

Interim report 2020

Storebrand Livsforsikring AS (unaudited)

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Storebrand Livsforsikring group

Storebrand Livsforsikring AS is a wholly owned subsidiary of the listed company Storebrand ASA. For information about the Storebrand Group's 4th quarter result please refer to the Storebrand Group's interim report for the 4th quarter of 2020. Storebrand Group's ambition is to provide our customers with financial freedom and security by being the best provider of long-term savings and insurance. The Group offers an integrated product range spanning from life insurance, P&C insurance, asset management and banking to private individuals, companies and public sector entities. The Group is divided into the segments Savings, Insurance, Guaranteed Pension and Other.

COVID-19 UPDATE

Despite the outbreak of the covid-19 pandemic at the beginning of the year, Storebrand has been close to fully operational in 2020 and has been able to execute on strategic initiatives according to plan. Risks were mitigated due to well defined contingency plans. As a fully digital organisation, Storebrand quickly adapted to a remote work environment. It has been essential to secure Storebrand's critical operations and to support customers when they need our services the most. With the exception of the negative impact from turbulent financial markets in the 1st quarter, and reserve strengthening in products with disability coverages, results have developed according to plan.

PROFIT STOREBRAND LIVSFORSIKRING GROUP

(NOK million)	Q4	2020			2019		1.1 - 31.12	
		Q3	Q2	Q1	Q4	2020	2019	
Fee and administration income	895	864	867	851	865	3,476	3,332	
Insurance result	215	195	175	-131	120	454	665	
Operational expenses	-620	-594	-586	-627	-691	-2,427	-2,510	
Operating profit	490	464	456	93	294	1,503	1,486	
Financial items and risk result life & pension	270	282	123	-471	284	204	709	
Profit before amortisation	760	747	578	-378	578	1,707	2,196	
Amortisation	-95	-93	-94	-89	-87	-372	-341	
Profit before tax	665	653	484	-467	491	1,336	1,855	

The profit before amortisation was NOK 760m (NOK 578m) in the quarter and NOK 1 707m (NOK 2 196m) year to date. The figures in brackets are from the corresponding period last year. Strong underlying growth within the Savings and the Insurance segment, combined with a satisfactory insurance result and disciplined cost control, contribute to the growth in profits. Financial market returns led to profit sharing in both Norway and Sweden and strengthened buffer capital to more than 11% as a share of guaranteed customer reserves.

Total fee and administration income amounted to NOK 895m (NOK 865m) in the 4th quarter. Strong growth in assets under management within Savings contribute to the income. In the Guaranteed segment, fee and administration income was in line with last year. The run-off nature of the guaranteed business will eventually lead to lower fees in the segment. For the full year, fee and administration income amounted to NOK 3 476m (NOK 3 332m). This is an increase of 4% compared to the same period last year, or 0% adjusted for currency effects.

The Insurance result was NOK 215m (NOK 120m) and the total combined ratio was 85% (99%) in the 4th quarter, ahead of the target of 90-92%. Year to date the Insurance result was NOK 239m (NOK 545m) with combined ratio of 103% (88%). The reserve strengthening in the 1st quarter of 2020, which is still deemed to be satisfactory, led to a higher combined ratio in the beginning of the year.

The operating costs in the quarter were NOK 620m (NOK 691m) and NOK 2 427m (NOK 2 510m) year to date. The Group maintains strong underlying cost control, and digital investments are made to further reduce cost over time.

Overall, the operating profit increased to NOK 490m (NOK 294m) in the quarter and NOK 1 503m (NOK 1 486m) for the full year due to growth in the Group's fee income, satisfactory cost development and insurance result in the second half of the year.

The 'financial items and risk result' amounted to NOK 270m (NOK 284m) in the 4th quarter. Positive development in the financial market contributed to investment gains on credit bonds, equities and real estate. Profit sharing in the Norwegian and Swedish Guaranteed business, as well as indexation fees and a lower need for Deferred Capital Contribution (DCC), resulted in net profit sharing of NOK 211m (NOK 118m) in the quarter. For the full year, the 'financial items and risk result' for the Group was NOK 204m (NOK 709m). The lower result in 2020 is primarily due to a weak risk result related to disability coverages in the Norwegian Defined Benefit products and an overall increased need for DCC in SPP as result of lower discount rates and wider credit spreads.

Storebrand Livsforsikring Group booked a tax expense of NOK 114m (NOK 136m) in the quarter and a tax income of NOK 344m (NOK -333m) year to date. Generally, the effective tax rate is influenced by the fact that the Group has operations in countries with tax rates that are different from Norway, and it varies from quarter to quarter depending on each legal entity's contribution to the Group result. The estimated normal tax rate is 20-23%, but currency can impact the quarterly tax rate. Tax related issues are described in note 7.

PROFIT STOREBRAND LIVSFORSIKRING GROUP – BY SEGMENTS

(NOK million)	Q4	2020		2019		1.1 - 31.12	
		Q3	Q2	Q1	Q4	2020	2019
Savings	211	217	207	148	146	782	566
Insurance	140	112	90	-253	23	89	281
Guaranteed pensions	387	302	-8	95	332	775	1,029
Other	23	116	289	-368	77	61	320
Profit before amortisation	760	747	578	-378	578	1,707	2,196

The Group reports the results by business segment. For a more detailed description of the results, see the sections by segment below. The Savings segment reported a profit before amortisation of NOK 211m (NOK 146) in the 4th quarter, and NOK 782m (NOK 566m) for the full year, driven by growth in assets under management and strong cost control. Insurance reported a profit before amortisation of NOK 140m (NOK 23m) in the quarter due to premium growth and a satisfactory combined ratio, but the full year result declined to NOK 89m (NOK 281m) due to reserve strengthening in the beginning of the year. Guaranteed pension reported a profit before amortisation of NOK 387m (NOK 332m) in the quarter as good financial returns resulted in profit sharing. A weak risk result in Norway and increased DCC in Sweden led to a lower result for the year of NOK 775m (NOK 1 029m). In the Other segment, profit before amortisation amounted to NOK 23m (NOK 77m) in the quarter and NOK 61m (NOK 320m) for the full year. Market turbulence in the 1st quarter led to a lower financial result in the company portfolios.

CAPITAL SITUATION

The solvency ratio was 178% at the end of the 4th quarter 2020, a marginal decrease of 1 percentage point from the last quarter due to rising interest rates decreasing the amount of transitional capital. This is within the targeted range of 150-180%. The Solvency ratio without transitional rules was 166%, corresponding to an increase of 16 percentage points from the last quarter. The increase in the

solvency ratio in the quarter is due to a higher interest rate level, positive investment returns, as well as a strong group profit after tax, net of dividends set aside for 2020. A higher regulatory symmetric equity stress adjustment, due to rising equity markets, contributed negatively to the solvency ratio.

MARKET AND SALES PERFORMANCE

The growth in Unit linked savings is driven by premiums from existing contracts, new sales, investment returns, and increased savings rates. Both the Swedish and the Norwegian Unit Linked business manage over NOK 100bn of pension assets. In Norway, Storebrand is the market leader in Unit Linked occupational pension with a 29% market share of gross premiums written (at the end of the 3rd quarter 2020). SPP is the second largest provider and has an 18% market share of gross premiums written and transfers in the Swedish market for non-unionised occupational pensions ("Övrig Tjänstepension"). SPP is rapidly growing its sales within United Linked pensions and has received the largest share of transfers in the market this year. Total New sales in Unit Linked, measured in annual premium equivalent¹⁾, grew by 46% in 2020 to NOK 3 577m (NOK 2 456m) and the net transfer balance was NOK 5 448m (NOK -235m).

Within Insurance, the annual portfolio premiums grew by 17% in 2020, in line with growth ambitions.

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

Savings

- 41% growth in operating profit in 2020 compared to 2019, driven by 9% growth in fee and administration income combined with lower nominal costs
- 22% growth in asset under management in the Unit Linked business y/y, up to NOK 268bn
- 13% growth in Unit Linked premiums in the quarter

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

PROFIT

(NOK million)	2020				2019		1.1 - 31.12	
	Q4	Q3	Q2	Q1	Q4	2020	2019	
Fee and administration income	503	484	487	488	484	1,961	1,805	
Operational expenses	-296	-272	-265	-305	-338	-1,138	-1,222	
Operating profit	207	212	222	183	146	824	583	
Financial items and risk result life & pension	4	5	-15	-36		-41	-17	
Profit before amortisation	211	217	207	148	146	782	566	

The Savings segment reported a profit before amortisation and tax of NOK 211m (NOK 146m) in the 4th quarter and NOK 782m (NOK 566m) in 2020.

Compared to the 4th quarter last year, the fee- and administration income in the Savings segment increased by 9% year to date, or 4% when adjusted for currency effects. The income growth within Norwegian Unit Linked was 6% and within Swedish United Linked it was 12% (2% currency adjusted). Fee income margins decreased in the quarter within Unit Linked, due to continued gradual margin decline and accrual effects.

Operational cost within Savings have remained relatively stable in the 4th quarter and for the full year compared to last year, despite underlying growth in the business. This is partly explained by lower marketing activity in 2020 in light of Covid-19, but also by strong cost control.

BALANCE SHEET AND MARKET TRENDS

Unit Linked premiums amounted to NOK 5.2bn (NOK 4.6bn) in the 4th quarter, growing 13% compared to last year. Total assets under management in Unit Linked increased by NOK 17bn (7%) during the 4th

quarter to NOK 268bn. Compared to the same quarter last year, the growth is NOK 49bn (22%). Total net transfers in the quarter amounted to NOK -0.7bn net outflow, but a net NOK 5.4bn inflow year to date.

In the Norwegian Unit Linked business, assets under management increased by NOK 12.2bn (10%) in the quarter, and by NOK 22.6bn (20%) compared to the same quarter last year. The underlying growth is driven by growth in occupational pension premium payments as well as good market returns and new sales. Storebrand remains market leader with 29% market share of gross premiums written (at the end of the 3rd quarter 2020) within defined contribution corporate pensions.

In the Swedish market, SPP is the second largest, and fastest growing provider of non-unionised occupational pensions with a market share of 18% measured by gross premiums written including transfers within Unit Linked (as at the end of the 3rd quarter 2020). Assets under management increased by SEK 4.7bn (3.9%) in the quarter and SEK 13.8bn (12.3%) compared to the same quarter last year. The growth is driven by strong growth in sales (APE) and positive net transfers – both from occupational pensions savings and from portfolio transfers into SPP.

KEY FIGURES

(NOK million)	2020				2019	
	Q4	Q3	Q2	Q1	Q4	Q4
Unit Linked Reserves	268,331	251,578	234,644	210,061	219,793	
Unit Linked Premiums	5,163	4,856	5,121	5,046	4,551	

Insurance

- 7% growth in portfolio premiums y/y
- 7% growth in premiums f.o.a. YTD compared to same period last year
- Combined ratio of 85% in the quarter, target 90-92%

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

PROFIT

(NOK million)	2020				2019		1.1 - 31.12	
	Q4	Q3	Q2	Q1	Q4	2020	2019	
Fee and administration income								
Insurance result	215	195	175	-131	120	454	665	
- Insurance premiums f.o.a.	750	746	736	706	704	2,938	2,750	
- Claims f.o.a.	-535	-551	-561	-837	-584	-2,484	-2,086	
Operational expenses	-99	-97	-95	-107	-115	-399	-417	
Operating profit	116	97	80	-238	5	56	248	
Financial items and risk result life & pension	23	15	10	-15	18	33	33	
Profit before amortisation	140	112	90	-253	23	89	281	

Insurance delivered a result before amortisation of NOK 140m (NOK 23m) in the 4th quarter and NOK 89m (NOK 281m) for the full year, leading to a combined ratio of 85% (99%) in the quarter and 98% (91%) in 2020. The 4th quarter result is better than the target (a combined ratio of 90-92%). The higher combined ratio for the full year is primarily due to a reserve strengthening of NOK 220m in the 1st quarter caused by the Covid-19 pandemic and an expected increase in disability levels.

A limited number of new disability cases reported within Individual life improved the results in the quarter. Within Individual life, the full year result is weaker than normal due to increases in disability and child insurance claims. Price adjustments and discount restrictions have been implemented to improve the result. The result was NOK 77m (NOK 41m) in the 4th quarter and NOK 181m (200m) for the full year.

Group life, the result was NOK 19m (NOK -35m) in the quarter and NOK -204m (-64m) for the full year. Most of the reserve strengthening conducted in the 1st quarter is attributed to Group life, explaining the

negative result year to date. Further price increases will be implemented from 2021 to improve the results.

The result for Pension related disability insurance Nordic was NOK 43m (NOK 16m) in the 4th quarter and NOK 112m (NOK 145m) year to date. Premium growth and a strong disability result in the Swedish business contributed to the positive development in the quarter.

Cost control has continued to be satisfactory. The cost ratio remains 13% in the 4th quarter (16%), in line with the last quarter and lower compared to the corresponding quarter last year.

Insurance's investment portfolio in Norway amounted to NOK 7.0bn¹ as of the end of the 4th quarter. It is primarily invested in fixed income securities with short to medium duration.

¹ NOK 2.9bn of the investment portfolio is linked to disability coverages where the investment result goes to the customer reserves and not as a result element in the P&L.

BALANCE SHEET AND MARKET TRENDS

The Insurance segment offers a broad range of products to the retail market in Norway, as well as to the corporate market in both Norway and Sweden. Overall growth in portfolio premiums (annual basis) amounted to 17% in 2020. The premium growth is attributed to increased business volumes in all lines of business as well as some price increases.

Annual growth in Individual life portfolio premiums amounted to 7%, Group life to 25% and Pension related disability insurance to 17% in 2020. With effect from 1 January 2021, a large group life contract has been terminated representing portfolio premiums of NOK 275m.

Profitability in the retail and corporate markets is satisfactory in general. The corporate market is more mature with lower margins and a strong focus on price. For risk cover in connection with defined-contribution pensions in Norway, future growth is expected to be driven by pension related disability insurance and salary growth. Storebrand is aiming to grow in the retail market.

PORTFOLIO PREMIUM (ANNUAL)

(NOK million)	2020				2019
	Q4	Q3	Q2	Q1	Q4
Individual life *	721	680	695	680	673
Group life **	1,005	975	990	975	805
Pension related disability insurance ***	1,336	1,269	1,315	1,269	1,144
Portfolio premium	3,062	2,923	3,000	2,923	2,622

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

KEY FIGURES

(NOK million)	2020				2019
	Q4	Q3	Q2	Q1	Q4
Claims ratio	71 %	74 %	76 %	119 %	83 %
Cost ratio	13 %	13 %	13 %	15 %	16 %
Combined ratio	85 %	87 %	89 %	134 %	99 %

Guaranteed pension

- Buffer capital >11% both in Norwegian and Swedish business
- Net profit sharing of NOK 211m

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.

PROFIT

(NOK million)	2020				2019		1.1 - 31.12	
	Q4	Q3	Q2	Q1	Q4	2020	2019	
Fee and administration income	375	370	360	349	368	1,455	1,475	
Operational expenses	-214	-212	-214	-202	-225	-842	-819	
Operating profit	161	159	147	147	143	614	657	
Financial items and risk result life & pension	226	143	-155	-52	189	162	372	
Profit before amortisation	387	302	-8	95	332	775	1,029	

Guaranteed Pension achieved a profit before amortisation of NOK 387m (NOK 332m) in the 4th quarter and NOK 775m (NOK 1 029m) for the full year.

Fee and administration income remained relatively stable and amounted to NOK 375m (NOK 368m) in the 4th quarter and NOK 1 455m (NOK 1 475m) for the full year.

Operational cost amounted to NOK 214m (NOK 225m) in the 4th quarter and NOK 842m (NOK 819m) year to date. The marginal cost increase in 2020 is due to an appreciation of the Swedish krona and costs related to new initiatives in public sector pensions.

The risk result amounted to NOK 15m (NOK 71m) in the 4th quarter and NOK 17m (NOK 216m) year to date. Strong disability results in both

Norwegian Paid-up policies and in Swedish SPP contributed positively to the result. The longevity development in SPP has also improved the results in the quarter and for the full year. In the Norwegian Defined Benefit portfolio, low reactivation levels of people in disability continued to contribute negatively to the results. To counter this, price adjustments are being implemented from 2021.

Net profit sharing amounted to NOK 211m (NOK 118m) in the 4th quarter and NOK 144m (NOK 157m) year to date, driven by strong investment returns. In the Norwegian business, the result in the quarter was NOK 58m (NOK 17m) from profit sharing, after buffer capital strengthening. In SPP, net profit sharing amounted to NOK 153m (NOK 100m), primarily stemming from a reduced need for Deferred Capital Contributions (DCC) and from indexation fees.

BALANCE SHEET AND MARKET TRENDS

The majority of the guaranteed products are closed for new business and are in long term run-off as pension payments are being made to policyholders. Most customers have switched from guaranteed to non-guaranteed products, in line with the Group's strategy. A new growth area for Storebrand is public sector occupational pensions, where Storebrand won its first mandates in 2020, totalling NOK 9bn in reserves. The customers are transferred to Storebrand as of 1 January 2021.

As of the 4th quarter, customer reserves of guaranteed pensions amounted to NOK 277bn. This is an increase of NOK 13.5bn in 2020, but adjusted for currency effects the change is NOK 4.7bn. As a share of the total balance sheet, guaranteed reserves amounted to 50.8% (54.5%) at the end of the 4th quarter, a reduction of 3.7 percentage points since last year. The premium income for guaranteed pensions (excluding transfers) was NOK 0.7bn (NOK 1.2bn) in the 4th quarter and NOK 4.2bn (NOK 5.2bn) for the full year.

In the Norwegian business, Paid-up policies is the only guaranteed pension portfolio experiencing some growth over time as active Defined Benefit contracts eventually become Paid-up policies. The Paid-up portfolio amounted to NOK 145bn as of the 4th quarter – an increase of NOK 7.3bn from the

same period last year. The increase is mainly attributed to one large Defined Benefit contract converting to a Hybrid pension plan, resulting in a transfer of NOK 3bn in assets to Paid up policies in the 1st quarter of 2020. Reserves for Defined Benefit pensions in Norway amounted to NOK 30bn at the end of the 4th quarter, representing a reduction of NOK 2.8bn compared to the level at the start of the year.

Guaranteed portfolios in the Swedish business totalled NOK 90bn as of the 4th quarter, an increase of NOK 9.8bn compared to the level at the start of the year. Adjusted for currency effects, reserves increased only by NOK 0.9bn.

Storebrand has a strategy to grow the buffer capital level in order to secure customer returns and protect shareholder's equity under turbulent market conditions. Buffer capital for Guaranteed pensions increased to 11.0% (8.6%) of reserves in Norway and to 11.4% (10.7%) in Sweden, corresponding to an overall increase of NOK 5.7bn since last year. Excess value of bonds at amortised cost decreased by NOK 1.6bn to NOK 8.8 bn in the 4th quarter due to increasing interest rates, but a lower interest rate level at the end of the year compared to last year has increased the level from NOK 4.7bn at year end 2019.

KEY FIGURES

(NOK million)	2020				2019
	Q4	Q3	Q2	Q1	Q4
Guaranteed reserves	276 755	276 995	274 343	272 051	263 185
Guaranteed reserves in % of total reserves	50.8 %	52.4 %	53.9 %	56.4 %	54.5 %
Transfer out of guaranteed reserves	- 704	4	-634	-93	16
Buffer capital in % of customer reserves Storebrand	11.0 %	10.5 %	9.5 %	8.3 %	8.6 %
Buffer capital in % of customer reserves SPP	11.4 %	10.2 %	9.3 %	7.3 %	10.7 %

Other

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

PROFIT

(NOK million)	2020				2019		1.1 - 31.12	
	Q4	Q3	Q2	Q1	Q4	2020	2019	
Fee and administration income	18	9	19	13	13	59	51	
Operational expenses	-12	-12	-12	-13	-14	-49	-52	
Operating profit	6	-3	7	1	-1	10	-1	
Financial items and risk result life & pension	17	119	283	-368	78	50	321	
Profit before amortisation	23	116	289	-368	77	61	320	

The Other segment reported a profit before amortisation of NOK 23m (NOK 77m) in the 4th quarter. For the full year, profit before amortisation amounted to NOK 61m (NOK 320m). The result stems primarily from returns in the company portfolios. Unrealised losses on investments in the portfolios that occurred in the 1st quarter during the financial market turmoil have been reversed through the remainder of the year.

Fee and administration income was NOK 18m (NOK 13m) in the quarter and operational cost was NOK -12m (NOK -14m).

The financial result for the Other segment includes the company portfolios of SPP and Storebrand Life Insurance amounted to NOK 17m in the

quarter (NOK 78m). The investments are primarily in interest-bearing securities in Norway and Sweden. The Norwegian company portfolio reported a return of 0.64% for the quarter and 1.98% for the full year. The Swedish company portfolio achieved a return of 0.20% in the quarter and 0.81% for the full year.

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 4th quarter, interest expenses of approximately NOK 80m per quarter are expected going forward. The company portfolios in the Norwegian and Swedish life insurance companies amounted to NOK 27bn at end of the 4th quarter.

Balance sheet and capital situation

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

STOREBRAND LIVSFORSIKRING GROUP

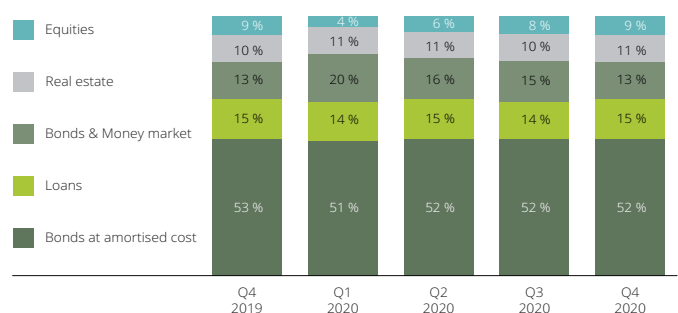
The Solidity capital¹ measures the amount of IFRS capital available to cover customer liabilities. The solidity capital amounted to NOK 72.8bn at the end of 4th quarter 2020, an increase in the 4th quarter by NOK 0.7bn and by NOK 10.3bn year to date. The change in the quarter is due to increased customer buffers in the Swedish operation and decreased in the Norwegian operation.

STORBRAND LIVSFORSIKRING AS

The market value adjustment reserve decreased during the 4th quarter by NOK 0.9bn and NOK 1.7bn year to date. The market value adjustment reserves amounted to NOK 7.2bn, corresponding to 4.3% of customer funds with guarantee, at the end of 4th quarter 2020.

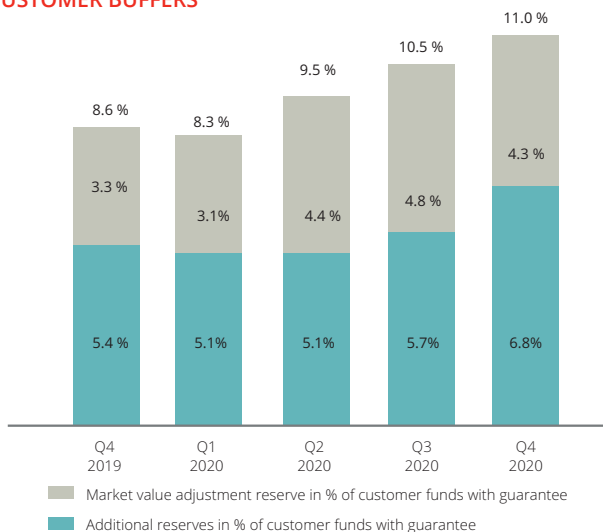
As a result of good investment return booked in customer portfolios, the additional statutory reserves has increased during the 4th quarter by NOK 1.7bn and by NOK 2.4bn year to date. The additional statutory reserves amounted to NOK 11.4bn, corresponding to 6.8% of customer funds with guarantee, at the end of the 4th quarter 2020. Together, the customer buffers amounted to 11% of customer funds with guarantee. The excess value of bonds and loans valued at amortised cost decreased by NOK 1.6bn in the 4th quarter and by NOK 4.1bn year to date due to higher interest rates last quarter and lower interest rates year to date. The excess value of bonds and loans valued at amortised cost amounted to NOK 8.8bn at the end of the 4th quarter, but is not included in the financial statements.

ALLOCATION OF GUARANTEED CUSTOMER ASSETS



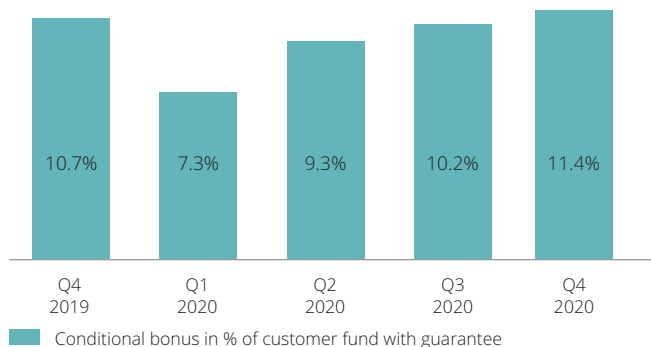
Customer assets increased by NOK 11.9bn in the 4th quarter and NOK 35.1bn year to date, amounting to NOK 324bn at the end of the quarter. Customer assets within non-guaranteed savings increased NOK 12.2bn during the 4th quarter and NOK 31.9bn year to date, amounting to NOK 137bn at the end of the quarter. Guaranteed customer assets decreased in the 4th quarter by NOK 0.3bn and increased by NOK 3.2bn year to date, amounting to NOK 187bn at the end of the quarter.

CUSTOMER BUFFERS



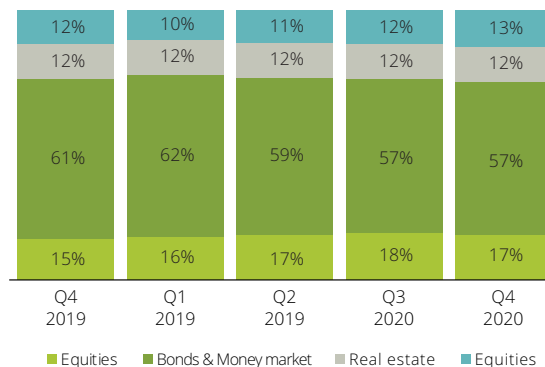
¹⁾ Consists of equity, subordinated loan capital, market value adjustment reserve, risk equalisation reserve, unrealised gains/losses on bonds and loans at amortised cost, additional statutory reserves, conditional bonuses.

SPP
BUFFER CAPITAL



The buffer capital amounted to SEK 10.3bn (SEK 8.3bn) at the end of the 4th quarter.

ALLOCATION OF GUARANTEED CUSTOMER ASSETS



Total assets under management for customers in SPP were SEK 209bn (SEK 195bn) at the end of the 4th quarter. This corresponds to an increase of 7% compared to the 4th quarter last year. For customer assets in non-guaranteed savings, assets under management totalled SEK 126bn (SEK 112bn) at the end of the 4th quarter, which corresponds to an increase of 12%, compared with the 4th quarter 2019.

Outlook

STRATEGY LEADING THE WAY IN SUSTAINABLE VALUE CREATION

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

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

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

FINANCIAL PERFORMANCE

In Norway, the defined contribution pension market has grown structurally over the past years. High single-digit growth in premiums and double-digit growth in assets under management are expected during the next years. We aim to defend Storebrand's market leader position, while also focusing on cost leadership and improved customer experience through end-to-end digitalisation. The market for private sector occupational pensions has experienced increased competition over the last years in anticipation of the new Individual Pension Accounts (IPA), described in more detail below. As individuals' contracts are merged into one account, fees will be reduced. The resulting economic effect for the Norwegian Unit Linked business is expected to be moderate in 2021 and slightly more negative in 2022, before recovering in 2023 through strong underlying growth as well as measures to increase profitability.

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

In Sweden, SPP has become a significant result contributor to the Storebrand Group, driven by earnings growth and ongoing capital release. Growth is expected to continue, driven by an edge in digital and ESG-enhanced solutions, and a strong market position. The market is expected to grow about 8% annually, supported by

increasing transfer volumes. Going forward, SPP's ambition is to grow 14-16% annually – twice the overall market growth – through capturing the largest share of transfers.

Overall reserves for guaranteed pensions are expected to start decreasing in the coming years. Guaranteed reserves represent a declining share of the Group's total pension reserves and were 50.8% at the end of the year, 3.7 percentage points lower than last year. Storebrand's strategy is to secure customer returns and shield shareholder's equity under turbulent market conditions by building customer buffers.

The individualisation of the market for pension and savings is expected to further increase and may be reinforced by the introduction of individual pension accounts in Norway. Retail has already become an increasingly large part of Storebrand.

Strong cost discipline will be a critical success factor to deliver on the earnings ambition. Storebrand will continue to reduce underlying costs, partly by accelerated digital investments.

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. Should the economic situation worsen and financial markets deteriorate, investment losses may occur from reduced valuations of such instruments.

Storebrand has adapted to the low interest rate environment by increasing duration in portfolios and building buffer capital. The level of the average annual interest rate guarantee is gradually reduced as older policies with higher guarantees are phased out. In the long term, continued low interest rates will represent a risk for products with guaranteed high interest rates. Storebrand has adjusted its asset allocation by building a robust portfolio of bonds at amortised cost to achieve sufficient returns. With over 11% of customer buffers as a share of customer reserves, Storebrand effectively has NOK 28bn more in customer assets than liabilities. Customer buffers increase the expected booked returns in Norway, currently estimated to be 3.6% compared to the average annual guarantee of 3.1%. The customer buffers can also be used to compensate for a shortfall in returns under poor market conditions, limiting the financial risk to shareholders.

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

situation with unemployment could lead to increased disability, which may result in increased claims. Consequently, Storebrand has strengthened its disability reserves in 2020. Should the economic situation worsen, further reserve and price increases can be undertaken.

Operational risk may also have an effect on solvency. The risk is closely monitored. The span of outcomes from regulatory risk has increased. Several processes, both on the domestic and international level, with potential implications for capital, customer returns and commercial opportunities are described below.

Changes have been made to the Norwegian tax legislation for the insurance industry in recent years. Storebrand and the Norwegian Tax Administration have interpreted some of the legislation changes and the associated transitional rules differently. Consequently, Storebrand has three significant uncertain tax positions with regards to recognised tax expenses. These are described in more detail in note 8. Should Storebrand's interpretation be accepted in all three cases, an estimated positive tax result of up to NOK 2.8 billion may be recognised. Should all the Norwegian Tax Administration's interpretations be the final verdict, a tax expense of NOK 1.8 billion could be recognised. The Norwegian Tax Administration is expected to come with their decision on whether to retroactively change Storebrand's tax bill in early 2021. However, the timeline for settling the process with the Norwegian Tax Administration might take several years. If necessary, Storebrand will seek clarification from the court of law on the matter.

INDIVIDUAL PENSION ACCOUNT

The new legislation introducing Individual pension accounts in the Norwegian defined contribution market entered into force 1 January 2021.

Pension capital certificates issued by previous employers will be transferred into the active scheme unless the holder makes an active choice to stay with the current provider by opting out ("negative acceptance"). Employees can choose to opt out until 30 April. Transfer of approximately 1,5m certificates and NOK 70 billion certificates will then take place from May to November 2021. The long transfer period aims to minimize market impact of the process.

A key aim of the reform is to reduce the costs associated with the administration of pension contributions from previous employers. Regulation stipulates that individuals shall pay the same fee for former earnings from pension capital certificates transferred to the Individual Pension Account as the employer pays for current earnings. This will lead to significantly lower income related to former earnings for the providers.

Storebrand currently has a higher market share for active defined contribution schemes than for certificates from such schemes and therefore expects some new net inflows of pension capital certificates.

Employees can from 1 February choose to transfer pension savings from the employer's collective scheme to a provider of own choice.

GUARANTEED PENSIONS

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

The Ministry of Finance decided shortly after the public hearing that pension providers ability to book fixed income at amortised cost would not be revoked.

The Ministry of Finance is expected to present a proposal to parliament regarding changes in buffer and guarantee regulation shortly.

SOLVENCY II REVIEW

The European Insurance and Occupational Pension Authority (EIOPA) presented final proposal for changes in the Solvency II standard model to the Commission in December 2020. EIOPA has proposed changes in the interest rate risk module that could increase the solvency capital requirement for Norwegian and Swedish insurers. EIOPA was expected to present final proposals to the Commission in June, but the timetable has been revised due to the impact of the Covid-19 pandemic.

We still expect final conclusions to be drawn by the Commission, the Parliament and the Council in 2022. This will be followed by work on delegated acts and guidelines. Changes are not expected to enter into force before 2026.

CHANGES IN IFRS

A new accounting standard for insurance contracts, IFRS 17, is expected to be implemented in 2023. Storebrand will also implement IFRS 9, Financial instruments, at the same time. The new standards will lead to changes in the valuation of the insurance contracts and how the profit is accounted. Estimated effects for Storebrand will be presented closer to the implementation date.

SUSTAINABLE FINANCE

The European Union's Action Plan on Sustainable Finance aims to contribute to realising the Paris goals of reduced carbon emissions. This is followed by new regulation to increase investments in sustainable activities and increase the resilience of the financial system when it comes to climate risk.

The Financial Supervisory Authority has conducted a public consultation on legislation introducing the EU Taxonomy on classification of sustainable activities and regulation on climate-related disclosures in Norwegian law.

Lysaker, 9 February 2021
Board of directors Storebrand Livsforsikring AS

Storebrand Livsforsikring group

Statement of comprehensive income

(NOK million)	Q4		1.1 - 31.12	
	2020	2019	2020	2019
TECHNICAL ACCOUNT:				
Gross premiums written	6,427	6,224	27,379	24,988
Reinsurance premiums ceded	-1	-2	-11	-11
Premium reserves transferred from other companies	1,902	1,518	15,437	6,239
Premiums for own account	8,328	7,740	42,805	31,216
Income from investments in subsidiaries, associated companies and joint ventures companies	307	63	473	285
Interest income and dividends etc. from financial assets	1,910	1,820	6,992	7,790
Net operating income from properties	251	229	1,018	1,003
Changes in investment value	8	-624	3,028	5,053
Realised gains and losses on investments	1,525	-572	2,918	2,235
Total net income from investments in the collective portfolio	4,002	916	14,429	16,367
Income from investments in subsidiaries, associated companies and joint ventures companies	57	19	96	56
Interest income and dividends etc. from financial assets	884	412	919	379
Net operating income from properties	20	37	168	148
Changes in investment value	10,139	6,597	10,396	29,870
Realised gains and losses on investments	2,958	965	4,838	1,941
Total net income from investments in the investment selection portfolio	14,058	8,030	16,418	32,394
Other insurance related income	391	360	1,426	1,344
Gross claims paid	-5,069	-4,856	-20,372	-19,591
Claims paid - reinsurance	10	2	15	10
Premium reserves etc. transferred to other companies	-1,970	-1,200	-8,152	-6,357
Claims for own account	-7,030	-6,054	-28,509	-25,938
To/from premium reserve, gross	1,323	3,993	-353	-531
To/from additional statutory reserves	-1,690	-664	-2,460	-768
Change in marketvalue adjustment fund	922	393	-1,670	-3,255
Change in premium fund, deposit fund and the pension surplus fund	-2	-1	-3	-2
To/from technical reserves for non-life insurance business	12	19	-106	-8
Change in conditional bonus	-1,441	-1,502	-223	-1,858
Transfer of additional statutory reserves and value adjustment fund from other insurance companies/pension funds	33	-4	27	-11
Changes in insurance obligations recognised in the Profit and Loss Account - contractual obligations	-841	2,234	-4,788	-6,433
Change in pension capital	-17,102	-11,916	-36,761	-43,761
Changes in insurance obligations recognised in the Profit and Loss Account - investment portfolio separately	-17,102	-11,916	-36,761	-43,761
Profit on investment result	-508	-199	-508	-199
Risk result allocated to insurance contracts	-113	-196	-113	-196
Other allocation of profit	-84	-43	-84	-43
Unallocated profit	318	305		
Funds allocated to insurance contracts	-387	-132	-705	-438

Continue next page

Storebrand Livsforsikring group

Statement of comprehensive income continue

(NOK million)	Q4		1.1 - 31.12	
	2020	2019	2020	2019
Management expenses	-62	-45	-211	-189
Selling expenses	-79	-214	-782	-788
Change in pre-paid direct selling expenses	11	12	68	51
Insurance-related administration expenses (incl. commissions for reinsurance received)	-485	-437	-1,468	-1,565
Insurance-related operating expenses	-615	-684	-2,393	-2,492
Other insurance related expenses	-75	1	-279	-388
Technical insurance profit	728	496	1,643	1,871
NON-TECHNICAL ACCOUNT				
Income from investments in subsidiaries, associated companies and joint ventures companies	-15	129	19	15
Interest income and dividends etc. from financial assets	167	128	454	448
Changes in investment value	-2	-36	30	113
Realised gains and losses on investments	-35	-47	-114	83
Net income from investments in company portfolio	115	174	388	660
Other income	66	51	198	173
Management expenses	-5	-5	-19	-18
Other expenses	-239	-226	-875	-831
Management expenses and other costs linked to the company portfolio	-244	-230	-894	-849
Profit or loss on non-technical account	-63	-5	-307	-16
Profit before tax	665	491	1,336	1,855
Tax expenses	-114	-136	344	-333
Profit before other comprehensive income	551	355	1,679	1,522
Change in actuarial assumptions	-82	23	-88	14
Fair value adjustment of properties for own use	59	-2	83	-22
Other comprehensive income allocated to customers	-59	2	-83	22
Tax on other profit elements not to be reclassified to profit/loss	10	9	10	9
Other comprehensive income not to be reclassified to profit/loss	-72	32	-78	23
Profit/loss cash flow hedging	-32	-19	-32	-36
Translation differences foreign exchange		45	282	-164
Other profit comprehensive income that may be reclassified to profit /loss	-33	26	250	-201
Other comprehensive income	-105	58	172	-177
TOTAL COMPREHENSIVE INCOME	446	413	1,851	1,345
PROFIT IS ATTRIBUTABLE TO:				
Share of profit for the period - shareholders	558	353	1,679	1,515
Share of profit for the peride - non-controlling interests	-7	2		7
COMPREHENSIVE INCOME IS ATTRIBUTABLE TO:				
Share of profit for the period - shareholders	446	408	1,851	1,347
Share of profit for the peride - non-controlling interests		5		-2

Storebrand Livsforsikring group

Statement of financial position

(NOK million)	31.12.2020	31.12.2019
ASSETS		
ASSETS IN COMPANY PORTFOLIO		
Goodwill	831	750
Other intangible assets	3,195	3,073
Total intangible assets	4,026	3,824
Properties at fair value	50	49
Equities and units in subsidiaries, associated companies and joint ventures	133	114
Loans at amortised cost	2	2
Bonds at amortised cost	7,361	7,119
Deposits at amortised cost	434	582
Equities and fund units at fair value	102	25
Bonds and other fixed-income securities at fair value	17,350	19,914
Derivatives at fair value	1,316	1,122
Total investments	26,747	28,926
Receivables in connection with direct business transactions	263	310
Receivables in connection with reinsurance transactions	1	17
Receivables with group company	106	112
Other receivables	4,953	3,206
Total receivables	5,323	3,645
Tangible fixed assets	700	325
Cash, bank	1,785	1,814
Tax assets	1,723	1,566
Other assets designated according to type	67	67
Total other assets	4,275	3,772
Pre-paid direct selling expenses	717	583
Other pre-paid costs and income earned and not received	160	138
Total pre-paid costs and income earned and not received	877	721
Total assets in company portfolio	41,249	40,887
Assets in customer portfolios		
Properties at fair value	27,652	25,526
Properties for own use	1,609	1,375
Equities and units in subsidiaries, associated companies and joint ventures	5,044	3,352
Bonds held to maturity	13,026	13,377
Bonds at amortised cost	92,846	89,790
Loans at amortised cost	23,733	23,735
Deposits at amortised cost	9,390	6,163
Equities and fund units at fair value	21,839	25,677
Bonds and other fixed-income securities at fair value	97,223	83,881
Loans at fair value	7,523	6,393
Derivatives at fair value	6,535	3,122
Total investments in collective portfolio	306,419	282,391
Reinsurance share of insurance obligations	24	69

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Storebrand Livsforsikring group

Statement of financial position continue

(NOK million)	31.12.2020	31.12.2019
Properties at fair value	4,415	3,839
Equities and units in subsidiaries, associated companies and joint ventures	1,123	693
Loans	36	
Deposits at amortised cost	900	1,312
Equities and fund units at fair value	208,607	168,344
Bonds and other fixed-income securities at fair value	50,939	44,245
Loans at fair value	142	343
Derivatives at fair value	2,052	1,009
Total investments in investment selection portfolio	268,215	219,786
Total assets in customer portfolio	574,657	502,246
TOTAL ASSETS	615,906	543,133
EQUITY AND LIABILITIES		
Share capital	3,540	3,540
Share premium	9,711	9,711
Other paid in equity	599	88
Total paid in equity	13,850	13,339
Risk equalisation fund	438	466
Security reserves	5	5
Other earned equity	11,323	11,627
Non-controlling interests	69	113
Total earned equity	11,835	12,211
Perpetual subordinated loans	1,100	1,974
Dated subordinated loans	7,734	6,675
Total subordinated loans and hybrid tier 1 capital	8,834	8,649
Premium reserves	263,383	253,582
Additional statutory reserves	11,380	9,192
Market value adjustment reserve	7,170	5,500
Premium fund, deposit fund and the pension surplus fund	2,266	2,016
Conditional bonus	10,769	9,302
Other technical reserve	702	649
Total insurance obligations in life insurance - contractual obligations	295,671	280,072
Pension capital	268,331	219,793
Total insurance obligations in life insurance - investment portfolio separately	268,331	219,793
Pension liabilities etc.	180	100
Deferred tax	647	527
Other provisions for liabilities	115	127
Total provisions for liabilities	942	754
Liabilities in connection with direct insurance	695	1,015
Liabilities in connection with reinsurance	11	3
Derivatives	886	932
Liabilities to group companies	29	33
Other liabilities	14,276	5,560
Total liabilities	15,897	7,543
Other accrued expenses and received, unearned income	546	772
Total accrued expenses and received, unearned income	546	772
TOTAL EQUITY AND LIABILITIES	615,906	543,133

Storebrand Livsforsikring group

Statement of change in equity

(NOK million)	Majority's share of equity								Total equity
	Share capital	Share premium	Other paid in equity	Total paid in equity	Risk equalisation fund	Security reserves	Other equity	Non-controlling interests	
Equity at 31.12.2018	3,540	9,711		13,251	234		13,714	114	27,313
Profit for the period					232	5	1,278	7	1,522
Other comprehensive income							-175	-2	-177
Total comprehensive income for the period					232	5	1,102	6	1,345
Equity transactions with owner:									
Received dividend/group contributions			88	88					88
Paid dividend/group contributions							-3,221		-3,221
Other							33	-7	26
Equity at 31.12.2019	3,540	9,711	88	13,339	466	5	11,628	113	25,550
Profit for the period					-27		1,699	7	1,679
Other comprehensive income							164	8	172
Total comprehensive income for the period					-27		1,864	15	1,851
Equity transactions with owner:									
Received dividend/group contributions			511	511					511
Paid dividend/group contributions							-2,220		-2,220
Other							52	-59	-7
Equity at 31.12.2020	3,540	9,711	599	13,850	438	5	11,323	69	25,686

Storebrand Livsforsikring

Statement of cash flow 1. January - 31. December

Storebrand Livsforsikring group			Storebrand Livsforsikring AS	
2019	2020	(NOK million)	2020	2019
Cash flow from operational activities				
25,236	27,431	Net received - direct insurance	18,147	17,104
-19,913	-20,625	Net claims/benefits paid - direct insurance	-12,500	-12,529
-118	7,285	Net receipts/payments - policy transfers	1,030	-1,368
-765	184	Net change insurance liabilities	54	-260
-2,492	-2,393	Net receipts/payments operations	-1,362	-1,509
3,643	1,159	Net receipts/payments - other operational activities	-663	341
5,591	13,042	Net cash flow from operating activities before financial assets	4,705	1,780
310	-195	Net receipts/payments - loans to customers	22	1,556
-1,148	-7,424	Net receipts/payments - financial assets	-2,701	2,115
368	511	Net receipts/payments - property activities		
-2,092	-2,657	Net change bank deposits insurance customers	-1,556	-2,770
-3,298	-10,786	Net cash flow from operating activities from financial assets	-4,235	901
2,293	2,256	Net cash flow from operating activities	470	2,681
Cash flow from investment activities				
	-28	Net payments - sale/purchase of subsidiaries	279	
-14	-30	Net receipts/payments - sale/purchase of fixed assets	-6	-15
-14	-58	Net cash flow from investing activities	273	-15
Cash flow from financing activities				
927	499	Receipts - subordinated loans issued	499	927
-128	-872	Repayment of subordinated loans	-872	-128
-355	-381	Payments - interest on subordinated loans	-381	-355
110	682	Payments received of dividend and group contribution	1,293	110
-3,200	-2,202	Payment of dividend and group contribution	-1,526	-3,200
-2,646	-2,274	Net cash flow from financing activities	-986	-2,646
-367	-76	Net cash flow for the period	-243	20
2,931	10,710	of which net cash flow for the period before financial assets	3,992	-881
-367	-76	Net movement in cash and cash equivalent assets	-243	20
2,717	2,396	Cash and cash equivalents at the start of the period	1,410	1,390
46	-102	Currency translation differences		
2,396	2,218	Cash and cash equivalent assets at the end of the period	1,167	1,410

Storebrand Livsforsikring AS

Statement of comprehensive income

(NOK million)	Q4		1.1 - 31.12	
	2020	2019	2020	2019
TECHNICAL ACCOUNT:				
Gross premiums written	4,118	4,089	18,099	16,905
Reinsurance premiums ceded		-1	-9	-8
Premium reserves transferred from other companies	725	768	6,051	3,139
Premiums for own account	4,843	4,857	24,142	20,036
Income from investments in subsidiaries, associated companies and joint ventures companies	1,204	862	1,397	3,461
of which from investment in property companies	1,204	384	1,397	1,302
Interest income and dividends etc. from financial assets	1,409	1,299	5,389	5,389
Changes in investment value	-859	-841	1,622	1,702
Realised gains and losses on investments	796	371	1,901	-455
Total net income from investments in the collective portfolio	2,550	1,690	10,308	10,097
Income from investments in subsidiaries, associated companies and joint ventures companies	314	885	355	3,870
of which from investment in property companies	316	86	357	289
Interest income and dividends etc. from financial assets	885	346	919	64
Changes in investment value	5,659	1,735	5,268	8,534
Realised gains and losses on investments	2,960	1,204	4,839	1,430
Total net income from investments in the investment selection portfolio	9,818	4,171	11,381	13,897
Other insurance related income	221	241	815	824
Gross claims paid	-2,925	-2,926	-12,278	-12,226
Claims paid - reinsurance	10	2	14	9
Premium reserves etc. transferred to other companies	-793	-614	-5,021	-4,506
Claims for own account	-3,708	-3,538	-17,285	-16,723
To/from premium reserve, gross	354	464	554	543
To/from additional statutory reserves	-2,538	-832	-2,460	-768
Change in marketvalue adjustment fund	922	393	-1,670	-3,255
Change in premium fund, deposit fund and the pension surplus fund	-2	-1	-3	-2
To/from technical reserves for non-life insurance business	12	19	-106	-8
Transfer of additional statutory reserves and value adjustment fund from other insurance companies/pension funds	33	-4	27	-11
Changes in insurance obligations recognised in the Profit and Loss Account - contractual obligations	-1,218	38	-3,658	-3,501
Change in pension capital	-12,205	-6,811	-22,580	-21,134
Changes in insurance obligations recognised in the Profit and Loss Account - investment portfolio separately	-12,205	-6,811	-22,580	-21,134
Profit on investment result	-508	-199	-508	-199
Risk result allocated to insurance contracts	-113	-196	-113	-196
Other allocation of profit	-84	-43	-84	-43
Unallocated profit	1,308	647		
Funds allocated to insurance contracts	602	209	-705	-438

Continue next page

Storebrand Livsforsikring AS

Statement of comprehensive income continue

(NOK million)	Q4		1.1 - 31.12	
	2020	2019	2020	2019
Management expenses	-62	-45	-211	-189
Selling expenses	63	-76	-216	-269
Insurance-related administration expenses (incl. commissions for reinsurance received)	-341	-299	-936	-1,051
Insurance-related operating expenses	-340	-420	-1,362	-1,509
Other insurance related expenses after reinsurance share	-69	-17	-247	-368
Technical insurance profit	494	420	808	1,180
NON-TECHNICAL ACCOUNT				
Income from investments in subsidiaries, associated companies and joint ventures companies	78	74	1,117	546
Interest income and dividends etc. from financial assets	166	131	418	448
Changes in investment value	-11	-24	35	102
Realised gains and losses on investments	-21	-22	-581	279
Net income from investments in company portfolio	212	158	989	1,374
Other income	2	5	4	22
Management expenses	-5	-5	-19	-18
Other expenses	-117	-106	-392	-390
Total management expenses and other costs linked to the company portfolio	-121	-111	-411	-408
Profit or loss on non-technical account	93	52	582	988
Profit before tax	587	471	1,390	2,168
Tax expenses	-137	-185	369	-322
Profit before other comprehensive income	449	286	1,759	1,846
Change in actuarial assumptions	-3	-4	-3	-4
Tax on other profit elements not to be reclassified to profit/loss	8	10	8	10
Other comprehensive income not to be reclassified to profit/loss	5	6	5	6
Profit/loss cash flow hedging	-32	-19	-32	-36
Other profit comprehensive income that may be reclassified to profit /loss	-32	-19	-32	-36
Other comprehensive income	-27	-13	-27	-30
TOTAL COMPREHENSIVE INCOME	422	273	1,732	1,816

Storebrand Livsforsikring AS

Statement of financial position

(NOK million)	31.12.2020	31.12.2019
ASSETS		
ASSETS IN COMPANY PORTFOLIO		
Other intangible assets	419	338
Total intangible assets	419	338
Equities and units in subsidiaries, associated companies and joint ventures	13,225	12,814
Loans at amortised cost		1
Bonds at amortised cost	7,361	7,119
Deposits at amoritsed cost	373	508
Equities and fund units at fair value	51	24
Bonds and other fixed-income securities at fair value	10,748	11,675
Loans at fair value	12	
Derivatives at fair value	1,316	1,122
Total investments	33,085	33,262
Receivables in connection with direct business transactions	257	305
Receivables in connection with reinsurance transactions	1	9
Receivables with group company	753	770
Other receivables	1,474	356
Total receivables	2,485	1,439
Tangible fixed assets	14	19
Cash, bank	794	902
Tax assets	1,547	1,340
Total other assets	2,355	2,261
Other pre-paid costs and income earned and not received	27	25
Total pre-paid costs and income earned and not received	27	25
Total assets in company portfolio	38,371	37,326
Assets in customer portfolios		
Equities and units in subsidiaries, associated companies and joint ventures	21,155	28,662
of which investment in property companies	21,104	19,565
Bonds held to maturity	13,026	13,377
Bonds at amortised cost	92,846	89,790
Loans at amoritsed cost	23,733	23,735
Deposits at amoritsed cost	6,499	4,444
Equities and fund units at fair value	11,902	7,860
Bonds and other fixed-income securities at fair value	27,035	22,173
Loans at fair value	104	
Derivatives at fair value	4,247	1,080
Total investments in collective portfolio	200,546	191,121

Continue next page

Storebrand Livsforsikring AS

Statement of financial position continue

(NOK million)	31.12.2020	31.12.2019
Reinsurance share of insurance obligations	15	67
Equities and units in subsidiaries, associated companies and joint ventures	5,601	20,077
of which investment in property companies	5,586	4,643
Loans at amoritised cost	36	
Deposits at amoritised cost	488	986
Equities and fund units at fair value	86,267	54,990
Bonds and other fixed-income securities at fair value	42,340	37,138
Loans at fair value	171	343
Derivatives at fair value	2,052	1,009
Total investments in investment selection portfolio	136,955	114,544
Total assets in customer portfolios	337,515	305,732
TOTAL ASSETS	375,886	343,058
EQUITY AND LIABILITIES		
Share capital	3,540	3,540
Share premium	9,711	9,711
Other paid in equity	1,110	599
Total paid in equity	14,361	13,850
Risk equalisation fund	438	466
Security reserves	5	5
Other earned equity	10,729	11,190
Total earned equity	11,172	11,661
Perpetual subordinated loans	1,100	1,974
Dated subordinated loans	7,734	6,675
Total subordinated loans and hybrid tier 1 capital	8,834	8,649
Premium reserves	172,089	171,973
Additional statutory reserves	11,380	9,023
Market value adjustment reserve	7,170	5,500
Premium fund, deposit fund and the pension surplus fund	2,266	2,016
Other technical reserve	702	649
Total insurance obligations in life insurance - contractual obligations	193,607	189,161
Pension capital	137,089	114,538
Total insurance obligations in life insurance - investment portfolio separately	137,089	114,538
Pension liabilities etc.	7	7
Total provisions for liabilities	7	7
Liabilities in connection with direct insurance	469	758
Derivatives	401	421
Liabilities to group companies	2,254	2,257
Other liabilities	7,553	1,450
Total liabilities	10,678	4,886
Other accrued expenses and received, unearned income	137	305
Total accrued expenses and received, unearned income	137	305
TOTAL EQUITY AND LIABILITIES	375,886	343,058

Storebrand Livsforsikring AS

Statement of change in equity

(NOK million)	Share capital ¹⁾	Share premium reserve	Other paid in capital	Total paid in equity	Risk equalisation fund	Security reserves	Other equity	Total equity
Equity at 31.12.2018	3,540	9,711	84	13,335	233		11,812	25,381
Profit for the period					232	5	1,609	1,846
Other comprehensive income							-30	-30
Total comprehensive income for the period					232	5	1,578	1,816
Equity transactions with owner:								
Received dividend/group contributions			515	515				515
Paid dividend/group contributions							-2,200	-2,200
Other								
Equity at 31.12.2019	3,540	9,711	599	13,850	466	5	11,190	25,511
Profit for the period					-27		1,787	1,759
Other comprehensive income							-27	-27
Total comprehensive income for the period					-27		1,759	1,732
Equity transactions with owner:								
Received dividend/group contributions			511	511				511
Paid dividend/group contributions							-2,222	-2,222
Other							1	1
Equity at 31.12.2020	3,540	9,711	1,110	14,361	438	5	10,729	25,533

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

Notes

Storebrand Livsforsikring group

Note 01 | Accounting policies

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

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

Storebrand Livsforsikring AS - the company's financial statements

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

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

In the third quarter, additional statutory reserves were changed to include both estimated deductions and estimated addition to additional statutory reserves, comparative figures have been restated.

Note 02 | Estimates

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

Actual results may differ from these estimates.

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

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

INSURANCE

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

GUARANTEED PENSION

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

Other

The result for the company portfolios and small subsidiaries of Storebrand Life Insurance and SPP. In addition, the activities at BenCo are reported in this segment. The elimination of intra-group transactions that have been included in the other segments has also been included.

RECONCILIATION WITH THE PROFIT AND LOSS ACCOUNT

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

A description of the most important differences is included in the 2019 annual report in note 3 Segment reporting.

PROFIT BY SEGMENTS

(NOK million)	Q4		1.1 - 31.12	
	2020	2019	2020	2019
Savings	211	146	782	566
Insurance	140	23	89	281
Guaranteed pension	387	332	775	1,029
Other	23	77	61	320
Profit before amortisation	760	578	1,707	2,196
Amortisation intangible assets	-95	-87	-372	-341
Profit before tax	665	491	1,336	1,855

SEGMENT INFORMATION Q4

(NOK million)	Savings		Insurance		Guaranteed pension	
	2020	2019	2020	2019	2020	2019
Fee and administration income	503	484			375	368
Insurance result			215	120		
- Insurance premiums for own account			750	704		
- Claims for own account			-535	-584		
Operational cost	-296	-338	-99	-115	-214	-225
Operating profit	207	146	116	5	161	143
Financial items and risk result life & pension	4		23	18	226	189
Profit before amortisation	211	146	140	23	387	332
Amortisation of intangible assets						
Profit before tax	211	146	140	23	387	332

(NOK million)	Other		Storebrand Livsforsikring group	
	2020	2019	2020	2019
Fee and administration income	18	13	895	865
Insurance result			215	120
- Insurance premiums for own account			750	704
- Claims for own account			-535	-584
Operational cost	-12	-14	-620	-691
Operating profit	6	-1	490	294
Financial items and risk result life & pension	17	78	270	284
Profit before amortisation	23	77	760	578
Amortisation of intangible assets			-95	-87
Profit before tax	23	77	665	491

SEGMENT INFORMATION AS AT 31.12

(NOK million)	Savings		Insurance		Guaranteed pension	
	2020	2019	2020	2019	2020	2019
Fee and administration income	1,961	1,805			1,455	1,475
Insurance result			454	665		
- Insurance premiums for own account			2,938	2,750		
- Claims for own account			-2,484	-2,086		
Operational cost	-1,138	-1,222	-399	-417	-842	-819
Operating profit	824	583	56	248	614	657
Financial items and risk result life & pension	-41	-17	33	33	162	372
Profit before amortisation	782	566	89	281	775	1,029
Amortisation of intangible assets						
Profit before tax	782	566	89	281	775	1,029

(NOK million)	Other		Storebrand Livsforsikring group	
	2020	2019	2020	2019
Fee and administration income	59	51	3,476	3,332
Insurance result			454	665
- Insurance premiums for own account			2,938	2,750
- Claims for own account			-2,484	-2,086
Operational cost	-49	-52	-2,427	-2,510
Operating profit	10	-1	1,503	1,486
Financial items and risk result life & pension	50	321	204	709
Profit before amortisation	61	320	1,707	2,196
Amortisation of intangible assets			-372	-341
Profit before tax	61	320	1,336	1,855

Financial market risk and insurance risk

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

FINANCIAL MARKET RISK

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

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

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

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

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

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

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

The equity market was strong in the fourth quarter. Global equities increased 12 percent and Norwegian equities increased 14 percent in the fourth quarter. For the full year, global equities rose 13 percent and Norwegian equities rose 5 percent. The market for corporate bonds was also positive in the fourth quarter. Most of the increase in credit spreads in the first quarter is now reversed.

Interest rates rose during the fourth quarter, after large falls in the first half of the year. During the fourth quarter the Norwegian 10-year swap-rate rose 0.4pp, but the fall is still 0.8pp from the start of the year. Short term interest rates are down by approx. 1.4pp from the start of the year. The Swedish 10-year swap-rate is down by 0.3 pp from the start of the year. Due to most of the interest rate investments in the Norwegian customer portfolios being held at amortized cost, changes in interest rates have a limited effect on booked returns in the short term. However, with the present interest rates, new bond investments provide a lower return than the average interest rate guarantee. A lower interest rate is also negative for the solvency position.

The Norwegian Krone strengthened in the fourth quarter after a significant weakening, particularly in the first quarter. From the start of the year, the Norwegian Krone has weakened approx. 6 percent against the Euro, 3 percent against the US dollar and 11 percent against the Swedish Krona. A high degree of currency hedging in the portfolio means that the exchange rate fluctuations have a modest effect on results and Storebrand's market risk.

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

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

The return for guaranteed customer portfolios both in Norway and Sweden on average was positive, both in the fourth quarter and for the full year.

The return for the unit linked portfolios was also generally positive, both in the fourth quarter and for the full year.

SENSITIVITY ANALYSES

The tables show the fall in value for Storebrand Life Insurance and SPP's investment portfolios as a result of immediate changes in value related to financial market risk. The calculation is model-based, and the result is dependent on the choice of stress level for each category of asset. The stresses have been applied to the company portfolio and guaranteed customer portfolios as at 31 December 2020. The effect of each stress changes the return in each profile.

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

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

LEVEL OF STRESS

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

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

As a result of customer buffers, the effect of the stresses on the result will be lower than the values described in the tables. As at 31 December 2020, the customer buffers are of such a size that the effects on the result are significantly lower.

STRESSTEST 1

Sensitivity	Storebrand Livförsäkring		SSP Pension & Försäkring	
	NOK Million	Share of portfolio	NOK Million	Share of portfolio
Interest rate risk	4,275	2.0%	-150	-0.2%
Equity risk	-2,447	-1.1%	-2,162	-2.3%
Property risk	-2,585	-1.2%	-1,224	-1.3%
Credit risk	-1,007	-0.5%	-857	-0.9%
Total	-1,764	-0.8%	-4,392	-4.7%

STRESSTEST 2

Sensitivity	Storebrand Livsforsikring		SSP Pension & Försäkring	
	NOK Million	Share of portfolio	NOK Million	Share of portfolio
Interest rate risk	-4,274	2.0%	150	-0.2%
Equity risk	-1,466	-0.7%	-2,297	-1.4%
Property risk	-1,506	-0.7%	-714	-0.8%
Credit risk	-603	-0.3%	-514	-0.5%
Total	-7,849	-3.7%	-2,376	-2.5%

Storebrand Livsforsikring

Stress test 2, which includes an increase in interest rates, makes the greatest impact for Storebrand Livsforsikring. The overall market risk is NOK 7.8 billion (NOK 7.2 billion as at 31 December 2019), which is equivalent to 3.7 (3.4) per cent of the investment portfolio.

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

SPP Pension & Försäkring

For SPP it is stress test 1, which includes a fall in interest rates, that creates the greatest impact. The overall market risk is SEK 4.4 billion (SEK 3.5 billion as at 31 December 2019), which is equivalent to 4.7 (3.8) per cent of the investment portfolio.

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

INSURANCE RISK

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

The weakening of the Norwegian economy in 2020 has led to a substantial increase in unemployment. This increase is possibly temporary due to the containment of the virus. There has historically been correlations between the unemployment rate and the disability levels. The governments are putting in place several measures to support the economy from effects from Covid-19, but the long-term unemployment rate and the outcome of the pandemic is uncertain.

Storebrand increased insurance reserves in the first quarter 2020 based on expected effects from the Covid-19 virus. The situation has been closely monitored during the rest of 2020, without any observed significant effects from Covid-19 on the reserves. The development of the insurance reserves is dependent on future scenarios and are currently more uncertain than normal. Storebrand will continue to monitor the development of Covid-19 and effects for the economy. A prolonged situation with high unemployment could lead to higher disability levels and increased reserves. However, the current insurance reserves represent Storebrand's best estimate of the insurance liabilities.

Other insurance risk was not materially changed during 2020.

Note 05 | Liquidity risk

SPECIFICATION OF SUBORDINATED LOANS

(NOK million)	Nominal value	Currency	Interest rate	Call date	Book value
Issuer					
Perpetual subordinated loans					
Storebrand Livsforsikring AS	1,100	NOK	Variable	2024	1,100
Dated subordinated loans					
Storebrand Livsforsikring AS	750	SEK	Variable	2021	789
Storebrand Livsforsikring AS	1,000	SEK	Variable	2022	1,044
Storebrand Livsforsikring AS	900	SEK	Variable	2025	938
Storebrand Livsforsikring AS	1,000	SEK	Variable	2024	1,045
Storebrand Livsforsikring AS	500	NOK	Variable	2025	499
Storebrand Livsforsikring AS	300	EUR	Fixed	2023	3,420
Total subordinated loans and hybrid tier 1 capital 31.12.2020					8,834
Total subordinated loans and hybrid tier 1 capital 31.12.2019					8,649

Note 06 | Valuation of financial instruments and properties

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

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

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES AT AMORTISED COST

(NOK million)	Fair value 31.12.2020	Fair value 31.12.19	Book value 31.12.2020	Book value 31.12.19
Financial assets				
Loans to customers - corporate	6,211	6,169	6,220	6,194
Loans to customers - retail	17,195	17,542	17,195	17,542
Bonds held to maturity	14,876	14,433	13,394	13,377
Bonds classified as loans and receivables	107,363	100,588	99,425	96,909
Financial liabilities				
Subordinated loan capital	8,882	8,729	8,834	8,649

VALUATION OF FINANCIAL INSTRUMENTS AND PROPERTIES AT FAIR VALUE

STOREBRAND LIVSFORSIKRING GROUP

(NOK million)	Level 1	Level 2	Level 3	Total	Total
	Quoted prices	Observable assumptions	Non-observable assumptions	31.12.2020	31.12.2019
Assets					
Equities and fund units					
- Equities	31,285	109	839	32,233	28,673
- Fund units		188,955	9,360	198,314	165,372
Total equities and fund units 31.12.2020	31,285	189,064	10,199	230,548	
Total equities and fund units 31.12.2019	28,007	156,553	9,485		194,045
Total loans to customers					
- Loans to customers - corporate			7,665	7,665	6,736
Bonds and other fixed income securities					
- Government bonds	15,959	18,248		34,206	31,416
- Corporate bonds		61,724	318	62,043	60,055
- Collateralised securities		3,128		3,128	1,219
- Bond funds		56,940	9,196	66,136	55,350
Total bonds and other fixed income securities 31.12.2020	15,959	140,040	9,514	165,513	
Total bonds and other fixed income securities 31.12.2019	10,638	131,898	5,505		148,040
Derivatives:					
- Equity derivatives					1
- Interest derivatives		5,664		5,664	2,539
- Currency derivatives		3,353		3,353	1,780
- Credit derivatives					
Total derivatives 31.12.2020		9,017		9,017	
- derivatives with a positive market value		9,903		9,903	5,253
- derivatives with a negative market value		-886		-886	-932
Total derivatives 31.12.2019		4,321			4,321
Properties:					
- Investment properties			32,117	32,117	29,415
- Owner-occupied properties			1,609	1,609	1,375
Total properties 31.12.2020			33,726	33,726	
Total properties 31.12.2019			30,790		30,790

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

MOVEMENT LEVEL 3

(NOK million)	Equities	Fund units	Loans to customers	Corporate bonds	Bond funds	Investment properties	Owner-occupied properties
Book value 01.01	469	9,016	6,736	15	5,490	29,415	1,375
Net profit/loss	-121	184	-173	308	308	-287	84
Supply/disposal	511	1,253	1,738			3,798	1,099
Sales/overdue/settlement	-20	-1,334	-1,343	-6	-6	-327	
Currency translation differences		241	707	1	1	523	1,086
Other							432
Book value 31.12.2020	839	9,360	7,665	318	5,793	33,121	4,076

As at 31 December 2020, Storebrand Livsforsikring had NOK 6 166 million invested in Storebrand Eiendomsfond Norge KS and Ruseløkkveien 26 AS. The investments are classified as "investment in associated companies and joint ventures" in the Consolidated Financial Statements.

STOREBRAND LIVSFORSIKRING AS

(NOK million)	Level 1 Quoted prices	Level 2 Observable assumptions	Level 3 Non-observable assumptions	Total 31.12.2020	Total 31.12.2019
Assets					
Equities and fund units					
- Equities	29,362	102	328	29,791	2,327
- Fund units		61,137	7,291	68,428	60,547
Total equities and fund units 31.12.2020	29,362	61,239	7,619	98,219	
Total equities and fund units 31.12.2019	1,685	53,883	7,306		62,874
Total loans to customers					
- Loans to customers - corporate			287	287	
Bonds and other fixed income securities					
- Government bonds	7,497	164		7,661	4,992
- Corporate bonds		27,994	318	28,313	25,794
- Collateralised securities		1,097		1,097	732
- Bond funds		42,086	966	43,052	39,467
Total bonds and other fixed income securities 31.12.2020	7,497	71,341	1,285	80,122	
Total bonds and other fixed income securities 31.12.2019	4,899	65,316	771		70,986
Derivatives:					
- Equity derivatives					1
- Interest derivatives		4,233		4,233	1,238
- Currency derivatives		2,981		2,981	1,550
Total derivatives 31.12.2020		7,214		7,214	
- derivatives with a positive market value		7,615		7,615	
- derivatives with a negative market value		-401		-401	
Total derivatives 31.12.2019		2,789			2,789

MOVEMENT LEVEL 3

(NOK million)	Equities	Fund units	Loans to customers	Corporate bonds	Bond funds
Book value 01.01	469	6,837	343	8	763
Net profit/loss	-121	419	27	311	-19
Supply/disposal		1,057	147		291
Sales/overdue/settlement	-20	-1,022	-230		-69
Book value 31.12.2020	328	7,291	286	318	966

SENSITIVITY ASSESSMENTS

EQUITIES

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

(NOK million)	Storebrand Livsforsikring group		Storebrand Livsforsikring AS	
	Change in value at change in discount rate		Change in value at change in discount rate	
	Increase + 25 bp	Decrease - 25 bp	Increase + 25 bp	Decrease - 25 bp
Change in fair value as at 31.12.20	-12	11	-12	11
Change in fair value as at 31.12.19	-19	21	-19	21

FUND UNITS

Large portions of the portfolio are private equity funds invested in companies priced against comparable listed companies. The valuation of the private equity portfolio will thus be sensitive to fluctuations in global equity markets. The private equity portfolio has an estimated Beta relative to the MSCI World (Net - currency hedged to NOK) of around 0.54.

(NOK million)	Storebrand Livsforsikring group		Storebrand Livsforsikring AS	
	Change MSCI World		Change MSCI World	
	Increase + 10 %	Decrease - 10 %	Increase + 10 %	Decrease - 10 %
Change in fair value as at 31.12.20	430	-430	339	-339
Change in fair value as at 31.12.19	413	-413	320	-320

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

(NOK million)	Storebrand Livsforsikring group		Storebrand Livsforsikring AS	
	Change indirect property investments		Change indirect property investments	
	Increase + 10 %	Decrease - 10 %	Increase + 10 %	Decrease - 10 %
Change in fair value as at 31.12.20	1	-1	1	-1
Change in fair value as at 31.12.19	1	-1	1	-1

LOANS TO CUSTOMERS

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

(NOK million)	Storebrand Livsforsikring group		Storebrand Livsforsikring AS	
	Change in marketspread		Change in marketspread	
	+ 10 bp	- 10 bp	+ 10 bp	- 10 bp
Change in fair value as at 31.12.20	-27	27	-7	7
Change in fair value as at 31.12.19	-27	27	-9	9

CORPORATE BONDS

Bonds are usually not priced at level 3, but in some cases, when they are non-performing loans, they are priced based on the expected payment. As of 31.12.20, this was not a significant amount for Storebrand's accounts.

(NOK million)	Storebrand Livsforsikring group		Storebrand Livsforsikring AS	
	Change MSCI World		Change MSCI World	
	Increase + 10 %	Decrease - 10 %	Increase + 10 %	Decrease - 10 %
Change in fair value as at 31.12.20	15	-15	15	-15
Change in fair value as at 31.12.19	0	-0	0	-0

PROPERTIES

The sensitivity assessment for real estate includes investments properties.

The valuation of property is particularly sensitive to a change in the required rate of return and the expected future cash flow. A change of 0.25 per cent in the required rate of return when everything else remains unchanged will result in a change in the value of Storebrand's property portfolio of approximately 5 per cent. Approximately 25 per cent of the property's cashflow is linked to leases. This means that the changes in the uncertain parts of the cash flow by 1 per cent entail a change in value of 0.75 per cent.

(NOK million)	Storebrand Livsforsikring group		Storebrand Livsforsikring AS	
	Change in required rate of return		Change in required rate of return	
	0.25 %	-0.25 %	0.25 %	-0.25 %
Change in fair value as at 31.12.20	-1,827	2,041	-1,128	1,251
Change in fair value as at 31.12.19	-1,560	1,699	-1,065	1,129

Tax

The effective tax rate is influenced by the fact that the Group has operations in countries with tax rates that are different from Norway and differences from currency hedging of the Swedish subsidiary SPP. The income tax expense is also influenced by a tax effect relating to previous years. In the quarter there has been booked a tax income due to new information and interpretation of the transition rules of 2018. The tax rate for companies' subject to the financial tax is 25 per cent. The Storebrand Group includes companies that are both subject to and not subject to the financial tax. Therefore, when capitalising deferred tax/deferred tax assets in the consolidated financial statements, the company tax rate that applies for the individual companies is used (22 or 25 per cent).

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

In the first quarter there was booked a tax income of NOK 356 million due to new information and revised interpretation of the transition rules of 2018. Due to a substantial weakening of NOK against SEK in the first quarter, the hedging of Swedish subsidiaries had a tax effect which increased the tax income. The NOK has increased during 2020 and the tax effect was reduced to NOK 217 million.

Uncertain tax positions

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

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

Storebrand Livsforsikring AS disagrees with the Norwegian Tax Administration's interpretation but considers it uncertain as to whether the company's interpretation will be accepted if the case is decided by a court of law. The uncertain tax position has therefore been recognised in the financial statements. Based on our revised best estimate, the difference between Storebrand's interpretation and the Norwegian Tax Administration's interpretation is approximately NOK 6.4 billion in an uncertain tax position. If Storebrand's interpretation is accepted, a deferred tax expense of approximately NOK 1.6 billion will be derecognised from the financial statements.

- C. The outcome of the interpretation of tax rules for group contributions referred to above under (A) will have an impact when calculating the effect from the transitional rules for the new tax rules referred to under point (B). An equivalent interpretation to that described under (A) has been used as a basis in the financial statements when calculating tax input values on property shares owned by customer assets for 2016 and 2017. There is thus an uncertain tax position relating to the effect from the transitional rules described in (B). This effect will depend on the interpretation and outcome of (A). If Storebrand's position is accepted under (A), Storebrand will recognise a tax income of approximately NOK 0.8 billion. If the Norwegian Tax Administration prevails with its argument under point (A), Storebrand will recognise a tax expense of approximately NOK 0.6 billion.

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

Note 08

Contingent liabilities

(NOK million)	Storebrand Livsforsikring group		Storebrand Livsforsikring AS	
	31.12.20	31.12.19	31.12.20	31.12.19
Uncalled residual liabilities re limited partnership	8,251	7,297	7,686	6,433
Total contingent liabilities	8,251	7,297	7,686	6,433

Guarantees essentially encompass payment and contract guarantees.

Unused credit facilities encompass granted and any unused credit accounts and credit cards, as well as, any unused flexible mortgage facilities.

Storebrand Group companies are engaged in extensive activities in Norway and abroad, and are subject for client complaints and may become a party in legal disputes, see also note 2 and note 42 in the 2019 annual report.

Note 09

Solvency II

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

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

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

SOLVENCY CAPITAL

(NOK million)	31.12.2020					31.12.19
	Total	Group 1 unlimited	Group 1 limited	Group 2	Group 3	Total
Share capital	3,540	3,540				3,540
Share premium	9,711	9,711				9,711
Reconciliation reserve	23,393	23,393				21,146
Including the effect of the transitional arrangement	4,815	4,815				
Subordinated loans	8,734		1,131	7,602		7,651
Deferred tax asset						
Risk equalisation reserve	438			438		466
Expected dividend/group distributions	-1,709	-1,709				
Total solvency capital	44,107	34,935	1,131	8,040		40,823
Total solvency capital available to cover the minimum capital requirement	37,528	34,935	1,131	1,461		35,124

SOLVENCY CAPITAL REQUIREMENT AND MARGIN

(NOK million)	31.12.20	31.12.19
Market	21,635	18,583
Counterparty	818	702
Life	7,044	7,055
Health	644	564
P&C		
Operational	1,062	1,036
Diversification	-5,318	-5,043
Loss-absorbing tax effect	-5,367	-4,740
Total solvency requirement	20,518	18,156
Solvency margin	215.0 %	224.8 %
Minimum capital requirement	7,306	6,512
Minimum margin	513.7 %	539.3 %

Note 10 | Information about related parties

Storebrand conducts transactions with related parties as part of its normal business activities. These transactions take place on commercial terms. The terms for transactions with management and related parties are stipulated in notes 22 and 43 in the 2019 annual report.

Storebrand Livsforsikring has not carried out any material transactions other than normal business transactions with related parties during 2020, other than Storebrand Livsforsikring AS having acquired mortgages from the sister company Storebrand Bank ASA. The mortgages were transferred on commercial terms. The portfolio of loans that have been transferred in the 4th quarter 2020 is NOK 1,9 billion and NOK 5.2 billion year to date. Storebrand Livsforsikring transfers loans back to Storebrand Bank when mortgages are renegotiated or terminated. The total portfolio of loans bought as of the 4th quarter in 2020 is NOK 17.7 billion. Storebrand Livsforsikring AS pays management fees to Storebrand Bank ASA for management of the portfolios, the expense for the 4th quarter 2020 is NOK 16.9 million and NOK 68,9 million year to date.

Financial calender 2021



28 April	Results 1Q 2021
14 July	Results 2Q 2021
27 October	Results 3Q 2021
February 2022	Results 4Q 2021

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