storebrand

Interim report 2nd quarter 2019

Storebrand Group

Contents

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Storebrand Group

- **Group result of NOK 578m for the 2nd quarter and NOK 1,311m year to date**
- **NOK 166m earned not booked performance fees year to date**
- **Restructuring and performance costs reduce operating result**
- **Solvency II ratio 167%**

Storebrand's ambition is to be the best provider of pension savings. The Group offers an integrated product range spanning from life insurance, P&C insurance, asset management and banking to private individuals, companies and public sector entities. The Group is divided into the segments Savings, Insurance, Guaranteed Pension and Other.

GROUP RESULT [2)]

	2019		2018			01.01 - 30.06		Full Year
(NOK million)	Q2	Q1	Q4	Q3	Q2	2019	2018	2018
Fee and administration income	1,235	1,215	1,301	1,246	1,245	2,450	2,465	5,011
Insurance result	269	245	282	316	358	514	693	1,291
Operational cost	-1,030	-929	-1,031	-877	-958	-1,960	-1,878	-3,786
Operating profit	**474**	**531**	**551**	**685**	**645**	**1,005**	**1,280**	**2,516**
Financial items and risk result life	105	202	11	168	167	307	463	642
Profit before amortisation	**578**	**733**	**563**	**853**	**812**	**1,311**	**1,743**	**3,158**
Amortisation and write-downs of intangible assets	-114	-99	-99	-98	-98	-213	-163	-360
Profit before tax	**464**	**634**	**464**	**755**	**714**	**1,098**	**1580**	**2,799**
Tax	-13	-139	1,392	-229	-126	-153	-265	898
Profit after tax	**451**	**494**	**1856**	**526**	**587**	**945**	**1315**	**3,696**

The Group's profit before amortisation was NOK 578m (NOK 812m) in the 2nd quarter and NOK 1,311m (NOK 1 743m) year to date. The figures in brackets are from the corresponding period last year.

Total fee and administration income amounted to NOK 1,235m (NOK 1,245m) in the 2nd quarter.

This is the same level as in the corresponding period last year, when adjusted for currency changes. Underlying income within the segment Guaranteed Pension decreased -1% (adjusted for currency changes). This is in line with the run-off of the Guaranteed Pension schemes. Income in the Savings segment grew 1% compared to same period last year (adjusted for currency changes). This is lower than expected going forward. Sales of occupational pensions in the first half of 2019 in both the Norwegian and Swedish business have resulted in new corporate clients that will be onboarded in the second half of 2019. Posten Norway is expected to be the largest transfer of premiums for Storebrand to date with more than NOK 300m in annual premiums and more than NOK 3bn in assets. In Sweden, new sales continue at a high pace and are up 38% compared to the same period last year, measured in annual premium equivalent.
The Insurance result was NOK 269m (NOK 358) and the total combined ratio was 89% (78%) in the quarter. This is in line with the targeted range of 90-92%.

The Group's operational costs increased in the quarter compared to the same period last year due to restructing costs linked to specific changes to the organisation and downsizing of the workforce. Furthermore, Skagen funds have had good relative performance which leads to an increase in performance related costs. The two elements increase the costs in the quarter with ca NOK 75m. Adjusted for this effect, the operational cost is in line with target year to date. The restructuring enables the Group to reach ambitious cost targets and shift into digital competency in the business. The restructuring affects around 50 FTEs. The underlying cost control is strong and the Group maintains the target of flat nominal costs in 2020 compared to 2018.

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

Overall, the operating profit decreased in the quarter and first half of the year compared to last year. Strong insurance results in both the 1st and the 2nd quarter of 2018 combined with the special cost items described above, are the main explanations for the difference compared to last year. In addition, performance related income that can't be booked until year end amounted to NOK 100m in the 2nd quarter and NOK 166m year to date.

The 'financial items and risk result' of NOK 105m (NOK 167m) was satisfactory in the quarter. A strong risk result in Paid up policies contributed positively, but lower interest rates led to lower financial results in the Swedish business SPP. Net profit sharing is considerably lower compared to last year because of last year's reserve release of NOK 200m from deferred capital contributions (DCC) in SPP.

Amortisation of intangible assets increased to NOK -114m (NOK -98) in the quarter after the acquisition of Cubera. Normal amortisation of intangible assets is expected to remain at around NOK 110m per quarter. The Group reported a tax cost of NOK -13m (NOK -126) for the quarter. The low tax cost in the quarter is a result of too much taxes having been booked previously for the fiscal year 2018. The effective tax rate is influenced by the fact that the Group has operations in countries with tax rates that are different from Norway, and it varies from quarter to quarter depending on each legal entity's contribution to the Group result. The tax rate is estimated to be in the range of 21-23% for 2019. Storebrand has received a change notice for tax returns for 2015 with an uncertain outcome, see note 9 for details.

GROUP RESULT BY RESULT AREA

	2019		2018			01.01 - 30.06		Full Year
(NOK million)	Q2	Q1	Q4	Q3	Q2	2019	2018	2018
Savings - non-guaranteed	224	290	325	334	304	514	598	1,257
Insurance	139	103	97	214	230	242	437	748
Guaranteed pension	211	249	217	295	236	460	637	1,148
Other profit	5	91	-76	10	41	96	70	5
Profit before amortisation	**578**	**733**	**563**	**853**	**812**	**1,311**	**1,743**	**3,158**

The Savings segment reported a profit before amortisation of NOK 224m (NOK 304m) for the 2nd quarter and NOK 514m (NOK 598m) year to date. Premium income from structural growth and rising equity markets contribute positively to the result. Performance related elements from good relative returns in Skagen funds – where the corresponding income is only booked at the end of the year – negatively affect the profit in Asset management with NOK -44m in the quarter and NOK -63m year to date. The corresponding income and profit earned, not booked, is NOK 100m in the 2nd quarter and NOK 166m year to date.

The Insurance segment reported a profit before amortisation of NOK 139m (NOK 230m) for the 2nd quarter and NOK 242m (NOK 437m) year to date. Although lower than last year, the profit has grown steadily over the last two quarters. The claims ratio increased from 62% to 72% compared to last year resulting in a combined ratio of 89% (78%) for the 2nd quarter. Run-off gains contributed positively to the result last year. Over time, the combined ratio is targeted to be in the range 90-92%.

The Guaranteed Pension segment reported a profit before amortisation of NOK 211m (NOK 236m) for the 2nd quarter and NOK 460m (NOK 637m) year to date. Fee and administration income declined 1.9% year to date compared to the previous year. Lower interest rates in the 2nd quarter have led to low financial results in SPP. The products within Guaranteed Pension are in long-term runoff and reduced earnings from this segment are to be expected over time.

The Other segment reported a profit of NOK 5m (NOK 41m) in the quarter and NOK 96m (NOK 70m) year to date.

[1)] Tax rate based on profit before amortisation

CAPITAL SITUATION

Storebrand uses the standard model for the calculation of Solvency II. The Storebrand Group's target solvency margin in accordance with the Solvency II regulations is a minimum of 150%, including use of the transitional rules. The solvency margin was 167% at the end of the 2nd quarter 2019. The solvency margin without transitional rules was 165%. Reduced interest rates, M&A activities and changes to models and assumptions explain the reduction in Solvency II ratio during the quarter.

DIVIDEND

The Annual General Meeting of Storebrand approved a dividend of NOK 3.0 pr. share for 2018. Shareholders as of 10 April 2019 were eligible for dividend and the dividend was paid out 24 April.

MARKET AND SALES PERFORMANCE

The growth in Unit linked savings is driven by premiums from existing contracts, investment returns, conversion from defined benefit to defined contribution schemes and increased savings rates. Assets under management in the Unit Linked business in Norway and Sweden increased by NOK 19.5bn (11%) compared to the same period in 2018. Both the Swedish and the Norwegian Unit Linked business manages over 100bn of pension assets each in local currency. In Norway, Storebrand is the market leader in Unit Linked occupational pension with 29% of the market share of gross premiums written (at the end of the 1st quarter 2019). SPP has a market share of 14% in the Swedish market for non-unionised occupational pensions ("Övrig Tjänstepension").

The Storebrand Group has an 12% market share (Pr.31.05.2019) within retail mutual funds in Norway. Within Insurance, after a period of flat premium development the annual portfolio premiums grew by 2% compared to the same period last year. The growth in the lending volume at Storebrand Bank has slowed as the bank balance is approaching a targeted level of NOK 45-50bn in mortgages. The lending volume increased 4% compared to the same period last year.

The pension system for public employees is about to be adjusted to better fit the pension reform that was introduced in 2010. The change will take effect from 2020. In the 2ndw quarter of 2019, Storebrand decided to return to this market to offer occupational pension solutions to municipalities. This market is currently only covered by own pension funds and Kommunal Landspensjonskasse (KLP), a mutual company. The market is larger than the private occupational pensions market. Storebrand has set up an organisation to be in a position to offer occupational pension in the public sector. The initiative will to a large extent be built on existing systems and solutions, and will be executed within previously communicated cost limitations for the group.

GROUP - KEY FIGURES

	2019		2018			01.01 - 30.06		Full Year
(NOK million)	Q2	Q1	Q4	Q3	Q2	2019	2018	2018
Earnings per share adjusted[1]	1.21	1.26	4.18	1.33	1.46	1.21	1.46	8.66
Equity	32,242	33,177	32,873	30,742	30,227	32,242	30,227	32,873
Quarterly adjusted ROE, annualised	7.4 %	7.9 %	29.0 %	8.6 %	9.6 %	7.4 %	9.6 %	13.7 %
Solvency II	167%	173%	173%	169%	167%	167%	167%	173%

Financial targets	Target	Actual (Q4)
Return on equity (after tax)[1]	> 10%	7.4%
Dividend (after tax)[2]	> 50%	N/A
Solvency II margin Storebrand Group	> 150%	167%

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

Savings

- **Strong growth in Assets under Management in the quarter**
- **Good relative performance in Skagen**
- **NOK 100m earned, not booked performance fees in Q2, NOK 166m 1H**

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

SAVINGS - NON GUARANTEED

	2019		2018			01.01 - 30.06		Full Year
(NOK million)	Q2	Q1	Q4	Q3	Q2	2019	2018	2018
Fee and administration income	911	896	1,006	905	909	1,807	1,798	3,709
Operational cost	-672	-615	-652	-565	-602	-1,287	-1,188	-2,405
Operating profit	239	281	354	340	307	521	610	1,303
Financial items and risk result life	-16	9	-29	-5	-2	-7	-12	-46
Profit before amortisation	**224**	**290**	**325**	**334**	**304**	**514**	**598**	**1257**

FINANCIAL PERFORMANCE

The Savings segment reported a profit before amortisation of NOK 224m (NOK 304m) for the 2nd quarter and NOK 514m (598m) year to date. The recent acquisition of Cubera is included with a profit of NOK 12m in the quarter and year to date. The result is negatively affected by good relative performance in Skagen in the quarter. Performance related elements reduce the operating profit as well as profit before amortisation for the Savings segment by NOK -44m in the quarter and NOK -62m year to date. In accordance with IFRS, the performance related income is not booked until the end of the year, amounting to NOK 100m in the quarter and NOK 166m year to date. Thus, the IFRS-result does not fully reflect the real profit development in the Savings segment. Including earned not booked income, the profit before amortisation was NOK 324 (NOK 347m) for the 2nd quarter and NOK 680m (696m) year to date.

Compared to last year, the fee- and administration income in the Savings segment was flat in the quarter and increased by 1% year to date. In the Norwegian and Swedish United Linked businesses, income grew 6% and 11% respectively. Returns, customer conversion from defined-benefit to defined-contribution pension schemes, new business and higher savings rates drive income growth. Increased competition contributes to moderate margin pressure both for the Norwegian and the Swedish Unit Linked products. In Asset Management, there is a gradual shift to more index based products that slowly leads to lower net margins. Interest rate changes in the 2nd quarter increased the interest margin in Storebrand Bank, and net interest income as a percentage of average total assets was 1.22% (1.20%) in the quarter and 1.19% (1.24%) year to date.

Operational cost in the 2nd quarter increased compared to the same quarter and year to date 2018. This is primarily due to the booking of performance related costs described above, the inclusion of Cubera and NOK 25m of restructuring costs related to a downsizing of the workforce.

BALANCE SHEET AND MARKET TRENDS

Turbulent market conditions in the 4th quarter 2018 lead to lower assets under management at the beginning of 2019, but good returns in the 1st and 2nd quarter have contributed to growth.

The Unit Linked premiums were NOK 4.2bn at the end of 2nd quarter, growing by 7% compared to the previous year. The total assets under management in Unit Linked have increased by 7bn (4%) during 2nd quarter and 19.5bn (11%) compared to the previous year, and amounted to NOK 198bn at the end of the quarter. In the Norwegian Unit Linked business, the assets under management increased by NOK 3.9bn (4%) in the quarter and NOK 10.2 bn (11%) last year. The underlying growth is driven by premium payments for existing contracts, returns and conversion from defined benefit schemes. In Norway, Storebrand is the market leader in Unit Linked with 29% of the market share of gross premiums written (at the end of the 1st quarter).

In the Swedish market, SPP is the fourth largest supplier in the Other Occupational Pensions segment (non-unionised pensions) with a market share of 14% measured by premium income from Unit Linked. Customer assets increased by SEK 4.4bn (5%) in the quarter and 9.4bn (10%) year to date.

Assets under management in Storebrand Asset Management increased by NOK 23bn (3%) in the quarter and NOK 45bn (6%) over the last year including Cubera with 7 bn. Adjusted for currency changes, the growth would have been NOK 17bn higher at the end of the quarter.

The bank lending portfolio in the retail market grew by NOK 1.9bn (4%) from the same quarter in the previous year, but developed flat in the 2nd quarter due to competitive pricing in the market. The portfolio consists of low-risk home mortgages with an average LTV of 57%. Storebrand Life Insurance manages NOK 17.9bn of the mortgages on its balance sheet.

SAVINGS - KEY FIGURES

	2019		2018		
(NOK million)	Q2	Q1	Q4	Q3	Q2
Unit linked Reserves	198,032	190,980	179,299	187,016	178,498
Unit linked Premiums	4,175	4,237	4,086	4,096	3,892
AuM Asset Management	751,926	728,712	707,297	725,171	707,118
Retail Lending	46,201	46,476	46,526	45,669	44,325

Insurance

- **Weaker result compared to last year due to high run-off gains in 2018**
- **Continued weak results from Group Life; reserve strengthening in the quarter and pricing measures to be implemented**
- **2% growth in total portfolio premiums**

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

INSURANCE

	2019		2018			01.01 - 30.06		Full Year
NOK million	Q2	Q1	Q4	Q3	Q2	2019	2018	2018
Insurance premiums f.o.a.	965	948	1,003	949	946	1,913	1,901	3,854
Claims f.o.a.	-696	-703	-721	-633	-588	-1,399	-1,208	-2,562
Operational cost	-159	-150	-175	-136	-147	-309	-303	-614
Operating profit	**111**	**95**	**107**	**181**	**211**	**205**	**390**	**677**
Financial result	28	8	-9	33	19	36	47	71
Contribution from SB Helseforsikring AS	*10*	*1*	*6*	*15*	*7*	*11*	*10*	*32*
Profit before amortisation	**139**	**103**	**97**	**214**	**230**	**242**	**437**	**748**
Claims ratio	72%	74%	72%	67%	62%	73%	64%	66%
Cost ratio	16%	16%	17%	14%	16%	16%	16%	16%
Combined ratio	89%	90%	89%	81%	78%	89%	79%	82%

FINANCIAL PERFORMANCE

In the 2nd quarter, Insurance delivered a profit before amortisation of NOK 139m (NOK 230m). Year to date, the corresponding figure was NOK 242m (NOK 437m). The combined ratio for the quarter was 89% (78%). The underlying combined ratio is targeted to be in the range 90-92%.The second quarter claims ratio was 72% (62%) and the result is weaker than last year mainly due to the development in Group Life.

P&C insurance and Individual insurance coverage have satisfying claims development and an increase in profit before amortisation of 20% compared to the same period last year. Group Life delivers a weak risk result as in the previous quarter. Repricing measures will be implemented with effect from year-end 2019. Compared to same period last year, the result is also lower due to run-off gains in 2018. The risk result for Group Disability Pension is driven by a good development in Norwegian disability, but it is still high competition in the market for new business. The Swedish disability result is stronger than expected due to good disability development. Health insurance experiences slightly higher claims rates in Sweden and Norway than in the previous year, but this has been offset by lower costs.

The cost ratio is 16% (16%) in the second quarter, and cost control continues to be satisfactory.

Insurance's investment portfolio in Norway amounted to NOK 8.2bn as of the second quarter, which primarily invests in fixed income securities with a short to medium duration. Return on investments is satisfactory in the quarter.

BALANCE SHEET AND MARKET TRENDS

Storebrand is aiming to grow in the retail market. After a period of flat premium development, the growth in annual portfolio premiums was 2% compared to last year. The competition is strong, but a shift in distribution strategy last year has started to pay off with satisfying sales growth in the first half of the year. Health related insurance is growing and Storebrand is succeeding well in the market.

INSURANCE PREMIUMS

	2019		2018			01.01 - 30.06		Full Year
(NOK million)	Q2	Q1	Q4	Q3	Q2	2019	2018	2018
P&C & Individual life[1)]	1,810	1,769	1,743	1,717	1,714	1,810	1,714	1,743
Health & Group life[2)]	1,563	1,548	1,574	1,538	1,548	1,563	1,548	1,574
Pension related disability insurance[3)] Nordic	1,134	1,124	1,138	1,153	1,155	1,134	1,155	1,138
Total written premiums	**4,507**	**4,442**	**4,455**	**4,408**	**4,417**	**4,507**	**4,417**	**4,442**

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

Guaranteed pension

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

GUARANTEED PENSION

	2019	2018			01.01 - 30.06		Full Year
NOK million	Q2	Q1	Q4	Q3	Q2	2019	2018	2018
Fee and administration income	364	361	333	369	370	724	738	1,440
Operational cost	-209	-186	-223	-179	-215	-395	-415	-816
Operating profit	**155**	**174**	**111**	**190**	**155**	**329**	**323**	**624**
Risk result life & pensions	52	61	58	91	-140	113	42	191
Net profit sharing and loan losses	4	13	48	13	221	18	272	333
Profit before amortisation	**211**	**249**	**217**	**295**	**236**	**460**	**637**	**1,148**

FINANCIAL PERFORMANCE

Guaranteed Pension achieved a profit before amortisation of NOK 211m (NOK 236m) in the 2nd quarter and NOK 460m year to date (NOK 637m).

Fee and administration income has performed in line with the fact that a large part of the portfolio is mature and in long-term decline. Income was NOK 364m (NOK 370m) in the 2nd quarter and NOK 724m year to date (NOK 738m). Year to date, this is equivalent to a decline of 1.9% compared to the previous year.

Operating costs amounted to NOK 209m (NOK 215m) in the 2nd quarter and NOK 395m year to date (NOK 415m). Operating costs are being reduced over time as a result of the products being in long-term runoff.

The risk result amounted to NOK 52m (minus NOK 140) in the 2nd quarter and NOK 113m year to date (NOK 42m). Overall, the risk result in the quarter is satisfactory with the Norwegian paid-up policy portfolio generating good results for disability risk coverages. Other product areas had moderate risk results. Compared to same quarter last year there has been a strong improvement in the risk result. This is mainly attributed to a reserve strengthening in SPP last year.

The result from profit sharing in the Guaranteed Pension segment consists of profit sharing and other financial effects. The result was NOK 4m (NOK 221m) in the 2nd quarter and NOK 18m year to date (NOK 272m). Compared to last year, net profit sharing is considerably lower, the main reason being last year's reserve release of NOK 200m from deferred capital contributions (DCC) in SPP. Lower interest rates in the 2nd quarter have led to weaker results in the Swedish business. The Norwegian defined benefit product had a profit sharing result of minus NOK 22m due to a technical adjustment in the insurance reserves.

BALANCE SHEET AND MARKET TRENDS

The majority of products are closed for new business, and the customers' choice of transferring from guaranteed to non-guaranteed products is in line with the Group's strategy. As of the 2nd quarter, customer reserves for guaranteed pensions amounted to NOK 262bn, which is an increase of NOK 1.4bn compared to the previous quarter and an increase of NOK 4.2bn compared to the same quarter last year. The premium income for guaranteed pensions (excluding transfers) was NOK 1.3bn (NOK 1.2bn) for the 2nd quarter and NOK 3.0bn for the year to date (NOK 3.2bn).

In the Norwegian business, paid-up policies is the only guaranteed pension portfolio experiencing some growth over time with a total portfolio amounting to NOK 137bn as of the 2nd quarter. The development in the 2nd quarter was flat. Since 2014, customers have been given the choice to convert from traditional paid-up policies to paid-up policies with investment choice. Reserves for defined-benefit pensions in Norway amounted to NOK 33bn at the end of the 2nd quarter, a decline of NOK 0.3bn year to date.

Guaranteed portfolios in the Swedish business totaled NOK 80bn as of the 2nd quarter, a reduction of NOK 1.7bn year to date. The reduction is attributed to changes in the SEK/NOK exchange rate while there was an underlying reserve growth of 4 per cent in the period.

GUARANTEED PENSION - KEY FIGURES

	2019		2018			01.01 - 30.06		Full Year
(NOK million)	Q2	Q1	Q4	Q3	Q2	2019	2018	2018
Guaranteed reserves	261,973	260,560	260,573	257,570	257,783	261,973	257,783	260,573
Guaranteed reserves in % of total reserves	57.0 %	57.7 %	59.2 %	57.9 %	59.1 %	57.0 %	59.1 %	59.2 %
Net transfers	1	-75	-10	-24	-13	-74	-131	-165
Buffer capital in % of customer reserves Norway	7.9 %	7.4 %	6.4 %	6.6 %	6.5 %	7.9 %	6.5 %	6.4 %
Buffer capital in % of customer reserves Sweden	9.9 %	9.4 %	8.7 %	9.5 %	8.8 %	9.9 %	8.8 %	8.7 %

Other/Eliminations

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

RESULT EXCLUDING ELIMINATIONS

	2019	2018				01.01 - 30.06		Full Year
NOK million	Q2	Q1	Q4	Q3	Q2	2019	2018	2018
Fee and administration income	14	14	23	32	25	28	47	102
Operational cost	-45	-33	-42	-58	-54	-78	-91	-190
Operating profit	-31	-19	-20	-25	-29	-50	-44	-89
Financial items and risk result life	36	111	-56	35	70	146	150	128
Profit before amortisation	**5**	**91**	**-76**	**10**	**41**	**96**	**106**	**40**

ELIMINATIONS

	2019	2018				01.01 - 30.06		Full Year
(NOK million)	Q2	Q1	Q4	Q3	Q2	2019	2018	2018
Fee and administration income	-54	-55	-61	-60	-60	-109	-118	-239
Operational cost	54	55	61	60	60	109	118	239
Financial result							-35	-35
Profit before amortisation							-35	-35

The Other segment reported a profit of NOK 5 (NOK 41m) in the quarter and NOK 96m (NOK 106m) year to date. Fee and administration income was reduced in comparison with the same quarter last year due to run off of the corporate bank.

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

The Storebrand Life Insurance Group is funded by a combination of equity and subordinated loans. Given the interest rate level at the end of the 2nd quarter, interest expenses of approximately NOK 80m per quarter are expected. The company portfolios in the Norwegian and Swedish life insurance companies amounted to NOK 21.5bn at end of the quarter.

The investments are primarily in interest-bearing securities, with short maturities, in Norway and Sweden. The Norwegian company portfolio reported a return of 0.66% for the quarter. The Swedish company portfolio provided a return of 0.3% in the quarter.

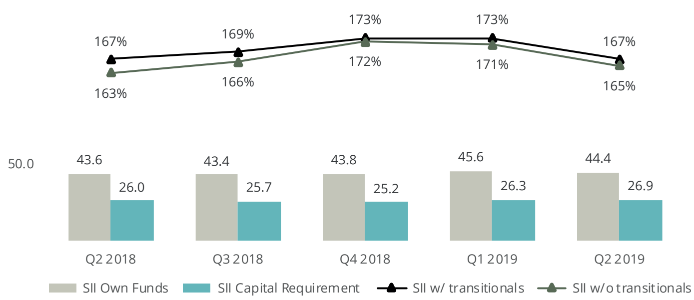
Balance sheet, solidity and capital situation

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

STOREBRAND GROUP

The Solvency II framework is the most material capital regulation for the Storebrand Group. The solvency margin was calculated to 167% at the end of the 2nd quarter of 2019, including a two percentage points effect from transitional rules. This is a decreaseof 6 percentage points during the quarter.

The drop in interest rates, M&A activities, and changes to models and assumptions explain the reduction in Solvency II ratios.



STOREBRAND ASA

Storebrand ASA (holding company) held liquid assets of NOK 3.9 bn at the end of the quarter. Liquid assets consist primarily of short-term fixed income securities with a good credit rating and bank deposits. Storebrand ASA's total interest-bearing liabilities were NOK 1.8bn at the end of the quarter. This corresponds to a net debt-equity ratio of -10.2%. The next maturity date for bond debt is in September 2019. In addition to the liquidity portfolio, the company has an unused credit facility of EUR 200m that runs until December 2023.

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

STOREBRAND LIFE INSURANCE GROUP[1)]

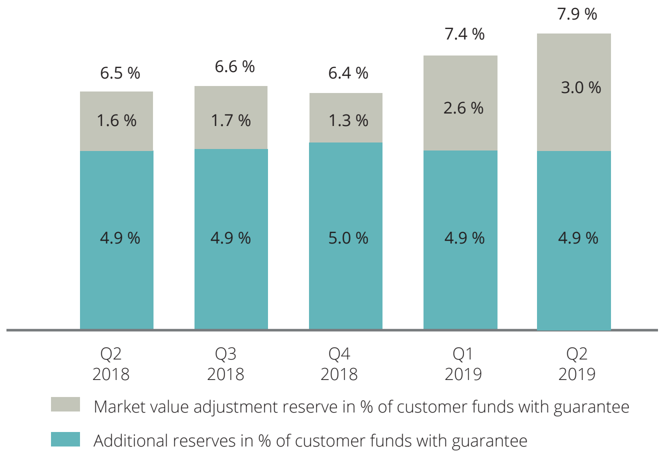
The Solidity capital [1)] measures the amount of IFRS capital available to cover customer liabilities. The solidity capital amounted to NOK 59.9bn at the end of 2nd quarter 2019, an increase of NOK 1.3bn in 2nd quarter. The change in the quarter is due to increased customer buffers in the Norwegian business.

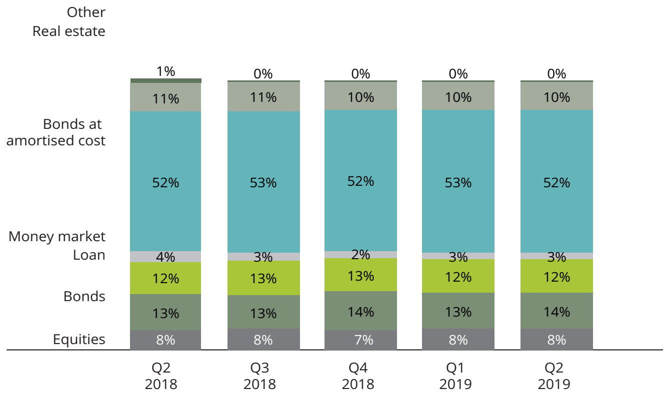
STOREBRAND LIVSFORSIKRING AS

The market value adjustment reserve increased during the 2nd quarter by NOK 0.8bn and year to date by NOK 2.9bn. It amounted to NOK 5.1bn at the end of the 2nd quarter 2019. The additional statutory reserves decreased year to date by NOK 0.3bn due to preliminary calculated deduction, due to weak booked return in the first quarter, and amounted to NOK 8.2bn at the end of the 2nd quarter 2019.

The excess value of bonds and loans valued at amortised cost increased by NOK 0.2bn in the 2nd quarter and NOK 1.2bn year to date, and amounted to NOK 5.9bn at the end of the 2nd quarter 2019, due to declining interest rates. The excess value of bonds and loans at amortised cost is not included in the financial statements.

CUSTOMER BUFFERS





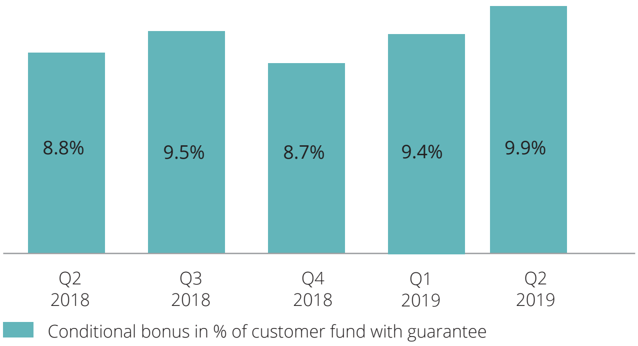
ALLOCATION OF GUARANTEED CUSTOMER ASSETS

Customer assets increased by NOK 4.8bn in the 2nd quarter and NOK 3.5bn year to date due to positive investment returns. Customer assets totaled NOK 286bn at the end of the 2nd quarter 2019. Customer assets within non-guaranteed savings increased NOK 3.9bn during the 2nd quarter and NOK 10.4bn year to date and amounted to NOK 104bn at the end of 2nd quarter 2019. Guaranteed customer assets increased by NOK 0.9bn in the 2nd quarter and NOK 3.1bn year to date and amounted to NOK 182bn at the end of 2nd quarter 2019.

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

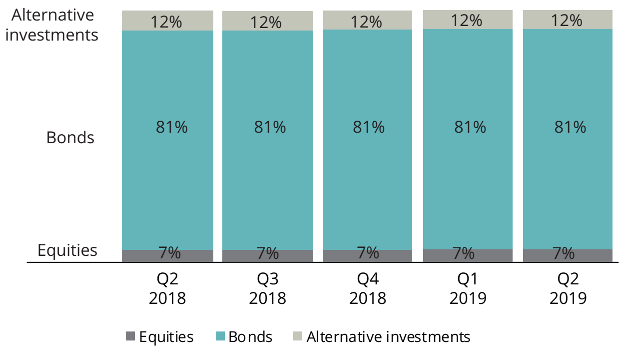
SPP

CUSTOMER BUFFERS - SPP



The buffer capital amounted to SEK 7,8bn (SEK 6,9bn) at the close of the 2nd quarter.

ALLOCATION OF GUARANTEED CUSTOMER ASSETS



Total assets under management in SPP were SEK 186bn (SEK 175bn) at the end of the 2nd quarter. This corresponds to an increase of 6.2% compared to the 2nd quarter 2018. For customer assets in non-guaranteed savings, assets under management totaled SEK 103bn (SEK 93bn) at the end of the 2nd quarter, which corresponds to an increase of 10%, compared with the 2nd quarter 2018.

STOREBRAND BANK

The loan portfolio, including loans managed on behalf of Storebrand Livsforsikring AS, amounted to NOK 46.2 billion at the end of the quarter (NOK 46.7 billion at the end of the 4th quarter 2018), of which the share to Storebrand Livsforsikring AS was NOK 17.9 billion (NOK 18.2 billion at the end of the 4th quarter 2018). Lending to customers in the bank group totaled NOK 28.3 billion (NOK 28.5 billion) at the end of the end of the quarter.

The Storebrand Bank Group had a net capital base of NOK 2.3 billion at the end of the quarter. The capital adequacy ratio was 18.4 per cent and the Core Equity Tier 1 (CET1) ratio was 14.5 per cent at the end of the quarter, compared with 18.9 per cent and 15.2 per cent, respectively, at the end of 2018. The combined requirements for capital and CET1 were 17.3 per cent and 13.8 per cent respectively at the end of the 2nd quarter. The countercyclical capital buffer requirement will increase by 0.5 per cent from 31 December 2019.

Outlook

STRATEGY

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

FINANCIAL PERFORMANCE

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

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

The Guaranteed Pension segment is in long term runoff and the reserves for the Guaranteed Defined Benefit solutions are decreasing. However, there is continued growth in the reserves linked to paid-up policies due to companies choosing to convert existing defined benefit schemes to defined contribution schemes. It is expected that the growth in paid-up policies will decline in the next few years and that there will be flat growth in reserves over several years before the reserves start to fall. The portfolio of paid-up policies makes a limited contribution to the Group results with the present interest rates. Guaranteed reserves represent a declining share of the Group's total pension reserves and were 57.0% at the end of the quarter, a 2%-point reduction from the previous year.

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

RISK

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

INDIVIDUAL PENSION ACCOUNT

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

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

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

NEW PUBLIC SERVICE PENSION

Parliament has passed the bill on a new occupational pension scheme for the public sector. The existing defined benefit scheme will close, so that only employees born in 1962 and earlier will continue in the old scheme. Employees born in 1963 and later will earn new pension rights in a hybrid-based scheme from 2020. The market for municipal occupational pensions is larger than the private sector market Storebrand is active in today.

Storebrand has decided to enter the market for municipal occupational pensions, delivering both the existing defined benefit scheme and the new hybrid-based scheme.

GUARANTEED PENSION REGULATIONS

The Financial Supervisory Authority has delivered draft proposals for changes in guaranteed pension regulation to the Ministry of Finance. The proposals follow up the Working Group Report published in September 2018.

We expect that The Ministry of Finance will consider the proposals, and decide which proposals to present to the Parliament after a public hearing.

When guaranteed pension customers transfer to other providers, market value adjustment reserves under 2% of technical provisions can be withheld. The Ministry of Finance has proposed to abolish this regulation. The proposal is on public hearing until 1 October 2019.

MORTGAGE LOANS HELD BY LIFE INSURANCE COMPANIES

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

DIVIDEND POLICY

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

Lysaker, 12 July 2019.

Storebrand Group
Income statement

(NOK million)	Note	Q2 2019	Q2 2018	01.01 - 30.06 2019	01.01 - 30.06 2018	Full year 2018
Premium income		8,201	7,176	16,985	15,398	29,631
Net income from financial assets and real estate for the company:						
- equities and fund units at fair value		-14	6	-10		-10
- bonds and other fixed-income securities at fair value		153	93	332	194	286
- financial derivatives at fair value		-2	169	18	167	50
- loans at fair value		2	-1	4	-4	4
- bonds at amortised cost		54	27	107	54	116
- loans at amortised cost		192	172	379	337	665
- profit from investments in associated companies and joint ventures		11	5	19	20	46
Net income from financial assets and real estate for the customers:						
- equities and fund units at fair value		4,546	7,819	21,177	5,404	-5,249
- bonds and other fixed-income securities at fair value		1,384	850	3,274	222	912
- financial derivatives at fair value		1,685	-933	3,077	44	-2,288
- loans at fair value		37	35	75	70	140
- bonds at amortised cost		960	985	1,938	1,940	4,254
- loans at amortised cost		154	55	193	92	583
- properties		617	369	944	771	1,487
- profit from investments in associated companies and joint ventures		54	62	170	222	303
Other income		1,078	1,309	2,144	2,647	4,888
Total income		**19,113**	**18,200**	**50,826**	**27,578**	**35,819**
Insurance claims		-6,305	-6,292	-14,430	-13,237	-25,142
Change in insurance liabilities		-9,345	-8,893	-28,088	-10,358	-3,042
Change in capital buffer		-972	-498	-3,521	953	1,730
Operating expenses	8	-1,239	-1,139	-2,345	-2,247	-4,542
Other expenses		-442	-199	-683	-368	-851
Interest expenses		-231	-367	-447	-578	-813
Total expenses before amortisation		**-18,534**	**-17,388**	**-49,515**	**-25,835**	**-32,661**
Group profit before amortisation		**578**	**812**	**1,311**	**1,743**	**3,158**
Amortisation of intangible assets		-114	-98	-213	-163	-360
Group pre-tax profit		**464**	**714**	**1,098**	**1,580**	**2,799**
Tax expenses	9	-13	-126	-153	-265	898
Profit/loss for the period		**451**	**587**	**945**	**1,315**	**3,697**
Profit/loss for the period attributable to:						
Share of profit for the period - shareholders		449	583	940	1,308	3,684
Share of profit for the period - hybrid capital investors		3	3	6	5	9
Share of profit for the period - minority		-1	1		2	3
Total		**451**	**587**	**945**	**1,315**	**3,697**
Earnings per ordinary share (NOK)		0.96	1.25	2.01	2.80	7.89
Average number of shares as basis for calculation (million)				466.8	466.9	467.2
There is no dilution of the shares						

Storebrand Group
Statement of comprehensive income

	Q2		01.01 - 30.06		Full year
(NOK million)	2019	2018	2019	2018	2018
Profit/loss for the period	**451**	**587**	**945**	**1,315**	**3,697**
Change in actuarial assumptions	-3	-2	-5	-5	-26
Adjustment of value of properties for own use	11	121	-22	42	48
Gains/losses from cash flow hedging		-16	-21	-37	-23
Total comprehensive income elements allocated to customers	-11	-121	22	-42	-48
Tax on other comprehensive income elements not to be classified to profit/loss					1
Total other comprehensive income elements not to be classified to profit/loss	**-3**	**-19**	**-27**	**-41**	**-48**
Translation differences foreign exchange		-122	-195	-573	-351
Total other comprehensive income elements that may be classified to profit/loss		**-122**	**-195**	**-573**	**-351**
Total other comprehensive income elements	**-4**	**-140**	**-222**	**-614**	**-399**
Total comprehensive income	**448**	**447**	**723**	**701**	**3,297**
Total comprehensive income attributable to:					
Share of total comprehensive income - shareholders	443	444	718	698	3,286
Share of total comprehensive income - hybrid capital investors	3	3	6	5	9
Share of total comprehensive income - minority	1		-1	-3	2
Total	**448**	**447**	**723**	**701**	**3,297**

Storebrand Group
Statement of financial position

(NOK million)	Note	30.06.19	30.06.18	31.12.18
Assets company portfolio				
Deferred tax assets		1,868	827	1,972
Intangible assets and excess value on purchased insurance contracts		6,345	6,030	6,106
Pension assets		5	3	5
Tangible fixed assets		1,117	48	43
Investments in associated companies and joint ventures		209	229	255
Financial assets at amortised cost:				
- Bonds	7	8,532	3,877	8,349
- Loans to financial institutions	7	1,443	121	318
- Loans to customers	7,10	27,914	26,781	28,236
Reinsurers' share of technical reserves		30	30	21
Investment properties at fair value	7	50	50	50
Biological assets		67	64	67
Accounts receivable and other short-term receivables		6,100	6,291	7,005
Financial assets at fair value:				
- Equities and fund units	7	242	291	295
- Bonds and other fixed-income securities	7	26,475	28,169	24,055
- Derivatives	7	1,126	1,138	1,226
- Loans to customers	7,10	385	191	220
Bank deposits		3,369	3,315	3,633
Minority interests in consolidated mutual funds		24,760	32,851	29,290
Total assets company portfolio		**110,038**	**110,305**	**111,145**
Assets customer portfolio				
Tangible fixed assets			324	
Investments in associated companies and joint ventures		4,031	5,260	4,406
Receivables from associated companies			36	
Financial assets at amortised cost:				
- Bonds	7	88,587	85,250	86,374
- Bonds held-to-maturity	7	13,376	14,378	14,403
- Loans to customers	7,10	24,046	23,546	25,270
Reinsurers' share of technical reserves		67	26	48
Investment properties at fair value	7	28,255	26,260	28,217
Properties for own use	7	1,309	1,325	1,420
Biological assets			768	
Accounts receivable and other short-term receivables		592	1,077	732
Financial assets at fair value:				
- Equities and fund units	7	173,124	160,214	157,066
- Bonds and other fixed-income securities	7	128,976	129,950	133,531
- Derivatives	7	6,275	2,802	3,701
- Loans to customers	7,10	5,384	4,845	5,708
Bank deposits		8,103	4,818	5,457
Total assets customer portfolio		**482,125**	**460,878**	**466,331**
Total assets		**592,162**	**571,184**	**577,476**

Continue next page

Storebrand Group
Statement of financial position (continue)

(NOK million)	Note	30.06.19	30.06.18	31.12.18
Equity and liabilities				
Paid-in capital		12,855	12,858	12,858
Retained earnings		19,065	17,133	19,782
Hybrid capital		271	176	176
Minority interests		49	60	57
Total equity		**32,242**	**30,227**	**32,873**
Subordinated loan capital	6,7	7,992	7,822	8,224
Capital buffer	11	21,601	19,171	18,983
Insurance liabilities		456,159	440,384	444,218
Pension liabilities		310	327	322
Deferred tax		368	244	258
Financial liabilities:				
- Liabilities to financial institutions	6,7	152	203	2
- Deposits from banking customers	7	15,134	15,155	14,419
- Securities issued	6,7	18,701	15,739	17,529
- Derivatives company portfolio		102	88	460
- Derivatives customer portfolio		806	1,865	4,147
- Other non-current liabilities		1,083		
Other current liabilities		12,752	7,107	6,751
Minority interests in consolidated mutual funds		24,760	32,851	29,290
Total liabilities		**559,920**	**540,956**	**544,604**
Total equity and liabilities		**592,162**	**571,184**	**577,476**

Storebrand Group

Statement of changes in equity

(NOK million)	Share capital [1]	Own shares	Share premium	Total paid in equity	Currency translation differences	Other equity [2]	Total retained earnings	Hybrid capital[3]	Minority interests	Total equity
	Majority's share of equity									
Equity at 31 December 2017	**2,339**	**-5**	**10,521**	**12,855**	**4**	**17,648**	**17,652**	**226**	**99**	**30,832**
Profit for the period						3,684	3,684	9	3	3,697
Total other comprehensive income elements					-350	-48	-398		-1	-399
Total comprehensive income for the period					**-350**	**3,636**	**3,286**	**9**	**2**	**3,297**
Equity transactions with owners:										
Own shares		3		3		48	48			50
Issue of shares									4	4
Hybrid capital classified as equity						2	2	-50		-48
Paid out interest hybrid capital								-9		-9
Dividend paid						-1,168	-1,168		-2	-1,170
Purchase of minority interests						-82	-82		-38	-120
Other						44	44		-8	36
Equity at 31 December 2018	**2,339**	**-2**	**10,521**	**12,858**	**-346**	**20,128**	**19,782**	**176**	**57**	**32,873**
Profit for the period						940	940	6		945
Total other comprehnsive income elements					-195	-27	-222			-222
Total comprehensive income for the period					**-195**	**913**	**718**	**6**	**-1**	**723**
Equity transactions with owners:										
Own shares		-3		-3		-27	-27			-30
Hybrid capital classified as equity						1	1	95		97
Paid out interest hybrid capital								-5		-5
Dividend paid						-1,399	-1,399			-1,399
Other						-10	-10		-7	-16
Equity at 30 June 2019	**2,339**	**-5**	**10,521**	**12,855**	**-541**	**19,606**	**19,065**	**271**	**49**	**32,242**

1) 467 813 982 shares with a nominal value of NOK 5.
2) Includes undistributable funds in the risk equalisation fund amounting to NOK 361 million and security reserves amounting NOK 60 million.
3) Perpetual hybrid tier 1 capital classified as equity.

Equity at 31 December 2017	**2,339**	**-5**	**10,521**	**12,855**	**4**	**17,648**	**17,652**	**226**	**99**	**30,832**
Profit for the period						1,308	1,308	5	2	1,315
Total other comprehensive income elements					-568	-41	-610		-5	-614
Total comprehensive income for the period					**-568**	**1,266**	**698**	**5**	**-3**	**701**
Equity transactions with owners:										
Own shares		3		3		48	48			50
Issue of shares									4	4
Hybrid capital classified as equity						1	1	-50		-49
Paid out interest hybrid capital								-5		-5
Dividend paid						-1,168	-1,168			-1,168
Purchase of minority interests						-82	-82		-38	-120
Other						-17	-17		-1	-18
Equity at 30 June 2018	**2,339**	**-2**	**10,521**	**12,858**	**-564**	**17,697**	**17,133**	**176**	**60**	**30,227**

Storebrand Group
Statement of cash flow

(NOK million)	01.01 - 30.06 2019	2018
Cash flow from operational activities		
Net receipts premium - insurance	13,645	13,043
Net payments claims and insurance benefits	-10,582	-10,056
Net receipts/payments - transfers	-559	-860
Net change insurance liabilities	-6,310	-10,565
Receipts - interest, commission and fees from customers	1,560	1,580
Payments - interest, commission and fees to customers	-336	-102
Taxes paid	-16	-54
Payments relating to operations	-2,216	-2,657
Net receipts/payments - other operational activities	7,999	-629
Net cash flow from operations before financial assets and banking customers	**3,185**	**-10,299**
Net receipts/payments - loans to customers	1,359	-1,774
Net receipts/payments - deposits bank customers	683	460
Net receipts/payments - securities	-1,007	12,163
Net receipts/payments - investment properties	42	1,407
Net change in bank deposits insurance customers	-2,789	142
Net cash flow from financial assets and banking customers	**-1,712**	**12,398**
Net cash flow from operational activities	**1,473**	**2,099**
Cash flow from investment activities		
Net receipts - sale of subsidaries		33
Net payments - purchase of group companies	-339	-772
Net receits/payments - sale/purchase of fixed assets	-64	107
Net receipts/payments - sale of insurance portfolios	153	
Net cash flow from investment activities	**-249**	**-632**
Cash flow from financing activities		
Payments - repayments of loans	-899	-2,125
Receipts - new loans	2,050	2,508
Payments - interest on loans	-190	-154
Receipts - subordinated loan capital	-146	845
Payments - repayment of subordinated loan capital	-70	-1,501
Payments - interest on subordinated loan capital	-5	-301
Net receipts/payments - loans to and claims from other financial institutions	150	48
Receipts - issuing of share capital / sale of shares to own employees	-36	37
Payments - dividends	-1,399	-1,167
Receipts - hybrid capital	125	100
Payments - repayment of hybrid capital	-30	-150
Payments - interest on hybrid capital	-5	-5
Net cash flow from financing activities	**-454**	**-1,865**
Net cash flow for the period	**769**	**-397**
- of which net cash flow in the period before financial assets and banking customers	2,482	-12,796
Net movement in cash and cash equivalents	769	-397
Cash and cash equivalents at start of the period for new/sold out companies	30	91
Cash and cash equivalents at start of the period	3,951	3,863
Currency translation differences	62	-121
Cash and cash equivalents at the end of the period [1)]	**4,812**	**3,436**
[1)] Consist of:		
Loans to financial institutions	1,443	121
Bank deposits	3,369	3,315
Total	**4,812**	**3,436**

Notes to the interim accounts Storebrand Group

Note 01 Accounting policies

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

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

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

IFRS 16

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

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

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

BALANCE SHEET - LEASES

	Rent		Other equipment		Total	
(NOK million)	01.01.19	30.06.19	01.01.19	30.06.19	01.01.19	30.06.19
Right of use asset	1,009	1,023	62	54	1,071	1,077
Lease liability	1,009	1,028	62	55	1,071	1,083

INCOME STATEMENT- LEASES

	Q2 2019			01.01.19 - 30.06.19		
(NOK million)	Rent	Other equipment	Total	Rent	Other equipment	Total
Depreciation after IFRS 16	-28	-4	-32	-59	-8	-67
Interest expenses after IFRS 16	-9		-9	-16	-1	-17
Profit after IFRS 16	**-37**	**-4**	**-41**	**-75**	**-9**	**-84**
Operating expenses (after IAS 17)	-35	-3	-37	-69	-7	-76
Deviation operating expenses between IAS 17 and IFRS 16	6	-1	5	10	-1	9
Deviation profit (before tax) between IAS 17 and IFRS 16	-2	-2	-4	-6	-2	-8

Note 02 Estimates

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

Actual results may differ from these estimates.

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

Note 03 Aquisition

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

The transaction was completed on 1 April 2019.

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

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

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

ACQUISITION ANALYSIS CUBERA

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

Note 04

Profit by segments

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

Savings

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

Insurance

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

Guaranteed pension

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

Other

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

Reconciliation with the official profit and loss accounting

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

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

	Q2		01.01 - 30.06		Full year
(NOK million)	2019	2018	2019	2018	2018
Savings	224	304	514	598	1,257
Insurance	139	230	242	437	748
Guaranteed pension	211	236	460	637	1,148
Other	5	41	96	70	5
Group profit before amortisation	**578**	**812**	**1,311**	**1,743**	**3,158**
Amortisation of intangible assets	-114	-98	-213	-163	-360
Group pre-tax profit	**464**	**714**	**1,098**	**1,580**	**2,799**

SEGMENT INFORMATION AS OF Q2

	Savings		Insurance		Guaranteed pension	
	Q2		Q2		Q2	
(NOK million)	2019	2018	2019	2018	2019	2018
Fee and administration income	911	909			364	370
Insurance result			269	358		
- Insurance premiums for own account			*965*	*946*		
- Claims for own account			*-696*	*-588*		
Operating expense	-672	-602	-159	-147	-209	-215
Operating profit	**239**	**307**	**111**	**211**	**155**	**155**
Financial items and risk result life & pension	-16	-2	28	19	56	81
Group profit before amortisation	**224**	**304**	**139**	**230**	**211**	**236**
Amortisation of intangible assets [1]						
Group pre-tax profit						

	Other		Storebrand Group	
	Q2		Q2	
(NOK million)	2019	2018	2019	2018
Fee and administration income	-40	-34	1,235	1,245
Insurance result			269	358
- Insurance premiums for own account			*965*	*946*
- Claims for own account			*-696*	*-588*
Operating expense	9	6	-1,030	-958
Operating profit	**-31**	**-29**	**474**	**645**
Financial items and risk result life & pension	36	70	105	167
Group profit before amortisation	**5**	**41**	**578**	**812**
Amortisation of intangible assets [1]			-114	-98
Group pre-tax profit			**464**	**714**

SEGMENT INFORMATION AS OF 01.01 - 30.06

	Savings		Insurance		Guaranteed pension	
(NOK million)	30.06.19	30.06.18	30.06.19	30.06.18	30.06.19	30.06.18
Fee and administration income	1,807	1,798			724	738
Insurance result			514	693		
- Insurance premiums for own account			*1,913*	*1,901*		
- Claims for own account			*-1,399*	*-1,208*		
Operating expense	-1,287	-1,188	-309	-303	-395	-415
Operating profit	**521**	**610**	**205**	**390**	**329**	**323**
Financial items and risk result life & pension	-7	-12	36	47	131	314
Group profit before amortisation	**514**	**598**	**242**	**437**	**460**	**637**
Amortisation of intangible assets [1]						
Group pre-tax profit						

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

(NOK million)	Other 30.06.19	Other 30.06.18	Storebrand Group 30.06.19	Storebrand Group 30.06.18
Fee and administration income	-81	-71	2,450	2,465
Insurance result			514	693
- *Insurance premiums for own account*			1,913	1,901
- *Claims for own account*			-1,399	-1,208
Operating expense	31	28	-1,960	-1,878
Operating profit	**-50**	**-44**	**1,005**	**1,280**
Financial items and risk result life & pension	146	114	307	463
Group profit before amortisation	**96**	**70**	**1,311**	**1,743**
Amortisation of intangible assets [1]			-213	-163
Group pre-tax profit			**1,098**	**1,580**

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

KEY FIGURES BY BUSINESS AREA

(NOK million)	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Group								
Earnings per ordinary share [1]	2.01	1.05	7.89	3.92	2.80	1.55	5.28	4.24
Equity	32,242	33,177	32,873	30,742	30,227	31,140	30,832	29,088
Savings								
Premium income Unit Linked [2]	4,175	4,237	4,086	4,096	3,892	3,947	3,981	3,661
Unit Linked reserves	198,032	190,980	179,299	187,016	178,498	171,749	167,849	157,984
AuM asset management	751,926	728,712	707,297	725,171	707,118	707,102	721,165	625,840
Retail lending	46,201	46,476	46,526	45,669	44,325	43,054	42,137	40,996
Insurance								
Total written premiums	4,507	4,442	4,455	4,408	4,417	4,424	4,462	4,474
Claims ratio [2]	72%	74%	72%	67%	62%	65%	73%	68%
Cost ratio [2]	16%	16%	17%	14%	16%	16%	20%	18%
Combined ratio [2]	89%	90%	89%	81%	78%	81%	93%	85%
Guaranteed pension								
Guaranteed reserves	261,973	260,560	260,573	257,570	257,783	259,426	264,320	261,652
Guaranteed reseves in % of total reserves	57.0%	57.7%	59.2%	57.9%	59.1%	60.2%	61.2%	62.4%
Net transfer out of guaranteed reserves [2]	-1	75	10	24	13	118	117	114
Capital buffer in % of customer reserves Storebrand Life Group [3]	7.9%	7.4%	6.4%	6.6%	6.5%	6.2%	7.2%	5.2%
Capital buffer in % of customer reserves SPP [4]	9.9%	9.4%	8.7%	9.5%	8.8%	9.0%	8.4%	7.9%
Solidity								
Solvency II [5]	167%	173%	173%	169%	167%	165%	172%	160%
Solidity capital (Storebrand Life Group) [6]	59,923	58,606	58,978	57,702	57,869	58,849	63,972	59,332
Capital adequacy Storebrand Bank	18.4%	19.2%	18.9%	18.4%	18.8%	18.8%	18.9%	18.1%
Core Capital adequacy Stobrand Bank	16.3%	16.6%	16.6%	16.1%	16.5%	16.6%	16.6%	16.0%

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

Note 05 Financial market risk and insurance risk

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

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

The most significant market risks for Storebrand are equity market risk, credit risk, property price risk, interest rate risk and currency exchange rate risk.

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

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

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

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

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

During the first quarter, the equity market were strong, regaining most of the sharp corrections during the fourth quarter of 2018. In the second quarter the markets have been more volatile, but positive for the full quarter. The global equity market rose 16 % during the first two quarters. The Norwegian equity market rose 8 %. The market for corporate bonds also recovered and credit spreads fell during the first two quarters, with most of the fall coming in the first quarter. Reduced spreads was positive for return, but lower credit spreads are negative for expected return going forward.

Long term interest rates fell both in the first and in the second quarter. Since year-end 2018 the Norwegian 10-year interest rate swap fell by 0.3 pp. The Swedish 10-year interest swap rate fell by 0.6 pp. But short term interest rates increased, both in Norway and Sweden. Due to the majority of the interest rate investments in the Norwegian customer portfolios being held at amortized cost, changes in interest rates have a limited effect on booked returns in the short term. However, with the present interest rates, new bond investments provide a lower return than the average interest rate guarantee. Lower interest rate is a negative factor for the solvency position.

The Norwegian Krona strengthened during the first two quarters. The strengthening was 6 % against the Swedish Krona and 2 % against the US dollar and the Euro. A high degree of currency hedging in the portfolio means that the exchange rate fluctuations have a modest effect on results and risk.

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

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

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

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

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

Note 06

Liquidity risk

SPECIFICATION OF SUBORDINATED LOAN CAPITAL

(NOK million)	Nominal value	Currency	Interest rate	Call date	Book value
Issuer					
Perpetual subordinated loan capital					
Storebrand Livsforsikring AS	1,000	NOK	Variable	2020	1,001
Storebrand Livsforsikring AS	1,100	NOK	Variable	2024	1,100
Dated subordinated loan capital					
Storebrand Livsforsikring AS	1,000	SEK	Variable	2022	920
Storebrand Livsforsikring AS	300	EUR	Fixed	2023	3,119
Storebrand Livsforsikring AS	750	SEK	Variable	2021	694
Storebrand Livsforsikring AS	900	SEK	Variable	2025	826
Storebrand Bank ASA	56	NOK	Variable	2019	56
Storebrand Bank ASA	150	NOK	Variable	2022	151
Storebrand Bank ASA	125	NOK	Variable	2025	125
Total subordinated loans and hybrid tier 1 capital 30.06.19					**7,992**
Total subordinated loans and hybrid tier 1 capital 30.06.18					7,822
Total subordinated loans and hybrid tier 1 capital 31.12.18					8,224

SPECIFICATION OF LIABILITIES TO FINANCIAL INSTITUTIONS

	Book value		
(NOK million)	30.06.19	30.06.18	31.12.18
Call date			
2018		203	
2019	152		2
Total liabilities to financial institutions	**152**	**203**	**2**

SPECIFICATION OF SECURITIES ISSUED

	Book value		
(NOK million)	30.06.19	30.06.18	31.12.18
Call date			
2018		753	
2019	2,059	3,162	2,779
2020	4,149	4,321	4,314
2021	4,914	3,500	4,414
2022	5,071	3,002	4,519
2023	2,508	1,000	1,503
Total securities issued	**18,701**	**15,739**	**17,529**

The loan agreements contain standard covenants.

Covered bonds

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

Credit facilities

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

Facilities for Storebrand Boligkreditt AS

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

Note 07 Valuation of financial instruments and investment properties

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

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

VALUATION OF FINANCIAL INSTRUMENTS TO AMORTISED COST

(NOK million)	Fair value 30.06.19	Fair value 31.12.18	Book value 30.06.19	Book value 31.12.18
Financial assets				
Loans to and due from financial institutions	1,443	318	1,443	318
Loans to customers - corporate	6,150	6,980	6,134	6,998
Loans to customers - retail	45,826	46,508	45,826	46,508
Bonds held to maturity	14,661	15,679	13,376	14,403
Bonds classified as loans and receivables	101,915	98,485	97,119	94,723
Total financial assets 30.06.19	**169,996**		**163,898**	
Total financial assets 31.12.18		167,970		162,950
Financial liabilities				
Debt raised by issuance of securities	18,854	17,565	18,701	17,529
Liabilities to financial institutions	152	2	152	2
Deposits from banking customers	15,134	14,419	15,134	14,419
Subordinatd loan capital	8,013	8,218	7,992	8,224
Total financial liabilities 30.06.19	**42,152**		**41,979**	
Total financial liabilities 31.12.18		40,205		40,175

VALUATION OF FINANCIAL INSTRUMENTS AND REAL ESTATE AT FAIR VALUE

(NOK million)	Level 1 Quoted prices	Level 2 Observable assumptions	Level 3 Non-observable assumptions	30.06.19	31.12.18
Assets:					
Equities and fund units					
- Equities	24,978	145	477	25,599	24,038
- Fund units	152	138,946	8,669	147,767	133,323
Total equities and fund units 30.06.19	**25,130**	**139,090**	**9,146**	**173,366**	
Total equities and fund units 31.12.18	23,379	125,493	8,489		157,361
Loans to customers [1]					
- Loans to customers - corporate			5,384	5,384	5,708
- Loans to customers - retail			385	385	220
Total Loans to customers 30.06.19 [1]			**5,769**	**5,769**	
Total Loans to customers 31.12.18 [1]			5,928		5,928
Bonds and other fixed-income securities					
- Government bonds	11,933	19,894		31,827	34,347
- Corporate bonds		61,993	14	62,008	50,890
- Structured notes		71		71	79
- Collateralised securities		3,032		3,032	22,793
- Bond funds	78	53,807	4,627	58,512	49,478
Total bonds and other fixed-income securities 30.06.19	**12,011**	**138,798**	**4,641**	**155,451**	
Total bonds and other fixed-income securities 31.12.18	13,839	140,370	3,377		157,586
Derivatives:					
- Equity derivatives		5		5	
- Interest derivatives		5,837		5,837	3,100
- Currency derivatives		650		650	-2,781
Total derivatives 30.06.19		**6,492**		**6,492**	
- of which derivatives with a positive market value		7,401		7,401	3,172
- of which derivatives with a negative market value		-908		-908	-2,853
Total derivatives 31.12.18		319			319
Properties:					
Investment properties			28,305	28,305	28,266
Properties for own use			1,309	1,309	1,420
Total properties 30.06.19			**29,613**	**29,613**	
Total properties 31.12.18			29,686		29,686

[1] Includes loans to customers/liabilities to financial institutions classified at fair value through profit and loss

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

FINANCIAL INSTRUMENTS AND REAL ESTATE AT FAIR VALUE - LEVEL 3

(NOK million)	Equities	Fund units	Loans to custo-mers	Corporate bonds	Bond funds	Investment properties	Properties for own use
Book value 01.01.19	**640**	**7,849**	**5,929**	**56**	**3,321**	**28,266**	**1,420**
Net gains/losses on financial instruments	-5	899	150	2	-36	4	-26
Additions	2	624	903		1,617	455	37
Sales	-9	-555	-736	-42	-112		-1
Currency translation differences	-9	-148	-316	-2	-163	-689	-121
Other	-142		-161			268	
Book value 30.06.19	**477**	**8,669**	**5,769**	**14**	**4,627**	**28,305**	**1,309**

As at 30.06.19, Storebrand Livsforisikring had NOK 4.090 million invested in Storebrand Eiendomsfond Norge KS and Ruseløkkveien 26, Oslo. The investments are classified as "Investment in associated Ccmpanies and joint ventures" in the Consolidated Financial Statements.

SENSITIVITY ASSESSMENTS

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

Note 08 Operating expenses

	Q2		01.01 - 30.06		Full year
(NOK million)	2019	2018	2019	2018	2018
Personnel expenses	-611	-560	-1,147	-1,055	-2,143
Amortisation/write-downs	-61	-37	-116	-65	-147
Other operating expenses	-567	-542	-1,082	-1,128	-2,252
Total operating expenses	**-1,239**	**-1,139**	**-2,345**	**-2,247**	**-4,542**

Note 09 Tax

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

Uncertain tax positions

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

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

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

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

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

When submitting the tax return for 2018, Storebrand has assumed the actual wording of the transitional rule, which deviates from NDT's statement, implying a tax income in excess of the NOK 1.6 billon already booked. The difference is not recognised in the financial reporting per year-end 2018 nor per 2nd quarter 2019. If the difference is recognised it will cause an additional tax income of approximately NOK 0.9 billion.

Note 10 Loans

(NOK million)	30.06.19	30.06.18	31.12.18
Corporate market [1]	11,530	11,083	12,751
Retail market	46,251	44,365	46,746
Gross loans	**57,781**	**55,447**	**59,498**
Write-down of loans losses	-52	-85	-63
Net loans [2]	**57,729**	**55,362**	**59,435**
[1] Of which Storebrand Bank	24	62	29
[2] Of which Storebrand Bank	28,298	26,971	28,456
Of which Storebrand Livsforsikring	29,431	28,391	30,979

NON-PERFORMING AND LOSS-EXPOSED LOANS

(NOK million)	30.06.19	30.06.18	31.12.18
Non-performing and loss-exposed loans without identified impairment	70	75	71
Non-performing and loss-exposed loans with identified impairment	58	88	59
Gross non-performing loans	**127**	**162**	**129**
Individual write-downs	-20	-50	-21
Net non-performing loans [1]	**108**	**112**	**108**

[1] The figures apply in their entirety Storebrand Bank

Note 11 Capital buffer

(NOK million)	30.06.19	30.06.18	31.12.18
Additional statutory reserves	8,218	8,286	8,494
Market adjustment reserves	5,140	2,720	2,245
Conditional bonuses	8,243	8,165	8,243
Total	**21,601**	**19,171**	**18,983**

Note 12 Contingent liabilities

(NOK million)	30.06.19	30.06.18	31.12.18
Guarantees	2	13	1
Unused credit facilities	3,394	3,449	3,362
Uncalled residual liabilities re limited partnership	7,647	6,373	5,818
Loan commitment retail market	2,469	2,169	1,672
Total contingent liabilities	**13,512**	**12,004**	**10,853**

Guarantees essentially encompass payment and contract guarantees.
Unused credit facilities encompass granted and any unused credit accounts and credit cards, as well as, any unused flexible mortgage facilities.

Storebrand Group companies are engaged in extensive activities in Norway and abroad, and are subject for client complaints and may become a party in legal disputes, see also note 2 and note 43 in the 2018 annual report.

Note 13 Solidity and capital management

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

Consolidation is carried out in accordance with Section 18-2 of the Norwegian Act relating to Financial Undertakings and Financial Groups. The solvency capital requirement and minimum capital requirement for the group are calculated in accordance with Section 46 (1)-(3) of the Solvency II Regulations using the standard method and include the effect of the transitional arrangement for shares pursuant to Section 58 of the Solvency II Regulations.

Capital management

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

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

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

SOLVENCY CAPITAL

	30.06.19					
NOK million	Total	Group 1 unlimited	Group 1 limited	Group 2	Group 3	31.12.18 Total
Share capital	2,339	2,339				2,339
Share premium	10,521	10,521				10,521
Reconciliation reserve	23,889	23,889				23,444
Including the effect of the transitional arrangement						
Subordinated loans	7,627		1,103	6,524		7,780
Deferred tax assets	316				316	873
Risk equalisation reserve	361			361		234
Minority interests	54				54	56
Unavailable minority interests	-35				-35	-37
Deductions for CRD IV subsidiaries	-2,862	-2,862				-3,311
Expected dividend 2019	-700	-700				-1,402
Total basic solvency capital	**41,510**	**33,188**	**1,103**	**6,885**	**334**	**40,498**
Subordinated capital for subsidiaries regulated in accordance with CRD IV	2,862					3,311
Total solvency capital	**44,372**					**43,808**
Total solvency capital available to cover the minimum capital requirement	**36,270**	**33,188**	**1,103**	**1,980**		**34,623**

SOLVENCY CAPITAL REQUIREMENTS AND - MARGIN

NOK million	30.06.19	31.12.18
Market	22,343	20,917
Counterparty	560	625
Life	10,571	10,412
Health	726	713
P&C	282	278
Operational	1,490	1,485
Diversification	-6,985	-6,838
Loss-absorbing tax effect	-4,943	-4,764
Total solvency capital requirement - insurance company	**24,043**	**22,827**
Capital requirements for subsidiaries regulated in accordance with CRD IV	2,566	2,482
Total solvency capital requirement	**26,609**	**25,309**
Solvency margin with transitional rules	**167%**	**173%**
Minimum capital requirement	**9,898**	**9,711**
Minimum margin	**366%**	**357%**

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

CAPITAL- AND CAPITAL REQUIREMENT IN ACCORDANCE WITH THE CONGLOMERATE DIRECTIVE

NOK million	30.06.19	31.12.18
Capital requirements for CRD IV companies	2,803	2,714
Solvency captial requirements for insurance	24,043	22,827
Total capital requirements	**26,846**	**25,541**
Net primary capital for companies included in the CRD IV report	2,862	3,311
Net primary capital for insurance	41,510	40,498
Total net primary capital	**44,372**	**43,808**
Overfunding	**17,526**	**18,267**

Under Solvency II, the capital requirement from the CRD IV companies in the Group is included in accordance with their respective capital requirements. In a multi-sectoral financial group, all the capital requirements of the CRD IV companies are calculated based on their respective applicable requirements, including buffer requirement for the largest company in the Group (Storebrand Bank). This increases the total requirement from the CRD IV companies in relation to what is included in the Solvency II calculation. As at 30 June 2019, the difference amounted to NOK 237 million.

Note 14 Information about related parties

Storebrand conducts transactions with related parties as part of its normal business activities. These transactions take place on commercial terms. The terms for transactions with management and related parties are stipulated in notes 23 and 44 in the 2018 annual report.

Storebrand has not carried out any material transactions other than normal business transactions with related parties at the close of the 2nd quarter 2019.

Storebrand ASA
Income statement

(NOK million)	Q2 2019	Q2 2018	01.01 - 30.06 2019	01.01 - 30.06 2018	Full year 2018
Operating income					
Income from investments in subsidiaries	65		65	39	4,131
Net income and gains from financial instruments:					
- equities and other units	-1		-2		1
- bonds and other fixed-income securities	10	9	19	13	26
- financial derivatives/other financial instruments	-2		-3	-4	-7
Other financial instruments	1	1	1	32	33
Operating income	**73**	**10**	**80**	**80**	**4,184**
Interest expenses	-13	-15	-26	-29	-60
Other financial expenses	-10	5	-12	30	35
Operating expenses					
Personnel expenses	-13	-15	-22	-24	-41
Other operating expenses	-21	-13	-34	-22	-44
Total operating expenses	**-34**	**-29**	**-56**	**-46**	**-86**
Total expenses	**-58**	**-39**	**-95**	**-45**	**-111**
Pre-tax profit	**15**	**-29**	**-15**	**35**	**4,074**
Tax	13	9	20	15	-111
Profit for the period	**28**	**-21**	**5**	**51**	**3,963**

STATEMENT OF TOTAL COMPREHENSIVE INCOME

(NOK million)	Q2 2019	Q2 2018	01.01 - 30.06 2019	01.01 - 30.06 2018	Full year 2018
Profit for the period	**28**	**-21**	**5**	**51**	**3,963**
Other total comprehensive income elements not to be classified to profit/loss					
Change in estimate deviation pension					9
Tax on other comprehensive elements					-2
Total other comprehensive income elements					6
Total comprehensive income	**28**	**-21**	**5**	**51**	**3,969**

Storebrand ASA
Statement of financial position

(NOK million)	30.06.19	30.06.18	31.12.18
Fixed assets			
Deferred tax assets	64	150	47
Tangible fixed assets	26	28	26
Shares in subsidiaries and associated companies	19,286	18,716	19,286
Total fixed assets	**19,376**	**18,894**	**19,359**
Current assets			
Owed within group			4,092
Other current receivables	32	6	21
Investments in trading portfolio:			
- equities and other units	20	3	22
- bonds and other fixed-income securities	3,827	2,332	1,820
- financial derivatives/other financial instruments	13	19	9
Bank deposits	57	65	34
Total current assets	**3,949**	**2,424**	**5,998**
Total assets	**23,325**	**21,318**	**25,357**
Equity and liabilities			
Share capital	2,339	2,339	2,339
Own shares	-5	-2	-2
Share premium reserve	10,521	10,521	10,521
Total paid in equity	**12,855**	**12,858**	**12,858**
Other equity	8,370	5,878	8,395
Total equity	**21,226**	**18,736**	**21,253**
Non-current liabilities			
Pension liabilities	161	176	161
Securities issued	1,818	2,275	1,813
Total non-current liabilities	**1,979**	**2,450**	**1,974**
Current liabilities			
Debt within group	8		597
Provision for dividend			1,402
Other current liabilities	113	131	131
Total current liabilities	**120**	**132**	**2,130**
Total equity and liabilities	**23,325**	**21,318**	**25,357**

Storebrand ASA
Statement of changes in equity

(NOK million)	Share capital [1]	Own shares	Share premium	Other equity	Total equity
Equity at 31. December 2017	**2,339**	**-5**	**10,521**	**5,793**	**18,648**
Profit for the period				3,963	3,963
Total other result elements				6	6
Total comprehensive income				**3,969**	**3,969**
Provision for dividend				-1,402	-1,402
Own share sold [2]		3		48	50
Employee share [2]				-13	-13
Equity at 31. December 2018	**2,339**	**-2**	**10,521**	8,395	21,253
Profit for the period				5	5
Total comprehensive income				**5**	**5**
Provision for dividend				3	3
Own share bought back [2]		-5		-63	-68
Own share sold [2]		2		35	38
Employee share [2]				-5	-5
Equity at 30. June 2019	**2,339**	**-5**	**10,521**	**8,370**	**21,226**

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

Equity at 31. December 2017	**2,339**	**-5**	**10,521**	**5,793**	**18,648**
Profit for the period				51	51
Total comprehensive income				**51**	**51**
Own share sold back		3		48	50
Employee share				-13	-13
Equity at 30. June 2018	**2,339**	**-2**	**10,521**	**5,878**	**18,736**

Storebrand ASA
Statement of cash flow

	01.01 - 30.06	
(NOK million)	2019	2018
Cash flow from operational activities		
Receipts - interest, commission and fees from customers	24	22
Net receipts/payments - securities at fair value	-2,011	-959
Payments relating to operations	-80	-39
Net receipts/payments - other operational activities	4,157	2,247
Net cash flow from operational activities	**2,090**	**1,270**
Cash flow from investment activities		
Net receipts - sale of subsidiaries		33
Net payments - sale/capitalisation of subsidiaries	-605	-132
Net cash flow from investment activities	**-605**	**-98**
Cash flow from financing activities		
Payments - interest on loans	-29	-31
Receipts - sold own shart to employees	-36	37
Net cash flow from financing activities	**-1,463**	**-1,160**
Net cash flow for the period	**22**	**12**
Net movement in cash and cash equivalents	22	12
Cash and cash equivalents at start of the period	34	53
Cash and cash equivalents at the end of the period	**57**	**65**

Notes to the financial statements Storebrand ASA

Note 01 Accounting policies

The financial statements are presented in accordance with the accounting policies applied in the annual financial statements for 2018. The accounting policies are described in the 2018 annual report.
Storebrand ASA does not apply IFRS to the parent company's financial statements.

Note 02 Estimates

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

Note 03 Bond and bank loans

(NOK million)	Interest rate	Currency	Net nominal value	30.06.19	30.06.18	31.12.18
Bond loan 2013/2020 [1]	Fixed	NOK	300	315	320	311
Bond loan 2013/2018	Variable	NOK	450		452	
Bond loan 2014/2019	Variable	NOK	500	501	500	500
Bond loan 2017/2020	Variable	NOK	500	502	501	501
Bond loan 2017/2022	Variable	NOK	500	501	501	501
Total [2]				**1,818**	**2,275**	**1,813**

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

Storebrand ASA
– Declaration by the members of the Board and the CEO

The Board of Directors and the Chief Executive Officer have today considered and approved the Interim report and Interim financial statements for Storebrand ASA and the Storebrand Group for the first six months of 2019 (Report for the first six months, 2019).

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

In the best judgement of the Board and the CEO, the financial statements for the first six months of 2019 have been prepared in accordance with applicable accounting standards, and the information in the financial statements provides a fair and true picture of the parent company's and Group's assets, liabilities, financial standing and results as a whole as at 30 June 2019. In the best judgement of the Board and the CEO, the six-month report provides a fair and true overview of important events during the accounting period and their effects on the financial statements for the first six months for Storebrand ASA and the Storebrand Group. In the best judgement of the Board and the CEO, the descriptions of the most important elements of risk and uncertainty that the Group faces in the remaining six months, and a description of related parties' material transactions, also provide a true and fair view.

Lysaker, 11 July 2019
Board of Directors of Storebrand ASA

Didrik Munch
Chairman of the Board

Karin Bing Orgland	Laila S. Dahlen	Martin Skancke
Karl Sandlund	Liv Sandbæk	Heidi Storruste
Arne Fredrik Håstein	Magnus Gard	Odd Arild Grefstad Chief Executive Officer

To the Board of Directors of Storebrand ASA

Report on Review of Interim Financial Information

Introduction

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

Scope of Review

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

Conclusion

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

Oslo, 11 July 2019
PricewaterhouseCoopers AS

Magne Sem

Magne Sem
State Authorised Public Accountant

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Financial calendar 2019

12 July: Results Q2 2019
23 October: Results Q3 2019
12 February 2020: Results Q4 2019

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