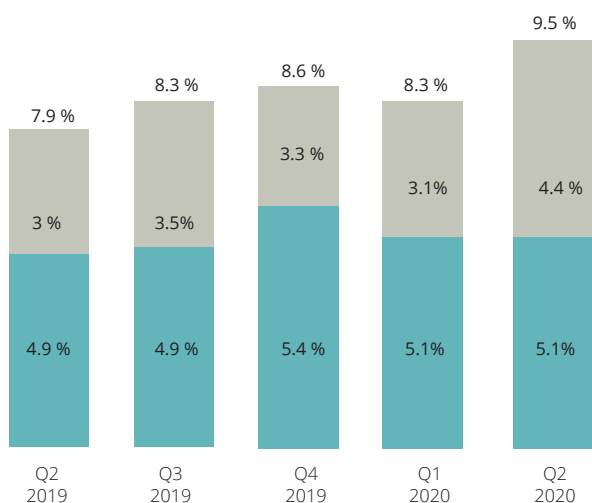
## STOREBRAND LIVSFORSIKRING GROUP

The Solidity capital <sup>1)</sup> measures the amount of IFRS capital available to cover customer liabilities. The solidity capital amounted to NOK 67.3bn at the end of 1st half year 2020, an increase of NOK 4.6bn in 2nd quarter and NOK 4.8bn year to date. The change in the quarter is due to increased customer buffers in both the Norwegian and Swedish operations.

## STORBRAND LIVSFORSIKRING AS

The market value adjustment reserve increased during the 2nd quarter by NOK 2.1bn and NOK 1.9bn year to date. The market value adjustment reserves amounted to NOK 7.4bn at the end of the 1st half year 2020. The additional statutory reserves is unchanged during the 2nd quarter. As a result of low booked investment returns in some customer portfolios there are drawn additional statutory reserves to cover guaranteed interest by NOK 0.2bn year to date. The additional statutory reserves amounted to NOK 8.7bn at the end of the 1st half year 2020. The excess value of bonds and loans valued at amortised cost increased by NOK 2.7bn in the 2nd quarter and by NOK 4.7bn year to date due to decreases in interest rates. The excess value of bonds and loans valued at amortised cost amounted to NOK 9.4bn at the end of the 1st half year 2020. The excess value of bonds and loans at amortised cost is not included in the financial statements.

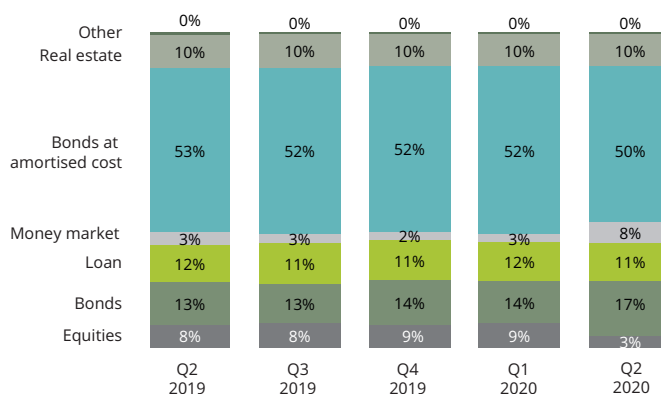
## CUSTOMER BUFFER



■ Market value adjustment reserve in % of customer funds with guarantee

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

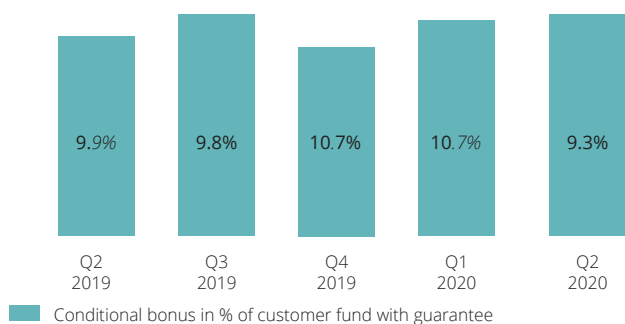
## ALLOCATION OF GUARANTEED CUSTOMER ASSETS



Customer assets increased by NOK 14.0bn in the 2nd quarter and NOK 5.3bn year to date. Customer assets totalled NOK 303bn at the end of the 1st half year 2020. Customer assets within non-guaranteed savings increased NOK 12.1bn during the 2nd quarter and NOK 2.8bn year to date. Customer assets within non-guaranteed savings amounted to NOK 117bn at the end of 1st half year 2020. Guaranteed customer assets increased in the 2nd quarter by NOK 1.9bn and by NOK 2.5bn year to date. Guaranteed customer asset amounted to NOK 185bn at the end of 1st half year 2020.

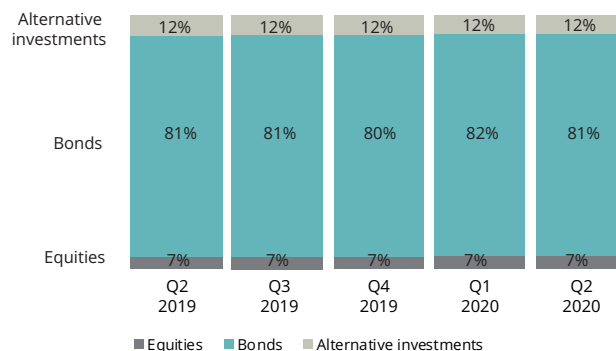
**SPP**

**BUFFER CAPITAL**



The buffer capital amounted to SEK 7.4bn (SEK 7.8bn) at the end of the 2nd quarter.

**ALLOCATION OF GUARANTEED CUSTOMER ASSETS**



Total assets under management for customers in SPP were SEK 195bn (SEK 186bn) at the end of the 2nd quarter. This corresponds to an increase of 5.2% compared to the 2nd quarter last year. For customer assets in non-guaranteed savings, assets under management totalled SEK 113bn (SEK 103bn) at the end of the 2nd quarter, which corresponds to an increase of 11%, compared with the 2nd quarter 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. 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% (Storebrand Group). Under normal circumstances, the solvency margin is expected to grow 5 percentage points annually after dividends. The guaranteed business in long term run-off is projected to release NOK 10bn over the next years, but recent decline in interest rates increases uncertainty in its timing.

## FINANCIAL PERFORMANCE

As an immediate impact of COVID-19 and the economic downturn, Storebrand's financial half-year results have been affected negatively by credit spreads widening and increased unemployment has affected the disability insurance results negatively as reported in the 1st quarter. The situation in Norway is gradually normalising, but how the current unprecedented situation will unfold remains uncertain. Storebrand's financial risk management systems have performed well in the crisis and the Group is robust to handle a further economic downturn. Storebrand is fully operational with close to normal productivity and has made plans for various economic scenarios and has experienced strong underlying growth through the 1st half year despite the COVID-19 pandemic."

The market for Defined Contribution pensions is growing, and Storebrand's total reserves within Unit Linked increased by 18% in the last 12 months, despite the financial market turmoil following the COVID-19 pandemic. Adjusted for currency, the growth is 13% in Norway and 11% in Sweden. 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 competition in the market has resulted in pressure on margins within these segments. This in turn sets requirements for relative 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.

The Guaranteed Pension segment is in long term run-off 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 and because Defined Benefit policies are converted to Paid-up policies as policyholders are entering retirement. 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 53.9% at the end of the quarter, a 3.1 percentage point reduction from the same period last year.

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 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. Much of the unrealised financial losses in the 1st quarter have been reversed in the 2nd quarter as credit spreads have narrowed and equity markets have rebounded. However, should the economic situation worsen and financial markets deteriorate again, investment losses may occur from credit spreads widening or declining real estate valuations for example.

Storebrand has adapted to the low interest rates by increasing duration in portfolios and building 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 of bonds at amortised cost to achieve a return above the guaranteed interest rate.

For insurance risk, increased longevity and the development in disability are the factors that have greatest influence on solvency. COVID-19 combined with plummeting oil prices led to an increase in the number of temporarily laid off workers in Norway, but many have already

returned to work. A prolonged situation with unemployment could lead to increased disability, which may result in increased claims. In the 1st quarter, Storebrand took extensive measures to strengthen its disability reserves. As of the 2nd quarter, these measures are deemed to be satisfactory. Should the situation worsen, further reserve and price increases can be undertaken.

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**

The Ministry of Finance has confirmed the timetable for introducing Individual Pension Accounts in 2021. Supplementary regulation has been sent on a public hearing until 3 August.

Defined contribution pension 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"). A key aim of the reform is to reduce the costs associated with the administration of pension contributions from previous employers. The Ministry of Finance has proposed that individuals shall pay the same fee for former earnings transferred to the Individual Pension Account as the employer pays for current earnings. We expect this will be part of the final legislation, initially leading to significantly lower income for pension suppliers.

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. 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.

#### **GUARANTEED PENSION**

The Ministry of Finance has conducted a public consultation on proposals for changes in guaranteed pension regulations.

The Ministry of Finance decided shortly after the public consultation that pension providers' ability to book fixed income at amortised cost would not be revoked. Fixed income booked at amortised cost is an important tool for risk managing the guaranteed portfolio.

The Ministry of Finance is still working on which proposals to put forward to parliament regarding changes in buffer and guarantee regulation.

#### **SOLVENCY II REVIEW**

The European Insurance and Occupational Pension Authority (EIOPA) has launched a public consultation on changes in the Solvency II standard model. EIOPA has proposed changes in the interest rate risk module that could increase the solvency capital requirement for Norwegian and Swedish insurers. EIOPA was expected to present final proposals to the Commission in June 2020. Due to the impact of the COVID-19 pandemic, EIOPA and the Commission has agreed on a revised timetable. EIOPA's advice will therefore not be delivered to the Commission until the end of December 2020.

The Commission has launched a public consultation asking for stakeholders' views on the broad objectives of the European framework, in particular issues relating to insurers' role in the long-term financing of the economy and the supply of long-term guarantees to clients.

We still expect final conclusions to be drawn by the Commission, the Parliament and the Council in 2022.

Lysaker, 14 July 2020  
Board of directors Storebrand Livsforsikring AS

# Storebrand Livsforsikring group

## Statement of comprehensive income

(NOK million)	2Q		01.01 - 30.06		Year
	2020	2019	2020	2019	2019
<b>TECHNICAL ACCOUNT:</b>					
Gross premiums written	6,510	5,989	14,739	13,027	24,988
Reinsurance premiums ceded	-3	-2	-9	-8	-11
Premium reserves transferred from other companies	6,658	1,935	12,297	3,416	6,239
<b>Premiums for own account</b>	<b>13,165</b>	<b>7,922</b>	<b>27,027</b>	<b>16,435</b>	<b>31,216</b>
Income from investments in subsidiaries, associated companies and joint ventures companies	-15	42	83	142	285
Interest income and dividends etc. from financial assets	1,789	1,794	3,335	3,597	7,790
Net operating income from properties	272	264	530	526	1,003
Changes in investment value	4,256	1,811	1,836	5,115	5,053
Realised gains and losses on investments	375	844	500	1,803	2,235
<b>Total net income from investments in the collective portfolio</b>	<b>6,677</b>	<b>4,755</b>	<b>6,283</b>	<b>11,182</b>	<b>16,367</b>
Income from investments in subsidiaries, associated companies and joint ventures companies	-7	13	14	28	56
Interest income and dividends etc. from financial assets	23	11	9	-7	379
Net operating income from properties	31	43	71	75	148
Changes in investment value	15,233	3,687	-11,359	17,902	29,870
Realised gains and losses on investments	3,368	739	848	1,355	1,941
<b>Total net income from investments in the investment selection portfolio</b>	<b>18,648</b>	<b>4,491</b>	<b>-10,417</b>	<b>19,353</b>	<b>32,394</b>
<b>Other insurance related income</b>	<b>368</b>	<b>311</b>	<b>696</b>	<b>612</b>	<b>1,344</b>
Gross claims paid	-5,008	-4,643	-10,420	-10,065	-19,591
Claims paid - reinsurance	5	3	5	7	10
Premium reserves etc. transferred to other companies	-1,920	-1,466	-4,131	-3,975	-6,357
<b>Claims for own account</b>	<b>-6,923</b>	<b>-6,106</b>	<b>-14,546</b>	<b>-14,033</b>	<b>-25,938</b>
To/from premium reserve, gross	-1,391	-993	-2,927	-3,584	-531
To/from additional statutory reserves	19	14	61	43	-768
Change in value adjustment fund	-2,124	-828	-1,903	-2,895	-3,255
Change in premium fund, deposit fund and the pension surplus fund					-2
To/from technical reserves for non-life insurance business	14	10	-119	-6	-8
Change in conditional bonus	-875	-159	2,125	-666	-1,858
Transfer of additional statutory reserves and value adjustment fund from other insurance companies/pension funds	-3	1	-8	-3	-11
<b>Changes in insurance obligations recognised in the Profit and Loss Account - contractual obligations</b>	<b>-4,360</b>	<b>-1,955</b>	<b>-2,772</b>	<b>-7,111</b>	<b>-6,433</b>
Change in pension capital	-26,247	-7,833	-4,069	-23,790	-43,761
<b>Changes in insurance obligations recognised in the Profit and Loss Account - investment portfolio separately</b>	<b>-26,247</b>	<b>-7,833</b>	<b>-4,069</b>	<b>-23,790</b>	<b>-43,761</b>
Profit on investment result					-199
Risk result allocated to insurance contracts					-196
Other allocation of profit					-43
Unallocated profit	-348	-303	-553	-264	

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# Storebrand Livsforsikring group

## Statement of comprehensive income continue

(NOK million)	2Q		01.01 - 30.06		Year
	2020	2019	2020	2019	2019
<b>Funds allocated to insurance contracts</b>	<b>-348</b>	<b>-303</b>	<b>-553</b>	<b>-264</b>	<b>-438</b>
Management expenses	-44	-48	-92	-96	-189
Selling expenses	-238	-199	-473	-385	-788
Change in pre-paid direct selling expenses	24	14	42	28	51
Insurance-related administration expenses (incl. commissions for reinsurance received)	-315	-392	-665	-749	-1,565
<b>Insurance-related operating expenses</b>	<b>-574</b>	<b>-625</b>	<b>-1,189</b>	<b>-1,202</b>	<b>-2,492</b>
<b>Other insurance related expenses</b>	<b>-105</b>	<b>-236</b>	<b>-176</b>	<b>-313</b>	<b>-388</b>
<b>Technical insurance profit</b>	<b>300</b>	<b>421</b>	<b>284</b>	<b>871</b>	<b>1,871</b>
<b>NON-TECHNICAL ACCOUNT:</b>					
Income from investments in subsidiaries, associated companies and joint ventures companies	24	1	24	9	15
Interest income and dividends etc. from financial assets	62	108	177	217	448
Changes in investment value	346	49	-12	145	113
Realised gains and losses on investments	-32	-9	-104	-6	83
<b>Net income from investments in company portfolio</b>	<b>400</b>	<b>149</b>	<b>85</b>	<b>364</b>	<b>660</b>
<b>Other income</b>	<b>32</b>	<b>37</b>	<b>88</b>	<b>85</b>	<b>173</b>
Management expenses	-5	-5	-9	-9	-18
Other expenses	-243	-204	-431	-402	-831
<b>Management expenses and other costs linked to the company portfolio</b>	<b>-248</b>	<b>-209</b>	<b>-440</b>	<b>-411</b>	<b>-849</b>
<b>Profit or loss on non-technical account</b>	<b>184</b>	<b>-23</b>	<b>-267</b>	<b>38</b>	<b>-16</b>
<b>Profit before tax</b>	<b>484</b>	<b>398</b>	<b>17</b>	<b>908</b>	<b>1,855</b>
Tax expenses	-190	2	542	-106	-333
<b>Profit before other comprehensive income</b>	<b>294</b>	<b>400</b>	<b>559</b>	<b>802</b>	<b>1,522</b>
Change in actuarial assumptions	-2	-3	-4	-5	14
Change in value adjustment reserve own properties	3	11	22	-22	-22
Adjustment of insurance liabilities	-3	-11	-22	22	22
Tax on other profit elements not to be classified to profit/loss					9
<b>Other comprehensive income not to be classified to profit/loss</b>	<b>-2</b>	<b>-3</b>	<b>-4</b>	<b>-6</b>	<b>23</b>
Profit/loss cash flow hedging	-20		14	-21	-36
Currency translation differences	-132		248	-190	-164
<b>Other profit comprehensive income that may be classified to profit /loss</b>	<b>-152</b>	<b>0</b>	<b>262</b>	<b>-212</b>	<b>-201</b>
<b>Other comprehensive income</b>	<b>-154</b>	<b>-4</b>	<b>259</b>	<b>-217</b>	<b>-177</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>140</b>	<b>397</b>	<b>818</b>	<b>585</b>	<b>1,345</b>
<b>PROFIT IS ATTRIBUTABLE TO:</b>					
Majority share of profit	291	401	556	801	1,515
Minority share of profit	4	-1	3	1	7
<b>COMPREHENSIVE INCOME IS ATTRIBUTABLE TO:</b>					
Majority share of profit	147	394	818	585	1,347
Minority share of profit	-6	3			-2

# Storebrand Livsforsikring group

## Statement of financial position

(NOK million)	30.06.2020	30.06.2019	31.12.2019
<b>ASSETS</b>			
<b>Assets in company portfolio</b>			
Goodwill	826	735	750
Other intangible assets	3,290	3,148	3,073
<b>Total intangible assets</b>	<b>4,115</b>	<b>3,883</b>	<b>3,824</b>
Properties at fair value	49	50	49
Equities and units in subsidiaries, associated companies and joint ventures companies	121	108	114
Loans at amortised cost	2	2	2
Bonds at amortised cost	8,113	7,542	7,119
Deposits at amortised cost	903	430	582
Equities and fund units at fair value	34	19	25
Bonds and other fixed-income securities at fair value	17,017	17,016	19,914
Derivatives at fair value	1,301	1,003	1,122
<b>Total investments</b>	<b>27,540</b>	<b>26,171</b>	<b>28,926</b>
Receivables in connection with direct business transactions	473	489	310
Receivables in connection with reinsurance transactions	2	5	17
Receivables with group company	74	104	112
Other receivables	3,471	4,458	3,206
<b>Total receivables</b>	<b>4,020</b>	<b>5,057</b>	<b>3,645</b>
Tangible fixed assets	352	316	325
Cash, bank	2,255	2,103	1,814
Tax assets	1,917	1,785	1,566
Other assets designated according to type	67	70	67
<b>Total other assets</b>	<b>4,591</b>	<b>4,274</b>	<b>3,772</b>
Pre-paid direct selling expenses	686	548	583
Other pre-paid costs and income earned and not received	227	224	138
<b>Total pre-paid costs and income earned and not received</b>	<b>913</b>	<b>773</b>	<b>721</b>
<b>Total assets in company portfolio</b>	<b>41,178</b>	<b>40,158</b>	<b>40,887</b>
<b>Assets in customer portfolios</b>			
Properties at fair value	26,618	24,666	25,526
Properties for own use	1,537	1,309	1,375
Equities and units in subsidiaries, associated companies and joint ventures companies	4,853	3,345	3,352
Bonds held to maturity	13,394	13,376	13,377
Bonds at amortised cost	91,312	88,587	89,790
Loans at amortised cost	23,378	24,046	23,735
Deposits at amortised cost	9,893	7,210	6,163
Equities and fund units at fair value	17,328	23,831	25,677
Bonds and other fixed-income securities at fair value	98,757	85,939	83,881
Loans at fair value	7,647	5,044	6,393
Financial derivatives at fair value	8,420	5,866	3,122
<b>Total investments in collective portfolio</b>	<b>303,136</b>	<b>283,218</b>	<b>282,391</b>

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# Storebrand Livsforsikring group

## Statement of financial position continue

(NOK million)	30.06.2020	30.06.2019	31.12.2019
<b>Reinsurance share of insurance obligations</b>	<b>24</b>	<b>67</b>	<b>69</b>
Properties at fair value	3,860	3,589	3,839
Equities and units in subsidiaries, associated companies and joint ventures companies	1,060	686	693
Loans	36		
Deposits at amortised cost	718	893	1,312
Equities and fund units at fair value	179,003	149,293	168,344
Bonds and other fixed-income securities at fair value	49,223	43,037	44,245
Loans at fair value	141	340	343
Financial derivatives at fair value	757	409	1,009
<b>Total investments in investment selection portfolio</b>	<b>234,799</b>	<b>198,247</b>	<b>219,786</b>
<b>Total assets in customer portfolio</b>	<b>537,958</b>	<b>481,532</b>	<b>502,246</b>
<b>TOTAL ASSETS</b>	<b>579,137</b>	<b>521,690</b>	<b>543,133</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	3,540	3,540	3,540
Share premium	9,711	9,711	9,711
Other paid in equity	599	88	88
<b>Total paid in equity</b>	<b>13,850</b>	<b>13,339</b>	<b>13,339</b>
Risk equalisation fund	459	361	466
Security reserves	5	4	5
Other earned equity	10,279	10,941	11,627
Minority's share of equity	65	109	113
<b>Total earned equity</b>	<b>10,808</b>	<b>11,414</b>	<b>12,211</b>
Perpetual subordinated loan capital	1,100	2,102	1,974
Dated subordinated loan capital	7,731	5,559	6,675
<b>Total subordinated loan capital and hybrid tier 1 capital</b>	<b>8,832</b>	<b>7,660</b>	<b>8,649</b>
Premium reserves	264,757	254,237	253,582
Additional statutory reserves	8,653	8,218	9,023
Market value adjustment reserve	7,403	5,140	5,500
Premium fund, deposit fund and the pension surplus fund	2,063	1,971	2,016
Conditional bonus	8,453	8,243	9,302
Unallocated profit to insurance contracts	771	434	
Other technical reserve	695	646	649
<b>Total insurance obligations in life insurance - contractual obligations</b>	<b>292,795</b>	<b>278,889</b>	<b>280,072</b>
Pension capital	234,632	197,725	219,793
<b>Total insurance obligations in life insurance - investment portfolio separately</b>	<b>234,632</b>	<b>197,725</b>	<b>219,793</b>
Pension liabilities etc.	105	136	100
Deferred tax	587	94	527
Other provisions for liabilities	115	125	127
<b>Total provisions for liabilities</b>	<b>807</b>	<b>355</b>	<b>754</b>
Liabilities in connection with direct insurance	850	1,229	1,015
Liabilities in connection with reinsurance	2	2	3
Financial derivatives	1,297	829	932
Liabilities to group companies	1,541	30	33
Other liabilities	13,263	9,767	5,560
<b>Total liabilities</b>	<b>16,953</b>	<b>11,856</b>	<b>7,543</b>
Other accrued expenses and received, unearned income	460	451	772
<b>Total accrued expenses and received, unearned income</b>	<b>460</b>	<b>451</b>	<b>772</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>579,137</b>	<b>521,690</b>	<b>543,133</b>



# Storebrand Livsforsikring group

## Statement of change in equity

(NOK million)	Majority's share of equity				Risk equalisation fund	Security reserves	Other equity <sup>1)</sup>	Minority interests	Total equity
	Share capital	Share premium	Other paid in equity	Total paid in equity					
<b>Equity at 31.12.2018</b>	<b>3,540</b>	<b>9,711</b>		<b>13,251</b>	<b>234</b>	<b>0</b>	<b>13,714</b>	<b>114</b>	<b>27,313</b>
Profit for the period					127		674	1	802
Other comprehensive income							-217	0	-217
<b>Total comprehensive income for the period</b>					<b>127</b>		<b>456</b>	<b>1</b>	<b>585</b>
<b>Equity transactions with owner:</b>									
Received dividend/group contributions			88	88					88
Paid dividend/group contributions							-3,221		-3,221
Other							-4	-7	-11
<b>Equity at 30.06.2019</b>	<b>3,540</b>	<b>9,711</b>	<b>88</b>	<b>13,339</b>	<b>361</b>	<b>0</b>	<b>10,945</b>	<b>109</b>	<b>24,753</b>
Profit for the period					232	5	1,278	7	1,522
Other comprehensive income							-175	-2	-177
<b>Total comprehensive income for the period</b>					<b>232</b>	<b>5</b>	<b>1,102</b>	<b>6</b>	<b>1,345</b>
<b>Equity transactions with owner:</b>									
Received dividend/group contributions			88	88					88
Paid dividend/group contributions							-3,221		-3,221
Other							33	-7	26
<b>Equity at 31.12.2019</b>	<b>3,540</b>	<b>9,711</b>	<b>88</b>	<b>13,339</b>	<b>466</b>	<b>5</b>	<b>11,628</b>	<b>113</b>	<b>25,550</b>
Profit for the period					-7		563	3	559
Other comprehensive income							259		259
<b>Total comprehensive income for the period</b>					<b>-7</b>		<b>822</b>	<b>3</b>	<b>818</b>
<b>Equity transactions with owner:</b>									
Received dividend/group contributions			511	511					511
Paid dividend/group contributions							-2,219		-2,219
Other							49	-52	-3
<b>Equity at 30.06.2020</b>	<b>3,540</b>	<b>9,711</b>	<b>599</b>	<b>13,850</b>	<b>459</b>	<b>5</b>	<b>10,280</b>	<b>65</b>	<b>24,658</b>

# Storebrand Livsforsikring

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

Storebrand Livsforsikring group			Storebrand Livsforsikring AS	
2019	2020	(NOK million)	2020	2019
<b>Cash flow from operational activities</b>				
25,236	14,582	Net received - direct insurance	9,848	17,104
-19,913	-10,537	Net claims/benefits paid - direct insurance	-6,555	-12,529
-118	8,167	Net receipts/payments - policy transfers	2,017	-1,368
-765	-49	Net change insurance liabilities	65	-260
1,344	696	Receipts - interest, commission and fees from customers		
-388	-176	Payments - interest, commission and fees to customers	-156	-368
-2,492	-1,189	Net receipts/payments operations	-678	-1,509
2,687	-5	Net receipts/payments - other operational activities	5,509	710
<b>5,591</b>	<b>11,490</b>	<b>Net cash flow from operational activities before financial assets</b>	<b>10,051</b>	<b>1,780</b>
310	-15	Net receipts/payments - loans to customers	523	1,556
-1,148	-7,362	Net receipts/payments - financial assets	-7,965	2,115
-368	481	Net receipts/payments - property activities		
-2,092	-2,988	Net change bank deposits insurance customers	-2,110	-2,770
<b>-3,298</b>	<b>-9,884</b>	<b>Net cash flow from operational activities from financial assets</b>	<b>-9,552</b>	<b>901</b>
<b>2,293</b>	<b>1,605</b>	<b>Net cash flow from operational activities</b>	<b>499</b>	<b>2,681</b>
<b>Cash flow from investment activities</b>				
	-46	Net payments - purchase/capitalisation associated companies	-46	
-14	-17	Net receipts/payments - sale/purchase of fixed assets	-3	-15
<b>-14</b>	<b>-63</b>	<b>Net cash flow from investment activities</b>	<b>-49</b>	<b>-15</b>
<b>Cash flow from financing activities</b>				
927	499	Payment of subordinated loan capital	499	927
-128	-872	Repayment of subordinated loan capital	-872	-128
-355	-313	Payments - interest on subordinated loan capital	-313	-355
110	682	Payments received of dividend and group contribution	1,286	110
-3,200	-682	Payment of dividend and group contribution	-682	-3,200
<b>-2,646</b>	<b>-686</b>	<b>Net cash flow from financing activities</b>	<b>-81</b>	<b>-2,646</b>
<b>-367</b>	<b>856</b>	<b>Net cash flow for the period</b>	<b>369</b>	<b>20</b>
2,931	10,741	of which net cash flow for the period before financial assets	9,920	-881
-367	856	Net movement in cash and cash equivalent assets	369	20
2,717	2,396	Cash and cash equivalents at start of the period	1,410	1,390
46	-95	Currency translation differences		
<b>2,396</b>	<b>3,157</b>	<b>Cash and cash equivalent assets at the end of the period</b>	<b>1,779</b>	<b>1,410</b>

# Storebrand Livsforsikring AS

## Statement of comprehensive income

(NOK million)	2Q		01.01 - 30.06		Year 2019
	2020	2019	2020	2019	
<b>TECHNICAL ACCOUNT</b>					
Gross premiums written	4,048	3,995	10,014	9,049	16,905
Reinsurance premiums ceded	-2	-1	-8	-7	-8
Premium reserves transferred from other companies	355	1,188	4,994	1,799	3,139
<b>Premiums for own account</b>	<b>4,402</b>	<b>5,182</b>	<b>15,000</b>	<b>10,842</b>	<b>20,036</b>
Income from investments in subsidiaries, associated companies and joint ventures companies	269	697	-474	1,779	3,461
of which from investment in property companies	-137	436	-30	700	1,302
Interest income and dividends etc. from financial assets	1,186	1,363	2,471	2,735	5,389
Changes in investment value	1,582	595	3,228	1,894	1,702
Realised gains and losses on investments	811	-75	-122	-350	-455
<b>Total net income from investments in the collective portfolio</b>	<b>3,848</b>	<b>2,580</b>	<b>5,104</b>	<b>6,059</b>	<b>10,097</b>
Income from investments in subsidiaries, associated companies and joint ventures companies	1,347	513	585	1,927	3,870
of which from investment in rproperty companies	-37	106	-10	154	289
Interest income and dividends etc. from financial assets	-54	-92	-155	-183	64
Changes in investment value	4,653	330	-4,853	4,670	8,534
Realised gains and losses on investments	4,482	795	21	1,373	1,430
<b>Total net income from investments in the investment selection portfolio</b>	<b>10,428</b>	<b>1,545</b>	<b>-4,402</b>	<b>7,788</b>	<b>13,897</b>
<b>Other insurance related income</b>	<b>222</b>	<b>178</b>	<b>407</b>	<b>350</b>	<b>824</b>
Gross claims paid	-2,970	-2,869	-6,459	-6,424	-12,226
Claims paid - reinsurance	4	3	4	7	9
Premium reserves etc. transferred to other companies	-1,295	-1,028	-2,977	-3,095	-4,506
<b>Claims for own account</b>	<b>-4,262</b>	<b>-3,894</b>	<b>-9,432</b>	<b>-9,512</b>	<b>-16,723</b>
To/from premium reserve, gross	661	304	-362	-407	543
To/from additional statutory reserves	19	14	61	43	-768
Change in value adjustment fund	-2,124	-828	-1,903	-2,895	-3,255
Change in premium fund, deposit fund and the pension surplus fund					-2
To/from technical reserves for non-life insurance business	14	10	-119	-6	-8
Transfer of additional statutory reserves and value adjustment fund from other insurance companies/pension funds	-3	1	-8	-3	-11
<b>Changes in insurance obligations recognised in the Profit and Loss Account - contractual obligations</b>	<b>-1,433</b>	<b>-500</b>	<b>-2,332</b>	<b>-3,268</b>	<b>-3,501</b>
Change in pension capital	-12,157	-3,902	-2,803	-10,393	-21,134
<b>Changes in insurance obligations recognised in the Profit and Loss Account - investment portfolio separately</b>	<b>-12,157</b>	<b>-3,902</b>	<b>-2,803</b>	<b>-10,393</b>	<b>-21,134</b>
Profit on investment result					-199
Risk result allocated to insurance contracts					-196
Other allocation of profit					-43
Unallocated profit	-372	-280	-762	-416	
<b>Funds allocated to insurance contracts</b>	<b>-372</b>	<b>-280</b>	<b>-762</b>	<b>-416</b>	<b>-438</b>

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# Storebrand Livsforsikring AS

## Statement of comprehensive income continue

(NOK million)	2Q		01.01 - 30.06		Year 2019
	2020	2019	2020	2019	
Management expenses	-44	-48	-92	-96	-189
Selling expenses	-87	-65	-183	-126	-269
Insurance-related administration expenses (incl. commissions for reinsurance received)	-179	-254	-402	-489	-1,051
<b>Insurance-related operating expenses</b>	<b>-310</b>	<b>-368</b>	<b>-678</b>	<b>-711</b>	<b>-1,509</b>
<b>Other insurance related expenses after reinsurance share</b>	<b>-91</b>	<b>-220</b>	<b>-156</b>	<b>-284</b>	<b>-368</b>
<b>Technical insurance profit</b>	<b>274</b>	<b>322</b>	<b>-53</b>	<b>454</b>	<b>1,180</b>
<b>NON-TECHNICAL ACCOUNT</b>					
Income from investments in subsidiaries, associated companies and joint ventures companies	422	737	1,018	471	546
of which from investment in property companies					
Interest income and dividends etc. from financial assets	60	105	172	215	448
Changes in investment value	262	36	29	111	102
Realised gains and losses on investments	157	45	-562	306	279
<b>Net income from investments in company portfolio</b>	<b>902</b>	<b>923</b>	<b>657</b>	<b>1,103</b>	<b>1,374</b>
<b>Other income</b>	<b>-3</b>	<b>7</b>	<b>1</b>	<b>11</b>	<b>22</b>
Management expenses	-5	-5	-9	-9	-18
Other expenses	-122	-99	-191	-187	-390
<b>Total management expenses and other costs linked to the company portfolio</b>	<b>-126</b>	<b>-104</b>	<b>-200</b>	<b>-196</b>	<b>-408</b>
<b>Profit or loss on non-technical account</b>	<b>773</b>	<b>826</b>	<b>458</b>	<b>918</b>	<b>988</b>
<b>Profit before tax</b>	<b>1,047</b>	<b>1,148</b>	<b>405</b>	<b>1,372</b>	<b>2,168</b>
Tax expenses	-170	3	597	-55	-322
<b>Profit before other comprehensive income</b>	<b>877</b>	<b>1,151</b>	<b>1,002</b>	<b>1,317</b>	<b>1,846</b>
Change in actuarial assumptions					-4
Tax on other profit elements not to be classified to profit/loss					10
<b>Other comprehensive income not to be classified to profit/loss</b>					<b>6</b>
Profit/loss cash flow hedging	-20		14	-21	-36
<b>Other comprehensive income that may be classified to profit /loss</b>	<b>-20</b>	<b>0</b>	<b>14</b>	<b>-21</b>	<b>-36</b>
<b>Other comprehensive income</b>	<b>-20</b>	<b>0</b>	<b>14</b>	<b>-21</b>	<b>-30</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>857</b>	<b>1,150</b>	<b>1,016</b>	<b>1,296</b>	<b>1,816</b>

# Storebrand Livsforsikring AS

## Statement of financial position

(NOK million)	30.06.2020	30.06.2019	31.12.2019
<b>ASSETS</b>			
Assets in company portfolio			
Other intangible assets	380	340	338
<b>Total intangible assets</b>	<b>380</b>	<b>340</b>	<b>338</b>
Equities and units in subsidiaries, associated companies and joint ventures companies	13,627	12,676	12,814
of which investment in property companies			
Loans at amortised cost	1	1	1
Bonds at amortised cost	8,113	7,542	7,119
Deposits at amoritsed cost	806	427	508
Equities and fund units at fair value	33	19	24
Bonds and other fixed-income securities at fair value	10,573	10,274	11,675
Derivatives at fair value	1,301	1,003	1,122
<b>Total investments</b>	<b>34,453</b>	<b>31,942</b>	<b>33,262</b>
Receivables in connection with direct business transactions	470	478	305
Receivables in connection with reinsurance transactions	2	5	9
Receivables with group company	59	81	770
Other receivables	1,156	2,431	356
<b>Total receivables</b>	<b>1,687</b>	<b>2,995</b>	<b>1,439</b>
Tangible fixed assets	17	8	19
Cash, bank	973	1,025	902
Tax assets	1,935	1,766	1,340
<b>Total other assets</b>	<b>2,924</b>	<b>2,799</b>	<b>2,261</b>
Other pre-paid costs and income earned and not received	47	99	25
<b>Total pre-paid costs and income earned and not received</b>	<b>47</b>	<b>99</b>	<b>25</b>
<b>Total assets in company portfolio</b>	<b>39,492</b>	<b>38,174</b>	<b>37,326</b>
Assets in customer portfolios			
Equities and units in subsidiaries, associated companies and joint ventures companies	29,255	27,244	28,662
of which investment in property companies	20,287	19,267	19,565
Bonds held to maturity	13,394	13,376	13,377
Bonds at amortised cost	91,312	88,587	89,790
Loans at amortised cost	23,378	24,046	23,735
Deposits at amoritsed cost	7,220	4,379	4,444
Equities and fund units at fair value	5,262	7,341	7,860
Bonds and other fixed-income securities at fair value	28,385	24,571	22,173
Financial derivatives at fair value	5,824	1,590	1,080
<b>Total investments in collective portfolio</b>	<b>204,030</b>	<b>191,135</b>	<b>191,121</b>
Reinsurance share of insurance obligations	21	67	67
Equities and units in subsidiaries, associated companies and joint ventures companies	20,774	17,941	20,077
of which investment in property companies	4,958	4,320	4,643
Lendings at amoritsed cost	36		
Deposits at amoritsed cost	321	809	986
Equities and fund units at fair value	55,425	48,395	54,990
Bonds and other fixed-income securities at fair value	40,050	36,290	37,138

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# Storebrand Livsforsikring AS

## Statement of financial position continue

(NOK million)	30.06.2020	30.06.2019	31.12.2019
Loans at fair value	141	340	343
Financial derivatives at fair value	757	409	1,009
<b>Total investments in investment selection portfolio</b>	<b>117,503</b>	<b>104,184</b>	<b>114,544</b>
<b>Total assets in customer portfolios</b>	<b>321,554</b>	<b>295,386</b>	<b>305,732</b>
<b>TOTAL ASSETS</b>	<b>361,046</b>	<b>333,560</b>	<b>343,058</b>
EQUITY AND LIABILITIES			
Share capital	3,540	3,540	3,540
Share premium	9,711	9,711	9,711
Other paid in equity	599	88	599
<b>Total paid in equity</b>	<b>13,850</b>	<b>13,339</b>	<b>13,850</b>
Risk equalisation fund	459	361	466
Security reserves	5	4	5
Other earned equity	12,212	12,977	11,190
<b>Total earned equity</b>	<b>12,676</b>	<b>13,341</b>	<b>11,661</b>
Perpetual subordinated loan capital	1,100	2,102	1,974
Dated subordinated loan capital	7,731	5,559	6,675
<b>Total subordinated loan capital and hybrid tier 1 capital</b>	<b>8,832</b>	<b>7,660</b>	<b>8,649</b>
Premium reserves	172,534	172,610	171,973
Additional statutory reserves	8,862	8,218	9,023
Market value adjustment reserve	7,403	5,140	5,500
Premium fund, deposit fund and the pension surplus fund	2,063	1,971	2,016
Unallocated profit to insurance contracts	771	434	
Other technical reserve	695	646	649
<b>Total insurance obligations in life insurance - contractual obligations</b>	<b>192,328</b>	<b>189,019</b>	<b>189,161</b>
Pension capital	117,333	103,811	114,538
<b>Total insurance obligations in life insurance - investment portfolio separately</b>	<b>117,333</b>	<b>103,811</b>	<b>114,538</b>
Pension liabilities etc.	7	12	7
<b>Total provisions for liabilities</b>	<b>7</b>	<b>12</b>	<b>7</b>
Liabilities in connection with direct insurance	612	1,025	758
Financial derivatives	740	173	421
Liabilities to group companies	1,553	40	2,257
Other liabilities	12,974	4,987	1,450
<b>Total liabilities</b>	<b>15,879</b>	<b>6,227</b>	<b>4,886</b>
Other accrued expenses and received, unearned income	141	152	305
<b>Total accrued expenses and received, unearned income</b>	<b>141</b>	<b>152</b>	<b>305</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>361,046</b>	<b>333,560</b>	<b>343,058</b>

# Storebrand Livsforsikring AS

## Statement of change in equity

(NOK million)	Share capital <sup>1)</sup>	Share premium reserve	Other paid in capital	Total paid in equity	Risk equalisation fund	Security reserves	Other equity	Total equity
<b>Equity at 31.12.2018</b>	<b>3,540</b>	<b>9,711</b>	<b>84</b>	<b>13,335</b>	<b>233</b>		<b>11,812</b>	<b>25,381</b>
Profit for the period					127		1,190	1,317
Other comprehensive income							-21	-21
<b>Total comprehensive income for the period</b>					<b>127</b>		<b>1,169</b>	<b>1,296</b>
<b>Equity transactions with owner:</b>								
Received dividend/group contributions			3	3				3
<b>Equity at 30.06.2019</b>	<b>3,540</b>	<b>9,711</b>	<b>88</b>	<b>13,339</b>	<b>360</b>		<b>12,980</b>	<b>26,680</b>
Profit for the period					232	5	1,609	1,846
Other comprehensive income							-30	-30
<b>Total comprehensive income for the period</b>					<b>232</b>	<b>5</b>	<b>1,578</b>	<b>1,816</b>
<b>Equity transactions with owner:</b>								
Received dividend/group contributions			515	515				515
Paid dividend/group contributions							-2,200	-2,200
<b>Equity at 31.12.2019</b>	<b>3,540</b>	<b>9,711</b>	<b>599</b>	<b>13,850</b>	<b>466</b>	<b>5</b>	<b>11,190</b>	<b>25,511</b>
Profit for the period					-7		1,009	1,002
Other comprehensive income							14	14
<b>Total comprehensive income for the period</b>					<b>-7</b>		<b>1,023</b>	<b>1,016</b>
<b>Equity transactions with owner:</b>								
Other							-1	-1
<b>Equity at 30.06.2020</b>	<b>3,540</b>	<b>9,711</b>	<b>599</b>	<b>13,850</b>	<b>459</b>	<b>5</b>	<b>12,212</b>	<b>26,526</b>

1) 35 404 200 shares of NOK 100 par value.

# Notes

## Storebrand Livsforsikring group

### Note 01 | Accounting policies

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

A description of the accounting policies applied in the preparation of the financial statements are provided in the 2019 annual report, and the interim financial statements are prepared in accordance with these accounting policies.

Storebrand Livsforsikring AS - the company's financial statements

The financial statements have been prepared in accordance with the accounting principles that were used in the annual report for 2019.

There are none new or changed accounting standards that entered into effect in 2020 that have significant effect on Storebrand's consolidated financial statements.

### Note 02 | Estimates

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

Actual results may differ from these estimates.

A description of the most critical estimates and judgements that can affect recognised amounts is included in the 2019 annual report in note 2, insurance risk in note 6, valuation of financial instruments at fair value is described in note 11 and in the interim financial statements note 9 Solvency II.

### Note 03 | Segments - profit 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. In addition, certain other subsidiaries in Storebrand Livsforsikring and SPP are included in Savings.

#### **INSURANCE**

The insurance segment provides personal risk products in the Norwegian retail market in addition to employer's liability insurance and pension-related insurance in the Norwegian and Swedish corporate markets.

#### **GUARANTEED PENSION**

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

#### **OTHER**

The result for the company portfolios and small subsidiaries of Storebrand Life Insurance and SPP. In addition, 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 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 2019 annual report in note 3 Segment reporting.

## PROFIT BY SEGMENTS

(NOK million)	Q2		1.1 - 30.06		Year
	2020	2019	2020	2019	2019
Savings	207	117	355	267	491
Insurance	90	96	-163	170	554
Guaranteed pension	-8	211	86	460	1,148
Other	289	58	-78	182	121
<b>Profit before amortisation</b>	<b>578</b>	<b>482</b>	<b>200</b>	<b>1,078</b>	<b>2,315</b>
Amortisation of intangible assets	-94	-84	-183	-169	-305
<b>Profit before tax</b>	<b>484</b>	<b>398</b>	<b>17</b>	<b>908</b>	<b>2,010</b>

## SEGMENT INFORMATION Q2

(NOK million)	Savings		Insurance		Guaranteed pension	
	2020	2019	2020	2019	2020	2019
Fee and administration income	487	436			360	364
Insurance result			175	186		
- Insurance premiums for own account			736	683		
- Claims for own account			-561	-497		
Operational cost	-265	-313	-95	-102	-214	-209
<b>Operating profit</b>	<b>222</b>	<b>123</b>	<b>80</b>	<b>83</b>	<b>147</b>	<b>155</b>
Financial items and risk result life & pension	-15	-6	10	12	-155	56
<b>Profit before amortisation</b>	<b>207</b>	<b>117</b>	<b>90</b>	<b>96</b>	<b>-8</b>	<b>211</b>
<b>Profit before tax</b>	<b>207</b>	<b>117</b>	<b>90</b>	<b>96</b>	<b>-8</b>	<b>211</b>

(NOK million)	Other		Storebrand Livsforsikring group	
	2020	2019	2020	2019
Fee and administration income	19	14	867	813
Insurance result			175	186
- Insurance premiums for own account			736	683
- Claims for own account			-561	-497
Operational cost	-12	-14	-586	-637
<b>Operating profit</b>	<b>7</b>	<b>0</b>	<b>456</b>	<b>362</b>
Financial items and risk result life & pension	283	58	123	120
<b>Profit before amortisation</b>	<b>289</b>	<b>58</b>	<b>578</b>	<b>482</b>
Amortisation of intangible assets			-94	-84
<b>Profit before tax</b>	<b>289</b>	<b>58</b>	<b>484</b>	<b>398</b>

## SEGMENT INFORMATION AS AT 30.06

(NOK million)	Savings		Insurance		Guaranteed pension	
	2020	2019	2020	2019	2020	2019
Fee and administration income	975	871			710	724
Insurance result			44	356		
- Insurance premiums for own account			1,442	1,358		
- Claims for own account			-1,398	-1,001		
Operational cost	-570	-594	-202	-197	-416	-395
<b>Operating profit</b>	<b>405</b>	<b>277</b>	<b>-158</b>	<b>159</b>	<b>294</b>	<b>329</b>
Financial items and risk result life & pension	-51	-10	-5	11	-208	131
<b>Profit before amortisation</b>	<b>355</b>	<b>267</b>	<b>-163</b>	<b>170</b>	<b>86</b>	<b>460</b>
<b>Profit before tax</b>	<b>355</b>	<b>267</b>	<b>-163</b>	<b>170</b>	<b>86</b>	<b>460</b>

(NOK million)	Other		Storebrand Livsforsikring group	
	2020	2019	2020	2019
Fee and administration income	32	28	1,717	1,623
Insurance result			44	356
- Insurance premiums for own account			1,442	1,358
- Claims for own account			-1,398	-1,001
Operational cost	-25	-28	-1,213	-1,215
<b>Operating profit</b>	<b>7</b>	<b>0</b>	<b>549</b>	<b>764</b>
Financial items and risk result life & pension	-85	182	-348	313
<b>Profit before amortisation</b>	<b>-78</b>	<b>182</b>	<b>200</b>	<b>1,078</b>
Amortisation of intangible assets			-183	-169
<b>Profit before tax</b>	<b>-78</b>	<b>182</b>	<b>17</b>	<b>908</b>

## Note 04 | Financial market risk and insurance risk

Risks are described in the annual report for 2019 in note 6 (Insurance risk), note 7 (Financial market risk), note 8 (Liquidity risk), note 9 (Credit risk) and note 10 (Concentrations of risk).

### FINANCIAL MARKET RISK

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

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

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

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

For customer portfolios with a guarantee, the net risk for Storebrand will be lower than the gross market risk. The extent of risk

sharing with customers depends on several factors, the most important being the size and flexibility of the customer buffers, and the level and duration of the interest rate guarantee. If the investment return is not sufficiently high to meet the guaranteed interest rate, the shortfall will be met by using customer buffers in the form of risk capital built up from previous years' surpluses. Risk capital primarily consists of unrealised gains, additional statutory reserves and conditional bonuses. Storebrand is responsible for meeting any shortfall that cannot be covered by the customer buffers.

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

The first half of 2020 has been strongly affected by the development linked to the COVID-19 virus spread. From the last part of February and throughout March, the contagion, and the consequences of containment both in Norway and globally, led to financial turmoil with falling equity prices, increased credit spreads, falling interest rates and lower tradability for many financial assets. In combination with reduced oil prices, the conditions also led to a significant weakening of the Norwegian Krone. In the second quarter, the financial market and especially the equity market has recovered, helped by supporting policy measures. Storebrand has risk management which through policies and principles handles and dampens the effect of volatile financial markets, but the market turmoil has led to negative effects on the half-year results. The uncertainty regarding the financial markets and the effects from COVID-19 going forward is still higher than normal market risk.

The equity market was strong in the second quarter, recovering most of the losses from the first quarter. Global equities increased 19 percent and Norwegian equities increased 12 percent in the second quarter. For the first half year, global equities ended down 5 percent while Norwegian equities fell 15 percent. The market for corporate bonds was also strong in the second quarter, recovering more than half the increase in credit spreads from the first quarter. Increased credit spreads contributed to a negative return in the first half, but higher spreads are positive for expected return going forward.

Norges Bank reduced the interest rate further in the second quarter to zero, from 1.75 percent at the start of the year. Short term interest rates are down by approx. 1.5 pp from the start of the year. Long term interest rates have also declined during the first half of 2020. The Norwegian 10-year swap-rate fell by 1.2 pp. The Swedish 10-year swap-rate fell by 0.4 pp. Due to most 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. A lower interest rate is also negative for the solvency position.

The Norwegian Krone strengthened in the second quarter, but not enough to make up for the significant weakening in the first quarter. From the start of the year, the Norwegian Krone has weakened approx. 10 percent against both the US dollar, the Euro and the Swedish Krona. A high degree of currency hedging in the portfolio means that the exchange rate fluctuations have a modest effect on results and Storebrand's market risk.

Financial instruments valued at fair value level three are priced based on models. Examples of such financial instruments are investment property, private equity and mortgages. The valuation models gather and employ information from a wide range of well-informed sources. There is greater uncertainty regarding the input factors and the valuation from these models than normal. Any continued spread of COVID-19, governmental measurements to contain the spread and the effects for the economy are uncertain and will have impact on the valuation of financial instruments. There is a large range of possible outcomes for these input data and thus for the modelled prices. Hence, the values reflect management's best estimate, but contain greater uncertainty than in a normal quarter. Sensitivities for the valuation from changes in key inputs are provided in note 6.

During the first quarter the investment allocation to equities was reduced in line with the principles for dynamic risk management. During the second quarter there has been a reweighting of the equity position in line with increasing equity markets.

Despite weak equity and credit markets, the return for the guaranteed customer portfolios in Norway on average was positive in the first half. Unrealised gains for equities fell, but this was more than countered by an increase in unrealised gains for interest rate swaps. The return for guaranteed customer portfolios in Sweden was positive in the first half, but lower than the change in value of the liabilities. This led to a decrease in conditional bonuses and an increase in deferred capital contribution.

The return in the unit linked portfolios was positive in the second quarter, but negative in the first half, mainly due to the weak equity markets. This will lead to lower income for Storebrand going forward, dependant on whether and when the market recovers further.

## SENSITIVITY ANALYSES

The tables show the fall in value for Storebrand Life Insurance and SPP's investment portfolios as a result of immediate changes in value related to financial market risk. The calculation is model-based, and the result is dependent on the choice of stress level for each category of asset. The stresses have been applied to the company portfolio and guaranteed customer portfolios as at 30 June 2020. The effect of each stress changes the return in each profile.

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

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

### LEVEL OF STRESS

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

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

As a result of customer buffers, the effect of the stresses on the result will be lower than the values described in the tables. As at 30 June 2020, the customer buffers are of such a size that the effects on the result are significantly lower.

### STRESSTEST 1

Sensitivity	Storebrand Livförsäkring		SSP Pension & Försäkring	
	NOK Million	Share of portfolio	NOK Million	Share of portfolio
Interest rate risk	4,072	1.9%	-287	-0.3%
Equity risk	-3,024	-1.4%	-1,863	-2.1%
Property risk	-2,510	-1.2%	-1,205	-1.4%
Credit risk	-1,412	-0.7%	-925	-1.1%
<b>Total</b>	<b>-2,875</b>	<b>-1.3%</b>	<b>-4,280</b>	<b>-4.9%</b>

### STRESSTEST 2

Sensitivity	Storebrand Livförsäkring		SSP Pension & Försäkring	
	NOK Million	Share of portfolio	NOK Million	Share of portfolio
Interest rate risk	-4,072	1.9%	-287	-0.3%
Equity risk	-1,850	-0.9%	-1,118	-1.3%
Property risk	-1,464	-0.7%	-703	-0.8%
Credit risk	-860	-0.4%	-555	-0.6%
<b>Total</b>	<b>-8,210</b>	<b>-3.8%</b>	<b>-2,089</b>	<b>-2.4%</b>

#### *Storebrand Livsforsikring*

Stress test 2, which includes an increase in interest rates, makes the greatest impact for Storebrand Livsforsikring. The overall market risk is NOK 8.2 billion (NOK 7.2 billion as at 31 December 2019), which is equivalent to 3.8 (3.4) per cent of the investment portfolio.

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

#### *SPP Pension & Försäkring*

For SPP it is stress test 1, which includes a fall in interest rates, that creates the greatest impact. The overall market risk is SEK 4.3 billion (SEK 3.5 billion as at 31 December 2019), which is equivalent to 4.9 (3.8) per cent of the investment portfolio.

The buffer situation for the individual contracts will determine if all or portions of the fall in value will affect the financial result. Only the portion of the fall in value that cannot be settled against the customer buffer will be charged to the result. In addition, the reduced profit sharing or loss of the indexing fees may affect the financial result.

### **INSURANCE RISK**

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

The weakening of the Norwegian economy in the first quarter 2020 has led to a substantial increase in unemployment. This increase is possibly temporary due to the containment of the virus. There has historically been correlations between the unemployment rate and the disability levels. The governments are putting in place several measures to support the economy from effects from COVID-19, but the long-term unemployment rate and the outcome of the pandemic is uncertain. Storebrand increased insurance reserves in the first quarter 2020 based on expected effects from the COVID-19 virus. The situation has been closely monitored during the second quarter, without any observed significant effects from COVID-19 on the reserves. The development of the insurance reserves is dependent on future scenarios and currently more uncertain than normal. Storebrand will continue to monitor the development of COVID-19 and effects for the economy. A prolonged situation with high unemployment could lead to higher disability levels and increased reserves. However, the current insurance reserves represent Storebrand's best estimate of the

Note  
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insurance liabilities.  
Liquidity risk

**SPECIFICATION OF SUBORDINATED LOAN CAPITAL**

(NOK million)	Nominal value	Currency	Interest rate	Call date	Book value
<b>Issuer</b>					
<b>Perpetual subordinated loan capital</b>					
Storebrand Livsforsikring AS	1,100	NOK	Variable	2024	1,100
<b>Dated subordinated loan capital</b>					
Storebrand Livsforsikring AS	750	SEK	Variable	2021	784
Storebrand Livsforsikring AS	1,000	SEK	Variable	2022	1,037
Storebrand Livsforsikring AS	900	SEK	Variable	2025	930
Storebrand Livsforsikring AS	1,000	SEK	Variable	2024	1,037
Storebrand Livsforsikring AS	500	NOK	Variable	2025	499
Storebrand Livsforsikring AS	300	EUR	Fixed	2023	3,444
<b>Total subordinated loan capital and hybrid tier 1 capital 30.06.2020</b>					<b>8,832</b>
<b>Total subordinated loan capital and hybrid tier 1 capital 31.12.2019</b>					<b>8,649</b>

Note  
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Valuation of financial instruments and properties

The Group categorises financial instruments valued at fair value on three different levels. Criteria for the categorisation and processes associated with valuing are described in more detail in note 11 in the annual report for 2019.

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

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

(NOK million)	Fair value 30.06.2020	Fair value 31.12.19	Book value 30.06.2020	Book value 31.12.19
<b>Financial assets</b>				
Loans to customers - corporate	6,211	6,169	6,220	6,194
Loans to customers - retail	17,195	17,542	17,195	17,542
Bonds held to maturity	14,876	14,433	13,394	13,377
Bonds classified as loans and receivables	107,363	100,588	99,425	96,909
<b>Financial liabilities</b>				

(NOK million)	Fair value 30.06.2020	Fair value 31.12.19	Book value 30.06.2020	Book value 31.12.19
Subordinated loan capital	8,882	8,729	8,832	8,649

## VALUATION OF FINANCIAL INSTRUMENTS AND PROPERTIES AT FAIR VALUE

### STOREBRAND LIVSFORSIKRING GROUP

(NOK million)	Level 1 Quoted prices	Level 2 Observable assumptions	Level 3 Non-observable assumptions	Total 30.06.2020	Total 31.12.2019
<b>Assets</b>					
<b>Equities and fund units</b>					
- Equities	22,659	120	482	23,261	28,673
- Fund units		163,893	9,211	173,104	165,372
<b>Total equities and fund units 30.06.2020</b>	<b>22,659</b>	<b>164,013</b>	<b>9,692</b>	<b>196,365</b>	
<b>Total equities and fund units 31.12.2019</b>	<b>28,007</b>	<b>156,553</b>	<b>9,485</b>		<b>194,045</b>
<b>Total loans to customers</b>					
- Loans to customers - corporate			7,788	7,788	6,736
<b>Bonds and other fixed income securities</b>					
- Government bonds	16,936	19,398		36,334	31,416
- Corporate bonds		62,556	12	62,568	60,055
- Collateralised securities		2,072		2,072	1,219
- Bond funds		56,125	7,898	64,023	55,350
<b>Total bonds and other fixed income securities 30.06.2020</b>	<b>16,936</b>	<b>140,150</b>	<b>7,910</b>	<b>164,997</b>	
<b>Total bonds and other fixed income securities 31.12.2019</b>	<b>10,638</b>	<b>131,898</b>	<b>5,505</b>		<b>148,040</b>
<b>Derivatives:</b>					
- Equity derivatives					1
- Interest derivatives		8,493	-136	8,357	2,539
- Currency derivatives		825		825	1,780
<b>Total derivatives 30.06.2020</b>		<b>9,318</b>	<b>-136</b>	<b>9,182</b>	
- derivatives with a positive market value		10,478		10,478	5,253
- derivatives with a negative market value		-1,160	-136	-1,297	-932
<b>Total derivatives 31.12.2019</b>		<b>4,321</b>			<b>4,321</b>
<b>Properties:</b>					
- investment properties			30,527	30,527	29,415
- Owner-occupied properties			1,537	1,537	1,375
<b>Total properties 30.06.2020</b>			<b>32,064</b>	<b>32,064</b>	
<b>Total properties 31.12.2019</b>			<b>30,790</b>		<b>30,790</b>

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

### MOVEMENT LEVEL 3

(NOK million)	Equities	Fund units	Loans to customers	Corporate bonds	Bond funds	Investment properties	Owner-occupied properties
Book value 01.01	469	9,016	6,736	15	5,490	29,415	1,375
Net profit/loss	33	152	-186		-80	-42	16
Supply/disposal		468	1,120		2,128	665	41
Sales/overdue/settlement	-20	-650	-542	-4	-127		-1
Currency translation differences		225	659	1	487	1,012	105
Other						-523	1
<b>Book value 30.06.2020</b>	<b>482</b>	<b>9,211</b>	<b>7,787</b>	<b>12</b>	<b>7,898</b>	<b>30,527</b>	<b>1,537</b>

As at 30 June 2020, Storebrand Livsforsikring had NOK 5,913 million invested in Storebrand Eiendomsfond Norge KS and Ruseløkkveien 26, Oslo.

The investments are classified as "investment in associated companies and joint ventures" in the Consolidated Financial Statements.

### SENSITIVITY ASSESSMENTS

Sensitivity assessments of investments on level 3 are described in note 13 in the 2019 annual report. There are no significant change in sensitivity in this quarter and year to date.

### STOREBRAND LIVSFORSIKRING AS

(NOK million)	Level 1	Level 2	Level 3	Total 30.06.2020	Total 31.12.2019
	Quoted prices	Observable assumptions	Non-observable assumptions		
<b>Assets</b>					
<b>Equities and fund units</b>					
- Equities	1,358	80	482	1,919	2,327
- Fund units		51,766	7,034	58,801	60,547
<b>Total equities and fund units 30.06.2020</b>	<b>1,358</b>	<b>51,846</b>	<b>7,516</b>	<b>60,720</b>	
<b>Total equities and fund units 31.12.2019</b>	<b>1,685</b>	<b>53,883</b>	<b>7,306</b>		<b>62,874</b>
<b>Total loans to customers</b>					
- Loans to customers - corporate			141	141	343
<b>Bonds and other fixed income securities</b>					
- Government bonds	8,168			8,168	4,992
- Corporate bonds		27,419	8	27,427	25,794
- Collateralised securities		1,117		1,117	732
- Bond funds		41,299	996	42,296	39,467
<b>Total bonds and other fixed income securities 30.06.2020</b>	<b>8,168</b>	<b>69,836</b>	<b>1,004</b>	<b>79,008</b>	
<b>Total bonds and other fixed income securities 31.12.2019</b>	<b>4,899</b>	<b>65,316</b>	<b>771</b>		<b>70,986</b>
<b>Derivatives:</b>					
- Equity derivatives					1
- Interest derivatives		6,616		6,616	1,238
- Currency derivatives		526		526	1,550
<b>Total derivatives 30.06.2020</b>		<b>7,142</b>		<b>7,142</b>	
- derivatives with a positive market value		7,882		7,882	
- derivatives with a negative market value		-740		-740	



(NOK million)	Level 1	Level 2	Level 3	Total 30.06.2020	Total 31.12.2019
	Quoted prices	Observable assumptions	Non-observable assumptions		
<b>Total derivatives 31.12.2019</b>		<b>2,789</b>			<b>2,789</b>

### MOVEMENT LEVEL 3

(NOK million)	Equities	Fund units	Loans to customers	Corporate bonds	Bond funds
Book value 01.01	469	6,837	343	8	763
Net profit/loss	33	322	27		25
Supply/disposal		390			228
Sales/overdue/settlement	-20	-516	-230		-20
<b>Book value 30.06.2020</b>	<b>482</b>	<b>7,034</b>	<b>140</b>	<b>8</b>	<b>996</b>

### SENSITIVITY ASSESSMENTS

#### EQUITIES

It is primarily investments in forests that are classified under equity at level 3. Forestry investments are characterised by, among other things, very long cash flow periods. There can be some uncertainty associated with future cash flows due to future income and costs growth, even though these assumptions are based on recognised sources. Nonetheless, valuations of forestry investments will be particularly sensitive to the discount rate used in the estimate. The company bases its valuation on external valuations. These utilise an estimated market-related required rate of return.

(NOK million)	Storebrand Livsforsikring group		Storebrand Livsforsikring AS	
	Change in value at change in discount rate		Change in value at change in discount rate	
	Increase + 25 bp	Decrease - 25 bp	Increase + 25 bp	Decrease - 25 bp
Change in fair value as at 30.06.20	-19	18	-19	18
Change in fair value as at 31.12.19	-19	21	-19	21

#### FUND UNITS

Large portions of the portfolio are private equity funds invested in companies priced against comparable listed companies. The valuation of the private equity portfolio will thus be sensitive to fluctuations in global equity markets. The private equity portfolio has an estimated Beta relative to the MSCI World (Net – currency hedged to NOK) of around 0.46.

(NOK million)	Storebrand Livsforsikring group		Storebrand Livsforsikring AS	
	Change MSCI World		Change MSCI World	
	Increase + 10 %	Decrease - 10 %	Increase + 10 %	Decrease - 10 %
Change in fair value as at 30.06.20	423	-423	328	-328
Change in fair value as at 31.12.19	413	-413	320	-320

The valuation of indirect property investments will be sensitive to a change in the required rate of return and the expected future cash flow. Remaining indirect property investments are no longer leveraged

(NOK million)	Storebrand Livsforsikring group		Storebrand Livsforsikring AS	
	Change indirect property investments		Change indirect property investments	
	Increase + 10 %	Decrease - 10 %	Increase + 10 %	Decrease - 10 %
Change in fair value as at 30.06.20	1	-1	1	-1
Change in fair value as at 31.12.19	1	-1	1	-1

### LOANS TO CUSTOMERS

Loans are valued at fair value. The fair value is determined by discounting future cash flows with the associated swap curve adjusted for a customer-specific credit spread. Loans from SPP Pension & Försäkring AB are appraised at fair value. The value of these loans is determined by future cash flows being discounted by an associated swap curve adjusted for a customer-specific credit spread.

(NOK million)	Storebrand Livsforsikring group		Storebrand Livsforsikring AS	
	Change in marketspread		Change in marketspread	
	+ 10 bp	- 10 bp	+ 10 bp	- 10 bp
Change in fair value as at 30.06.20	-29	29	-7	7
Change in fair value as at 31.12.19	-27	27	-9	9

### CORPORATE BONDS

Corporate bonds at level 3 are typical non-performing loans and convertible bonds.

They are not priced by a discount rate as bonds normally are, and therefore these investments are included in the same sensitivity test as private equity.

(NOK million)	Storebrand Livsforsikring group		Storebrand Livsforsikring AS	
	Change MSCI World		Change MSCI World	
	Increase + 10 %	Decrease - 10 %	Increase + 10 %	Decrease - 10 %
Change in fair value as at 30.06.20	0	0	0	0
Change in fair value as at 31.12.19	0	0	0	0

### PROPERTIES

The sensitivity assessment for properties includes investments properties.

The valuation of property is particularly sensitive to a change in the required rate of return and the expected future cash flow. A change of 0.25 per cent in the required rate of return when everything else remains unchanged will result in a change in the value of Storebrand's property portfolio of approximately 5.5 per cent.

(NOK million)	Storebrand Livsforsikring group		Storebrand Livsforsikring AS	
	Change in required rate of return		Change in required rate of return	
	0.25 %	-0.25 %	0.25 %	-0.25 %
Change in fair value as at 30.06.20	-1,711	1,914	-1,043	1,156
Change in fair value as at 31.12.19	-1,560	1,699	-1,065	1,129

## Note 07

### Tax

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

The tax rate for companies in Sweden is 21.4 per cent.

In the first quarter there was booked a tax income of NOK 356 million due to new information and revised interpretation of the transition rules of 2018. Due to a substantial weakening of NOK against SEK in the first quarter, the hedging of Swedish subsidiaries had a tax effect which increased the tax income. The NOK increased against SEK during the second quarter and the tax effect was reduced to a tax income of NOK 202 million for the first half of 2020.

#### Uncertain tax positions

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

- A. In 2015, Storebrand Livsforsikring AS discontinued the Norwegian subsidiary, Storebrand Eiendom Holding AS, with a tax loss of approximately NOK 6.5 billion and a corresponding increase in the tax loss carryforward. In January 2018, Storebrand Livsforsikring AS received notice of an adjustment to the tax returns for 2015 which claimed that the calculated loss was excessive but provided no further quantification. Storebrand Livsforsikring AS disagrees with the arguments that were put forward and submitted its response to the Norwegian Tax Administration on 2 March 2018. The notice was unclear, but based on the notice, a provision was made in the 2017 annual financial statements for an uncertain tax position of approximately NOK 1.6 billion related to the former booked tax loss (appears as a reduction in the loss carryforward and, in isolation, gave an associated increased tax expense for 2017 of approximately NOK 0.4 billion). In May 2019, Storebrand Livsforsikring AS received a draft decision from the Norwegian Tax Administration claiming changes in the tax return from 2015. Storebrand disagrees with the notice from the Norwegian Tax Administration and submitted its response in October 2019. The company considers it to be preponderance that Storebrand's understanding of the tax legislation will be accepted by a court of law and thus, no uncertain tax position has been recognised in the financial statements based on the received draft decision. If the Norwegian Tax Administration's position is accepted, Storebrand estimates that a tax expense for the company of approximately NOK 1.2 billion will arise. There will also be negative effects for returns on customer assets after tax. The effects are based on best estimates and following a review with external expertise.
- B. New tax rules for life insurance and pension companies were introduced for the 2018 financial year. These rules contained transitional rules for how the companies should revalue/write-down the tax values as at 31 December 2018. In December 2018, the Norwegian Directorate of Taxes published an interpretive statement that Storebrand does not consider to be in accordance with the wording of the relevant act. When presenting the national budget for 2020 in October 2019, the Ministry of Finance proposed a clarification of the wording of the transitional rules in line with the interpretive statement from the Norwegian Directorate of Taxes. The clarification was approved by the Norwegian Parliament in December 2019. Storebrand considers there to be uncertainty regarding the value such subsequent work on a legal rule has as a source of law, and which in this instance only applies for a previous financial year. In the tax return for 2018, Storebrand Livsforsikring AS applied the wording in the original transitional rule, but in October 2019 received a notice of adjustment of tax assessment in line with the interpretive statement from the Norwegian Directorate of Taxes and the clarification from the Ministry of Finance. Storebrand Livsforsikring AS disagrees with the Norwegian Tax Administration's interpretation but considers it uncertain as to whether the company's interpretation will be accepted if the case is decided by a court of law. The uncertain tax position has therefore been recognised in the financial statements. Based on our revised best estimate, the difference between Storebrand's interpretation and the Norwegian Tax Administration's interpretation is approximately NOK 6.3 billion in an uncertain tax position. If Storebrand's interpretation is accepted, a deferred tax expense of approximately NOK 1.6 billion will be derecognised from the financial statements.
- C. C. The outcome of the interpretation of tax rules for group contributions referred to above under (A) will have an impact when calculating the effect from the transitional rules for the new tax rules referred to under point (B). An equivalent interpretation to that described under (A) has been used as a basis in the financial statements when calculating tax input values on property shares owned by customer assets for 2016 and 2017. There is thus an uncertain tax position relating to the effect from the transitional rules described in (B). This effect will depend on the interpretation and outcome of (A). If Storebrand's position is accepted under (A), Storebrand will recognise a tax income of approximately NOK 0.8 billion. If the Norwegian Tax Administration prevails with its argument under point (A), Storebrand will recognise a tax expense of approximately NOK 0.6 billion.

The timeline for the continued process with the Norwegian Tax Administration is unclear, but if necessary, Storebrand will seek clarification from the court of law for the aforementioned uncertain tax positions.

## Note 08

### Contingent liabilities

(NOK million)	Storebrand Livsforsikring group		Storebrand Livsforsikring AS	
	30.06.20	31.12.19	30.06.20	31.12.19
Uncalled residual liabilities re limited partnership	6,753	7,297	6,002	6,433
<b>Total contingent liabilities</b>	<b>6,753</b>	<b>7,297</b>	<b>6,002</b>	<b>6,433</b>

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 also note 2 and note 42 in the 2019 annual report.

## Note 09

### Solvency II

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

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

The solvency capital requirement and minimum capital requirement are calculated in accordance with Section 46 (1) – (3) of the Solvency II Regulations using the standard method.

#### SOLVENCY CAPITAL

(NOK million)	30.06.20					31.12.19
	Total	Group 1 unlimited	Group 1 limited	Group 2	Group 3	Total
Share capital	3,540	3,540				3,540
Share premium	9,711	9,711				9,711
Reconciliation reserve	21,233	21,233				21,146
Including the effect of the transitional arrangement	10,794	10,794				
Subordinated loans	8,819		1,133	7,686		7,651
Deferred tax asset						

(NOK million)	30.06.20					31.12.19
	Total	Group 1 unlimited	Group 1 limited	Group 2	Group 3	Total
Risk equalisation reserve	459			459		466
Expected dividend/group distributions	-1,000	-1,000				
<b>Total solvency capital</b>	<b>42,761</b>	<b>33,484</b>	<b>1,133</b>	<b>8,144</b>		<b>40,823</b>
<b>Total solvency capital available to cover the minimum capital requirement</b>	<b>36,115</b>	<b>33,484</b>	<b>1,133</b>	<b>1,499</b>		<b>35,124</b>

### SOLVENCY CAPITAL REQUIREMENT AND - MARGIN

(NOK million)	30.6.19	31.12.18
Market	23,789	18,583
Counterparty	1,241	702
Life	7,386	7,055
Health	606	564
P&C		
Operational	1,112	1,036
Diversification	-5,830	-5,043
Loss-absorbing tax effect	-6,074	-4,740
<b>Total solvency requirement</b>	<b>22,229</b>	<b>18,156</b>
<b>Solvency margin</b>	<b>192.4 %</b>	<b>224.8 %</b>
<b>Minimum capital requirement</b>	<b>7,493</b>	<b>6,512</b>
<b>Minimum margin</b>	<b>482.0 %</b>	<b>539.3 %</b>

## Note 10 | 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 22 and 43 in the 2019 annual report.

Storebrand Livsforsikring has not carried out any material transactions other than normal business transactions with related parties during 2020, other than Storebrand Livsforsikring AS having acquired mortgages from the sister company Storebrand Bank ASA. The mortgages were transferred on commercial terms. The portfolio of loans that have been transferred in the 2nd quarter 2020 by NOK 0.7 billion and NOK 1.4 billion year to date. The total portfolio of loans bought as of 1st half year 2020 is NOK 17.0 billion. Storebrand Livsforsikring AS pays management fees to Storebrand Bank ASA for management of the portfolios, the expense for the 2nd quarter 2020 is NOK 17.3 million and NOK 35.1 million year to date.

# Declaration by the Members of the Board and the CEO

## STOREBRAND LIVSFORSIKRING AS AND STOREBRAND LIVSFORSIKRING GROUP

On this date, the Board and CEO have discussed and approved the annual report and annual financial statements for Storebrand Livsforsikring AS and Storebrand Livsforsikring Group for the first six months of 2020 (Report for the first six months, 2020).

The financial statements are prepared in accordance with the "Regulation on the annual accounts etc. of insurance companies" for the parent company and the consolidated financial statements are presented using EU-approved International Financial Reporting Standards (IFRS) and the additional requirements of the Securities Trading Act.

In the best judgment of the Board and CEO the financial statements and consolidated financial statements for the first six months of 2020 have been prepared in accordance with applicable accounting standards, and the information in the financial statements provides a fair and true picture of the assets, liabilities, financial standing and results as a whole of the parent company and the group as at 30 June 2020. In the best judgment of the Board and CEO the annual report provides a fair and true overview of important events during the accounting period and their effects on the financial statements and consolidated financial statements for the first six months. In the best judgment of the Board and CEO the descriptions of the most important risk and uncertainty factors the group faces in the next accounting period, as well as the descriptions of related parties' significant transactions, also provide a fair and true view.

Lysaker, 14 July 2020

The Board of Directors of Storebrand Livsforsikring AS

Odd Arlid Grefstad  
- Chairman of the Board -

Martin Skancke

Vibeke Hammer Madsen

Hans Henrik Klouman

Jørn Hilstad

Hanne Feim Grave

Jan Otto Risebrobakken

Geir Holmgren  
- Chief Executive Officer -

# Financial calendar 2020



**21 October** Results 3Q 2020  
**February 2021** Results 4Q 2020

## Investor Relations contacts



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