



# Interim report 2019

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 2019. Storebrand Group's ambition is to be the best provider of pension savings. The Group offers an integrated product range spanning from life insurance, P&C insurance, asset management and banking to private individuals, companies and public sector entities. The Group is divided into the segments Savings, Insurance, Guaranteed Pension and Other.

## PROFIT STOREBRAND LIVSFORSIKRING GROUP

(NOK million)		2019				2018	1.1 - 31.12	
	Q4	Q3	Q2	Q1	Q4	2019	2018	
Fee and administration income	865	844	813	809	776	3,332	3,185	
Insurance result	120	189	186	170	199	665	947	
Operational expenses	-691	-604	-637	-577	-653	-2,510	-2,454	
<b>Operating profit</b>	<b>294</b>	<b>428</b>	<b>362</b>	<b>402</b>	<b>322</b>	<b>1,486</b>	<b>1,678</b>	
Financial items and risk result life & pension	284	112	120	194	36	709	637	
<b>Profit before amortisation</b>	<b>578</b>	<b>540</b>	<b>482</b>	<b>596</b>	<b>358</b>	<b>2,196</b>	<b>2,315</b>	
Amortisation	-87	-85	-84	-86	-85	-341	-305	
<b>Profit before tax</b>	<b>491</b>	<b>456</b>	<b>398</b>	<b>511</b>	<b>273</b>	<b>1,855</b>	<b>2,010</b>	

The profit before amortisation was NOK 578m (NOK 358m) in the 4th quarter and NOK 2,196m year to date (NOK 2,315m). The figures in brackets are from the corresponding period last year.

Total fee and administration income amounted to NOK 865m (NOK 776m) for the 4th quarter representing an increase of 11% compared to the same period last year. Adjusted for currency changes the increase was 17%. For the full year, the income amounted to NOK 3,332 m (NOK 3,185m) – an increase of 6% adjusted for currency changes. Income in the Savings segment was NOK 484m (NOK 427m) in the quarter and grew by 20% adjusted for currency changes.

Total unit-linked savings and guaranteed pension reserves have increased with NOK 13bn in the 4th quarter and NOK 43bn in 2019, contributing to the increase in income as well.

In the Guaranteed segment, fee and administration income amounted to NOK 368m (NOK 333m) in the 4th quarter and NOK 1,475m (NOK 1,440m) in 2019.

The Insurance result was NOK 23m (NOK 67m) and the total combined ratio was 99% (88%) in the 4th quarter. This is higher than the Storebrand Group targeted range of 90-92%, but for the full year the combined ratio was 91% (81%), in line with the target. Last year's lower combined ratio was largely driven by run-off gains.

The operating costs in the 4th quarter were NOK 691m (NOK 653m). The underlying cost control is strong. Volume growth within the Saving

segment has resulted in a larger part of the Group's costs being allocated to this segment.

Overall, the operating profit decreased in the quarter and year to date compared to last year. Strong insurance results in 2018 is the main explanations for the difference.

The 'financial items and risk result' of NOK 284m (NOK 36m) was substantially better in the 4th quarter compared to last year. A continued strong risk result in Paid-up policies combined with a strong financial result in the Swedish business SPP contribute positively. Good financial markets in the 4th quarter resulted in NOK 100m (NOK 14m) of profit sharing in SPP in the 4th quarter due to lower deferred capital contributions (DCC). For the full year, net profit sharing is slightly lower compared to last year because of last year's reserve release of NOK 200m from DCC in SPP.

The Group reported a tax cost of NOK 136m (income NOK 1,445m) for the quarter and NOK 333m year to date (income NOK 1,088m). This is slightly lower than the estimated tax rate of 20-23% for 2019. The effective tax rate is influenced by the fact that the Group has operations in countries with tax rates that are different from Norway, and it varies from quarter to quarter depending on each legal entity's contribution to the Group result. The tax result in the 4th quarter 2018 was a result of transitional effects from new tax legislation in Norway that lead to a tax income of approximately NOK 1.6 billion. Tax related issues are described in note 7.

## PROFIT STOREBRAND LIVSFORSIKRING GROUP – BY SEGMENTS

(NOK million)	Q4	2019			2018		1.1 - 31.12	
		Q3	Q2	Q1	Q4	2019	2018	
Savings	146	152	117	150	115	566	491	
Insurance	23	89	96	74	67	281	554	
Guaranteed pensions	332	237	211	249	217	1,029	1,148	
Other	77	62	58	124	-40	320	121	
<b>Profit before amortisation</b>	<b>578</b>	<b>540</b>	<b>482</b>	<b>596</b>	<b>358</b>	<b>2,196</b>	<b>2,315</b>	

The Savings segment reported a profit of NOK 146m (NOK 115m) for the 4th quarter. Growth in assets under management from premium income, new sales and positive financial markets contribute positively to the underlying result improvement.

The Insurance segment reported a profit of NOK 23m (NOK 67m) for the 4th quarter. The risk result gives a claims ratio of 83% (73%) in the quarter. Run-off gains contributed positively to the result last year while 2019 has seen higher disability claims.

The Guaranteed Pension segment reported a profit before amortisation of NOK 332m (NOK 217m) in the 4th quarter and NOK 1,029m (NOK 1,148m) for the full year. Good results for disability risk coverages in Norwegian Paid-up policies and net profit sharing in SPP from positive financial markets leading to lower deferred capital contributions (DCC), are the main drivers behind the good result in the quarter. The products within Guaranteed Pension are in long-term run-off and reduced earnings from this segment are to be expected over time.

The Other segment, which primarily consists of company capital, subordinated loans, and small subsidiaries, reported a profit of NOK 77m (NOK minus 40m) in the quarter and NOK 320m (NOK 121m) year to date. The company capital improvement is explained by market credit spreads tightening.

### CAPITAL SITUATION

Storebrand uses the standard model for the calculation of Solvency II. The Storebrand Group's target solvency margin in accordance with

the Solvency II regulations is a minimum of 150%, including use of the transitional rules. The solvency margin was 176% at the end of 2019. The Solvency margin without transitional rules was 174%. Higher interest rates during the quarter was partly offset by lower volatility adjustment and an increase in the equity stress level. Exclusion of the subordinated loan with call in March 2020 and regulatory changes including new capital requirements for mortgage loans reduce the solvency ratio. Group results and strong returns in the quarter, contributes positively on the solvency margin.

### MARKET AND SALES PERFORMANCE

The growth in Unit linked savings is driven by premiums from existing contracts, new sales, investment returns, conversion from Defined Benefit to Defined Contribution schemes and increased savings rates. Assets under management in the Unit Linked business in Norway and Sweden increased by 13bn (6%) during 4th quarter and 41bn (23%) compared to the previous year and amounted to NOK 220bn at the end of the year. Both the Swedish and the Norwegian Unit Linked business manage over NOK 100bn of pension assets each. In Norway, Storebrand is the market leader in Unit Linked occupational pension with 29% market share of gross premiums written (at the end of the 3rd quarter 2019). SPP has a market share of 14% in the Swedish market for non-unionised occupational pensions ("Övrig Tjänstepension") and is rapidly growing its sales within United Linked pensions. New sales, measured in annual premium equivalent, are 24% higher in 2019 compared to 2018.

# Savings

- Increase in fee- and administration income
- Unit Linked: 11% growth in premiums and 23% in reserves in the 4th quarter compared to last year

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)	2019				2018		1.1 - 31.12	
	Q4	Q3	Q2	Q1	Q4	2019	2018	
Fee and administration income	484	450	436	435	427	1,805	1,655	
Operational expenses	-338	-291	-313	-281	-301	-1,222	-1,139	
<b>Operating profit</b>	<b>146</b>	<b>160</b>	<b>123</b>	<b>153</b>	<b>126</b>	<b>583</b>	<b>516</b>	
Financial items and risk result life & pension	-0	-7	-6	-3	-11	-17	-25	
<b>Profit before amortisation</b>	<b>146</b>	<b>152</b>	<b>117</b>	<b>150</b>	<b>115</b>	<b>566</b>	<b>491</b>	

The Savings segment reported a profit before amortisation and tax of NOK 146m (NOK 115m) for the 4th quarter and NOK 566m year to date (NOK 491m).

Compared to last year, the fee- and administration income in the Savings segment increased by 20% in the quarter and by 11% year to date, when adjusted for currency. Returns, new sales and higher savings rates drive income growth. Increased competition contributes to moderate margin pressure both for the Norwegian and the Swedish Unit Linked products.

Operating expenses was NOK 338m for the quarter (NOK 301m). The operating expenses are impacted by underlying growth in the business.

## BALANCE SHEET AND MARKET TRENDS

Turbulent financial markets in the 4th quarter 2018 lead to lower assets under management at the beginning of 2019, but good returns have contributed to growth through the year. The Unit Linked premiums were NOK 4.5bn (NOK 4.1bn) in 4th quarter, growing by 11% compared to the previous year. The total assets under management in Unit Linked have

increased by 13bn (6%) during 4th quarter and 41bn (23%) compared to the previous year and amounted to NOK 220bn at the end of the quarter.

In the Norwegian Unit Linked business the assets under management increased by NOK 6.8bn (6%) in the quarter and NOK 21bn (23%) year to date. The underlying growth is driven by 5% growth in occupational pension premium payments as well as good market returns. In Norway, Storebrand is the market leader with a 29% market share of gross premiums written (at the end of the 3rd quarter) within Unit Linked.

In the Swedish market, SPP is the fourth largest provider of non-unionised occupational pensions with a market share of 14% measured by gross premiums written (excluding transfers) within Unit Linked. Customer assets increased by NOK 6.2bn (6%) in the quarter and NOK 19bn (23%) in 2019, driven by strong growth in sales of 24% in 2019 compared to 2018 when measured in annual premium equivalent (APE) as well by good market returns.

## KEY FIGURES

(NOK million)	2019			2018	
	Q4	Q3	Q2	Q1	Q4
Unit Linked Reserves	219,793	206,717	198,032	190,971	179,299
Unit Linked Premiums	4,551	4,205	4,175	4,237	4,086

# Insurance

- Combined ratio of 91% (full year) and stable premiums and operating costs
- Weaker result than last year due to higher disability claims

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)	2019				2018		1.1 - 31.12	
	Q4	Q3	Q2	Q1	Q4	2019	2018	
Insurance result	120	189	186	170	199	665	947	
- Insurance premiums f.o.a.	704	689	683	675	731	2,750	2,780	
- Claims f.o.a.	-584	-500	-497	-505	-532	-2,086	-1,833	
Operational expenses	-115	-105	-102	-95	-112	-417	-411	
<b>Operating profit</b>	<b>5</b>	<b>84</b>	<b>83</b>	<b>75</b>	<b>87</b>	<b>248</b>	<b>536</b>	
Financial items and risk result life & pension	18	5	12	-1	-20	33	18	
<b>Profit before amortisation</b>	<b>23</b>	<b>89</b>	<b>96</b>	<b>74</b>	<b>67</b>	<b>281</b>	<b>554</b>	

Insurance delivered a result before amortisation of NOK 23m (NOK 67m) for the 4th quarter and NOK 281m year to date (NOK 554m). The combined ratio was 99% (88%) in the quarter.

The 4th quarter claims ratio was 83% (73%) and the result is weaker than last year due to higher disability claims in is weaker than last year due to higher disability claims in several product areas. Individual insurance coverage has a lower result due to higher claims on disability and critical illness, and a claims ratio higher than last year. For Group life disability claims have increased considerably, and price raises have been implemented as of January 2020 in order to improve the result. The risk result for Pension related disability is generally seeing a positive disability development in Norway, however price competition is significant. In Sweden, the disability result is stronger than expected for the full year, however lower in 4th quarter than previous quarters. The cost ratio was 16% (15%) in the 4th quarter. Cost control has continued to be satisfactory.

Insurance's investment portfolio in Norway amounted to NOK 6.4bn<sup>1</sup> as of the 4th quarter, which is primarily invested in fixed income securities with short to medium duration.

## BALANCE SHEET AND MARKET TRENDS

Portfolio premium (annual) amounts to NOK 2,622m (NOK 2,655m) in the 4th quarter. Profitability in the retail market 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)	2019			2018	
	Q4	Q3	Q2	Q1	Q4
Individual life *	673	662	655	649	645
Group life **	805	895	857	855	872
Pension related disability insurance ***	1,144	1,130	1,134	1,124	1,138
<b>Portfolio premium</b>	<b>2,622</b>	<b>2,687</b>	<b>2,645</b>	<b>2,628</b>	<b>2,655</b>

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

## KEY FIGURES

(NOK million)	2019			2018	
	Q4	Q3	Q2	Q1	Q4
Claims ratio	83 %	73 %	73 %	75 %	73 %
Cost ratio	16 %	15 %	15 %	14 %	15 %
<b>Combined ratio</b>	<b>99 %</b>	<b>88 %</b>	<b>88 %</b>	<b>89 %</b>	<b>88 %</b>

<sup>1</sup> NOK 2.6bn of the investment portfolio is linked to disability coverages where the investment result goes to the customer reserves and not as a result element in the P&L.

# Guaranteed pension

- Income development in line with strategy and product run-off
- Strong risk result and net profit sharing in the 4th quarter

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)	2019				2018		1.1 - 31.12	
	Q4	Q3	Q2	Q1	Q4	2019	2018	
Fee and administration income	368	384	364	361	333	1,475	1,440	
Operational expenses	-225	-199	-209	-186	-223	-819	-816	
<b>Operating profit</b>	<b>143</b>	<b>185</b>	<b>155</b>	<b>174</b>	<b>111</b>	<b>657</b>	<b>624</b>	
Financial items and risk result life & pension	189	52	56	74	106	372	525	
<b>Profit before amortisation</b>	<b>332</b>	<b>237</b>	<b>211</b>	<b>249</b>	<b>217</b>	<b>1,029</b>	<b>1,148</b>	

Guaranteed Pension achieved a profit before amortisation of NOK 332m (NOK 217m) in the 4th quarter and NOK 1,029m (NOK 1,148m) for the full year.

Fee and administration income has performed in line with the fact that a large part of the portfolio is mature and in long-term decline. Income of NOK 368m (NOK 333m) in the 4th quarter was somewhat higher than last year, but on the same level as 2018 on a full year basis at NOK 1,475m (NOK 1,440m).

Operating costs amounted to NOK 225m (NOK 223m) in the 4th quarter and NOK 819m for the full year (NOK 816m). Over time, operating costs will be reduced as a result of the products being in long-term run-off.

The risk result amounted to NOK 71m (NOK 58m) in the 4th quarter and NOK 215m for the full year (NOK 191m). The risk result continues to be

strong in Norwegian Paid-up policies with a result of NOK 50m (NOK 38m). In the Swedish business, the risk result was NOK 29m (NOK 6m) in the quarter which is satisfactory and driven by a stronger longevity result.

The result from profit sharing was NOK 118m (NOK 48m) in the 4th quarter and NOK 157m for the full year (NOK 333m). Profit sharing in the Norwegian business is moderate and most profit sharing in the quarter is generated in SPP. The driver for profit sharing is positive investment returns from real estate and credit bonds, resulting in lower deferred capital contributions (DCC). Increased volatility adjustment (VA) also contributed to lower DCC. Due to further reductions in the ultimate forward rate (UFR), reserves in Sweden have been strengthened by NOK 47m in the 4th quarter.

## BALANCE SHEET AND MARKET TRENDS

The majority of guaranteed products are closed for new business, and the customers' choice of transferring from guaranteed to non-guaranteed products is in line with the Group's strategy. As of the 4th quarter, customer reserves for guaranteed pensions amounted to NOK 263bn. This is a reduction of NOK 0.5bn compared to the previous quarter, but an increase of NOK 2.6bn compared to last year. The increase is attributed to growth in buffer capital. As a share of the total balance sheet, guaranteed reserves amount to 54.5% (59.2%) as of the 4th quarter, a reduction of 4.7 percentage points since last year. The premium income for guaranteed pensions (excluding transfers) was NOK 1.2bn (NOK 1.1bn) in the 4th quarter and NOK 5.2bn for the for the full year (NOK 5.3bn).

In the Norwegian business, Paid-up policies is the only guaranteed pension portfolio experiencing some growth over time as active Defined Benefit contracts will eventually become Paid-up policies. The Paid-up

portfolio amounted to NOK 137bn as of the 4th quarter – an increase of NOK 4.2bn from last year. Reserves for Defined Benefit pensions in Norway amounted to NOK 33bn at the end of the 4th quarter, in line with the level at the start of the year.

Guaranteed portfolios in the Swedish business totalled NOK 80bn as of the 4th quarter, a reduction of NOK 0.9bn in 2019.

All products achieved a return above the guaranteed rate on average in 2019, resulting in 16% growth in buffer capital for the year. In Norway, the average value adjusted return was 5.5% while the average guaranteed rate was 3.2%. In Sweden, the average value adjusted return was 7.9% while the average guaranteed rate was 2.9%.

## KEY FIGURES

(NOK million)	2019			2018	
	Q4	Q3	Q2	Q1	Q4
Guaranteed reserves	263,185	263,677	261,973	260,560	260,573
Guaranteed reserves in % of total reserves	54.5 %	56.1 %	57.0 %	57.7 %	59.2 %
Transfer out of guaranteed reserves	16	14	-1	75	10
Buffer capital in % of customer reserves Storebrand	8.6 %	8.3 %	7.9 %	7.4 %	6.4 %
Buffer capital in % of customer reserves SPP	10.7 %	9.8 %	9.9 %	9.4 %	8.7 %



# 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 BenCo is included.

## PROFIT

(NOK million)	2019				2018		1.1 - 31.12	
	Q4	Q3	Q2	Q1	Q4	2019	2018	
Fee and administration income	13	10	14	14	16	51	89	
Operational expenses	-14	-10	-14	-14	-18	-52	-88	
<b>Operating profit</b>	<b>-1</b>	<b>-0</b>	<b>0</b>	<b>-0</b>	<b>-2</b>	<b>-1</b>	<b>2</b>	
Financial items and risk result life & pension	78	62	58	124	-39	321	120	
<b>Profit before amortisation</b>	<b>77</b>	<b>62</b>	<b>58</b>	<b>124</b>	<b>-40</b>	<b>320</b>	<b>121</b>	

The Other segment reported a profit of NOK 77 (minus NOK 40m) in the quarter and NOK 320m (NOK 121m) year to date. The improvement in the result stems from spreads tightening in credit bond investments.

Fee and administration income as well as operational cost was reduced in comparison with the same quarter last year due to sale of Nordben.

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

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 90m per quarter are expected. The company portfolios in the Norwegian and Swedish life insurance companies amounted to NOK 24bn at end of the year.

The investments are primarily in interest-bearing securities, with short maturities, in Norway and Sweden. The Norwegian company portfolio reported a return of 0.70% for the quarter. The Swedish company portfolio provided a return of minus 2.57% in the 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.

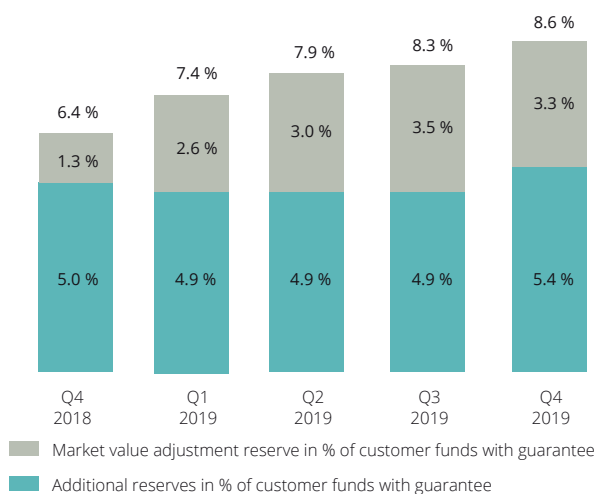
## STOREBRAND LIVSFORSIKRING GROUP

The Solidity capital<sup>1</sup> measures the amount of IFRS capital available to cover customer liabilities. The solidity capital amounted to NOK 62.4bn at the end of 4th quarter 2019, an increase of NOK 0.3bn in 4th quarter. The change in the quarter is due to decreased customer buffers in the Norwegian business and an increase in customer buffers Swedish business.

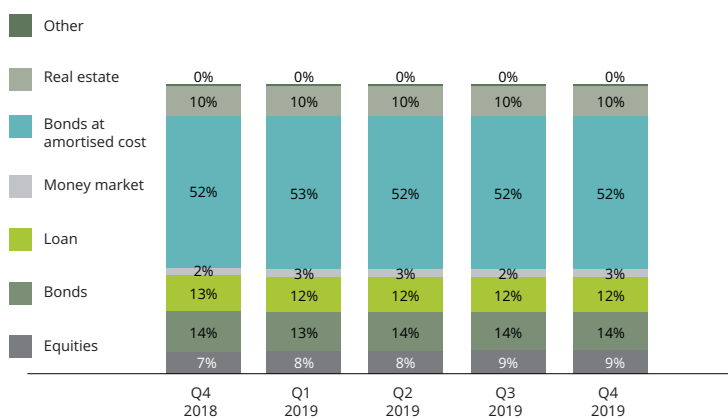
## STORBRAND LIVSFORSIKRING AS

The market value adjustment reserve decreased during the 4th quarter by NOK 0.4bn and increased year to date by NOK 3.3bn and amounted to NOK 5.5bn at the end of the 4th quarter 2019. The additional statutory reserves increased during the 4th quarter by NOK 0.8bn and year to date by NOK 0.5bn due to preliminary application of the investment return and amounted to NOK 9.0bn at the end of the 4th quarter 2019. The excess value of bonds and loans valued at amortised cost decreased by NOK 1.8bn in the 4th quarter and NOK 0.3bn year to date and amounted to NOK 4.7bn at the end of the 4th quarter 2019 due to increases in interest rates. The excess value of bonds and loans at amortised cost is not included in the financial statements.

## CUSTOMER BUFFERS



## ALLOCATION OF GUARANTEED CUSTOMER ASSETS

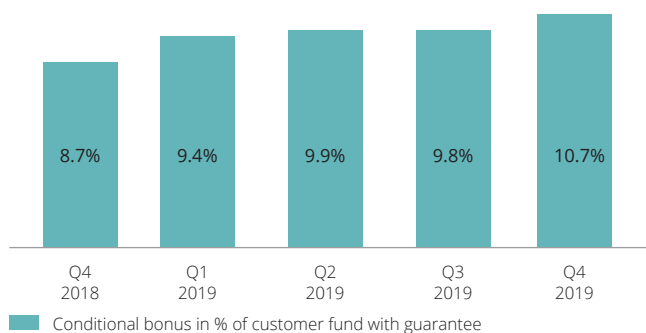


Customer assets increased by NOK 6.8bn in the 4th quarter and NOK 24.6bn year to date due to positive investment returns. Customer assets totaled NOK 297bn at the end of the 4th quarter 2019. Customer assets within non-guaranteed savings increased NOK 6.8bn during the 4th quarter and NOK 21.1bn year to date and amounted to NOK 115bn at the end of 4th quarter 2019. There is no change in guaranteed customer assets in the 4th quarter, for the year 2019 there is an increase of NOK 3.5bn. Guaranteed customer asset amounted to NOK 183bn at the end of 2019.

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

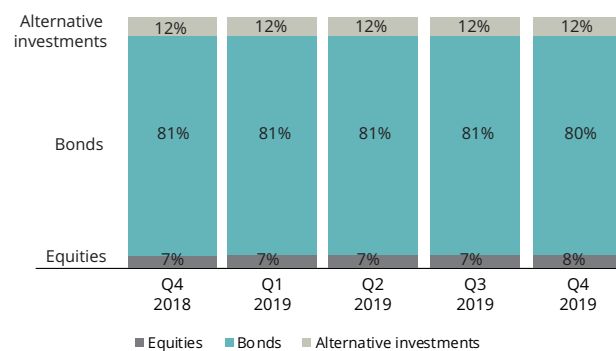
SPP

**BUFFER CAPITAL**



The buffer capital amounted to SEK 8.3bn (SEK 6.6bn) at the end of the 4th quarter.

**ALLOCATION OF GUARANTEED CUSTOMER ASSETS**



Total assets under management in SPP were SEK 195bn (SEK 168bn) at the end of the 4th quarter. This corresponds to an increase of 16% compared to the 4th quarter last year. For customer assets in non-guaranteed savings, assets under management totalled SEK 112bn (SEK 88bn) at the end of the 4th quarter, which corresponds to an increase of 28%, compared with the 4th quarter 2018.

# Outlook

## STRATEGY

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

## FINANCIAL PERFORMANCE

The market for Defined Contribution pensions is growing, and Storebrand's total reserves within Unit Linked increased by 23% in the last 12 months. Continued good growth for Defined Contribution pensions is expected in the future. The loyalty program for employees at companies that have a pension scheme at Storebrand remains an important area of focus. The competition in the market has resulted in pressure on margins within these segments. This in turn sets requirements for cost reductions and efficiency improvements in distribution and product solutions to achieve continued profitable growth. In order to realise the ambitions in the retail market, sales must continue to increase.

The Guaranteed Pension segment is in long term run-off and the reserves for the guaranteed Defined Benefit solutions are decreasing. However, there is continued growth in the reserves linked to Paid-up policies due to companies choosing to convert existing Defined Benefit schemes to Defined Contribution schemes and because Defined Benefit policies are converted to Paid-up policies as policyholders are entering retirement. It is expected that the growth in Paid-up policies will decline in the next few years and that there will be flat growth in reserves over several years before the reserves start to fall. The portfolio of Paid-up policies makes a limited contribution to the Group results with the present interest rates. Guaranteed reserves represent a declining share of the Group's total pension reserves and were 54.5% at the end of the quarter, a 5%-point reduction from the previous year.

The group has a strong track record of cost control. To ensure profitability and counter margin pressure in the financial industry, the group continues a strict reign on cost and invests in digital solutions to improve scalability and efficiency. Storebrand will still make selected investments in growth. Lower cost through automation, digitalisation and the partnerships are expected to cover normal investments in business growth and inflation the coming years.

## RISK

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

## INDIVIDUAL PENSION ACCOUNT

Individual Pension Accounts are expected to be introduced in 2021. The new scheme is based on existing pension accounts in active defined contribution schemes.

Defined contribution capital certificates issued by previous employers ("pensjonskapitalbevis") will be transferred into the active scheme unless the holder makes an active choice to stay with the current provider by opting-out ("negative acceptance"). A key aim of the reform is to reduce the costs associated with the administration of pension contributions from previous employers. This will in turn entail lower income 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 certificates from the proposed changes. Individuals will be able to transfer the pension account (both current and former earnings) to other providers.

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

## GUARANTEED PENSION

The Ministry of Finance has sent out a consultation paper regarding changes in guaranteed pension regulations based on proposal by the Financial Supervisory Authority (FSA). The FSA proposals follow up from a Working Group report on guaranteed pensions published in

September 2018 with the aim of increasing returns to policyholders. The Working Group assessed the regulations for profit sharing and buffer building, as well as rules regulating the transfer of pension assets between providers:

- The opportunity for companies to build up additional statutory provisions separately for individual contracts.
- Merging the additional statutory reserves and the market value adjustment reserve into a new customer-distributed buffer reserve that could also cover negative returns.
- The opportunity for the company to fulfil annual interest rate guarantees with borrowed equity.
- The opportunity for customers to choose faster disbursements for small paid-up policies.
- The opportunity for the companies to compensate customers when transitioning to paid-up policies with investment options.

The FSA also proposed removing the ability to book fixed income investments at amortised cost. Storebrand and other providers have argued against this proposal. In the consultation paper, the Ministry of Finance points to the arguments against this proposal and emphasises that such a change only will be considered should it prove to be significantly favourable to the customers.

The Ministry of Finance will decide on which proposals to put forward to parliament after the public consultation which ends in April 2020.

#### **PUBLIC SERVICE PENSIONS**

New public sector occupational pensions will be introduced from 2020. Storebrand provides administration and asset management services for municipal pension funds and decided to enter the insured municipal pension market in 2019.

When collective guaranteed pension contracts are transferred to other providers, the provider which the customer transfers from can withhold market value adjustment reserves up to two per cent of technical provisions. The Ministry of Finance has abolished this regulation with effect from December 2019. This will mainly have an impact on the market for municipal pensions, facilitating competition by creating a more level playing field and increasing transfer values for municipal customers moving from their current provider.

#### **SOLVENCY II REVIEW**

The European Insurance and Occupational Pension Authority (EIOPA) has launched a public consultation on changes in the Solvency II standard model. EIOPA has proposed changes in the interest rate risk module that could increase the solvency capital requirement for Norwegian and Swedish insurers. EIOPA will present final proposals to the Commission in June 2020, and final conclusions drawn by the Commission, the Parliament and the Council in 2022.

Lysaker, 11 February 2020

Board of directors Storebrand Livsforsikring AS

# Storebrand Livsforsikring group

## Statement of comprehensive income

(NOK million)	Q4		1.1 - 31.12	
	2019	2018	2019	2018
<b>TECHNICAL ACCOUNT:</b>				
Gross premiums written	6,224	5,647	24,988	24,027
Reinsurance premiums ceded	-2	-1	-11	-25
Premium reserves transferred from other companies	1,518	1,004	6,239	4,566
<b>Premiums for own account</b>	<b>7,740</b>	<b>6,649</b>	<b>31,216</b>	<b>28,568</b>
Income from investments in subsidiaries, associated companies and joint ventures companies	63	8	285	254
Interest income and dividends etc. from financial assets	1,820	1,807	7,790	7,350
Net operating income from properties	229	225	1,003	903
Changes in investment value	-624	-1,295	5,053	-2,300
Realised gains and losses on investments	-572	-502	2,235	1
<b>Total net income from investments in the collective portfolio</b>	<b>916</b>	<b>242</b>	<b>16,367</b>	<b>6,207</b>
Income from investments in subsidiaries, associated companies and joint ventures companies	19	1	56	49
Interest income and dividends etc. from financial assets	412	578	379	570
Net operating income from properties	37	30	148	127
Changes in investment value	6,597	-16,402	29,870	-7,624
Realised gains and losses on investments	965	-350	1,941	480
<b>Total net income from investments in the investment selection portfolio</b>	<b>8,030</b>	<b>-16,143</b>	<b>32,394</b>	<b>-6,398</b>
<b>Other insurance related income</b>	<b>340</b>	<b>243</b>	<b>1,344</b>	<b>1,335</b>
Gross claims paid	-4,856	-4,790	-19,591	-19,223
Claims paid - reinsurance	2	53	10	76
Premium reserves etc. transferred to other companies	-1,200	-1,126	-6,357	-5,265
<b>Claims for own account</b>	<b>-6,054</b>	<b>-5,863</b>	<b>-25,938</b>	<b>-24,413</b>
To/from premium reserve, gross	3,693	1,028	-531	3,212
To/from additional statutory reserves	-832	-118	-768	-52
Change in value adjustment fund	393	596	-3,255	1,462
Change in premium fund, deposit fund and the pension surplus fund	-1	-3	-2	-5
To/from technical reserves for non-life insurance business	19	4	-8	-5
Change in conditional bonus	-1,502	1,095	-1,858	336
Transfer of additional statutory reserves and value adjustment fund from other insurance companies/pension funds	-4	-4	-11	-16
<b>Changes in insurance obligations recognised in the Profit and Loss Account - contractual obligations</b>	<b>1,766</b>	<b>2,597</b>	<b>-6,433</b>	<b>4,931</b>
Change in pension capital	-11,570	13,201	-43,761	-4,964
<b>Changes in insurance obligations recognised in the Profit and Loss Account - investment portfolio separately</b>	<b>-11,570</b>	<b>13,201</b>	<b>-43,761</b>	<b>-4,964</b>
Profit on investment result	-199	-162	-199	-162
Risk result allocated to insurance contracts	-196	-194	-196	-194
Other allocation of profit	-43	-60	-43	-63
Unallocated profit	474	722		
<b>Funds allocated to insurance contracts</b>	<b>36</b>	<b>306</b>	<b>-438</b>	<b>-419</b>

# Storebrand Livsforsikring group

## Statement of comprehensive income continue

(NOK million)	Q4		1.1 - 31.12	
	2019	2018	2019	2018
Management expenses	-45	-53	-189	-209
Selling expenses	-214	-213	-788	-739
Change in pre-paid direct selling expenses	12	9	51	27
Insurance-related administration expenses (incl. commissions for reinsurance received)	-437	-400	-1,565	-1,503
<b>Insurance-related operating expenses</b>	<b>-684</b>	<b>-657</b>	<b>-2,492</b>	<b>-2,425</b>
<b>Other insurance related expenses</b>	<b>-25</b>	<b>-66</b>	<b>-388</b>	<b>-195</b>
<b>Technical insurance profit</b>	<b>496</b>	<b>508</b>	<b>1,871</b>	<b>2,228</b>
<b>NON-TECHNICAL ACCOUNT</b>				
Income from investments in subsidiaries, associated companies and joint ventures companies	129	4	15	14
Interest income and dividends etc. from financial assets	128	93	448	363
Changes in investment value	-31	-89	133	-108
Realised gains and losses on investments	-47	28	83	133
<b>Net income from investments in company portfolio</b>	<b>179</b>	<b>36</b>	<b>679</b>	<b>403</b>
<b>Other income</b>	<b>51</b>	<b>-42</b>	<b>173</b>	<b>270</b>
Management expenses	-5	-4	-18	-18
Other expenses	-231	-225	-850	-873
<b>Management expenses and other costs linked to the company portfolio</b>	<b>-235</b>	<b>-229</b>	<b>-868</b>	<b>-890</b>
<b>Profit or loss on non-technical account</b>	<b>-5</b>	<b>-235</b>	<b>-16</b>	<b>-217</b>
<b>Profit before tax</b>	<b>491</b>	<b>273</b>	<b>1,855</b>	<b>2,010</b>
Tax expenses	-136	1,445	-333	1,088
<b>Profit before other comprehensive income</b>	<b>355</b>	<b>1,718</b>	<b>1,522</b>	<b>3,098</b>
Change in actuarial assumptions	23	-28	14	-36
Change in value adjustment reserve own properties	-2	2	-22	48
Adjustment of insurance liabilities	2	-2	22	-48
Tax on other profit elements not to be classified to profit/loss	9	4	9	4
<b>Other comprehensive income not to be classified to profit/loss</b>	<b>32</b>	<b>-24</b>	<b>23</b>	<b>-32</b>
Profit/loss cash flow hedging	-19	30	-36	-23
Currency translation differences	45	192	-164	-358
<b>Other profit comprehensive income that may be classified to profit /loss</b>	<b>26</b>	<b>222</b>	<b>-201</b>	<b>-381</b>
<b>Other comprehensive income</b>	<b>58</b>	<b>198</b>	<b>-177</b>	<b>-413</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>413</b>	<b>1,916</b>	<b>1,345</b>	<b>2,684</b>
<b>PROFIT IS ATTRIBUTABLE TO:</b>				
Majority share of profit	353	1,717	1,515	3,091
Minority share of profit	2	1	7	7
<b>COMPREHENSIVE INCOME IS ATTRIBUTABLE TO:</b>				
Majority share of profit	408	1,918	1,347	2,685
Minority share of profit	5	-2	-2	-1

# Storebrand Livsforsikring group

## Statement of financial position

(NOK million)	31.12.2019	31.12.2018
<b>ASSETS</b>		
<b>ASSETS IN COMPANY PORTFOLIO</b>		
Goodwill	750	780
Other intangible assets	3,073	3,457
<b>Total intangible assets</b>	<b>3,824</b>	<b>4,237</b>
Properties at fair value	49	50
Equities and units in subsidiaries, associated companies and joint ventures companies	114	100
Loans at amortised cost	2	2
Bonds at amortised cost	7,119	7,655
Deposits at amortised cost	582	705
Equities and fund units at fair value	25	16
Bonds and other fixed-income securities at fair value	19,914	17,391
Derivatives at fair value	1,122	1,121
<b>Total investments</b>	<b>28,926</b>	<b>27,040</b>
Receivables in connection with direct business transactions	310	575
Receivables in connection with reinsurance transactions	17	9
Receivables with group company	112	98
Other receivables	3,206	6,036
<b>Total receivables</b>	<b>3,645</b>	<b>6,719</b>
Tangible fixed assets	325	12
Cash, bank	1,814	2,012
Tax assets	1,566	1,942
Other assets designated according to type	67	70
<b>Total other assets</b>	<b>3,772</b>	<b>4,036</b>
Pre-paid direct selling expenses	583	553
Other pre-paid costs and income earned and not received	138	132
<b>Total pre-paid costs and income earned and not received</b>	<b>721</b>	<b>685</b>
<b>Total assets in company portfolio</b>	<b>40,887</b>	<b>42,717</b>
<b>Assets in customer portfolios</b>		
Properties at fair value	25,526	24,913
Properties for own use	1,375	1,420
Equities and units in subsidiaries, associated companies and joint ventures companies	3,352	3,679
Bonds held to maturity	13,377	14,403
Bonds at amortised cost	89,790	86,374
Loans at amortised cost	23,735	25,270
Deposits at amortised cost	6,163	4,509
Equities and fund units at fair value	25,677	23,402
Bonds and other fixed-income securities at fair value	83,881	91,493
Loans at fair value	6,393	5,172
Financial derivatives at fair value	3,122	3,031
<b>Total investments in collective portfolio</b>	<b>282,391</b>	<b>283,666</b>
<b>Reinsurance share of insurance obligations</b>	<b>69</b>	<b>48</b>
Properties at fair value	3,839	3,303



# Storebrand Livsforsikring group

## Statement of financial position continue

(NOK million)	31.12.2019	31.12.2018
Equities and units in subsidiaries, associated companies and joint ventures companies	693	727
Deposits at amortised cost	1,312	948
Equities and fund units at fair value	168,344	133,664
Bonds and other fixed-income securities at fair value	44,245	42,038
Loans at fair value	343	535
Financial derivatives at fair value	1,009	389
<b>Total investments in investment selection portfolio</b>	<b>219,786</b>	<b>181,605</b>
<b>Total assets in customer portfolio</b>	<b>502,246</b>	<b>465,319</b>
<b>TOTAL ASSETS</b>	<b>543,133</b>	<b>508,036</b>
<b>EQUITY AND LIABILITIES</b>		
Share capital	3,540	3,540
Share premium	9,711	9,711
Other paid in equity	88	
<b>Total paid in equity</b>	<b>13,339</b>	<b>13,251</b>
Risk equalisation fund	466	234
Security reserves	5	
Other earned equity	11,627	13,714
Minority's share of equity	113	114
<b>Total earned equity</b>	<b>12,211</b>	<b>14,061</b>
Perpetual subordinated loan capital	1,974	2,101
Dated subordinated loan capital	6,675	5,847
<b>Total subordinated loan capital and hybrid tier 1 capital</b>	<b>8,649</b>	<b>7,948</b>
Premium reserves	253,582	260,106
Additional statutory reserves	9,023	8,494
Market value adjustment reserve	5,500	2,245
Premium fund, deposit fund and the pension surplus fund	2,016	2,157
Conditional bonus	9,302	8,243
Other technical reserve	649	622
<b>Total insurance obligations in life insurance - contractual obligations</b>	<b>280,072</b>	<b>281,868</b>
Pension capital	219,793	180,406
<b>Total insurance obligations in life insurance - investment portfolio separately</b>	<b>219,793</b>	<b>180,406</b>
Pension liabilities etc.	100	149
Deferred tax	527	85
Other provisions for liabilities	127	24
<b>Total provisions for liabilities</b>	<b>754</b>	<b>258</b>
Liabilities in connection with direct insurance	1,015	1,310
Liabilities in connection with reinsurance	3	20
Financial derivatives	932	4,535
Liabilities to group companies	33	42
Other liabilities	5,560	3,876
<b>Total liabilities</b>	<b>7,543</b>	<b>9,782</b>
Other accrued expenses and received, unearned income	772	463
<b>Total accrued expenses and received, unearned income</b>	<b>772</b>	<b>463</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>543,133</b>	<b>508,036</b>

# 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	Minority interests	
<b>Equity at 31.12.2017</b>	<b>3,540</b>	<b>9,711</b>		<b>13,251</b>	<b>143</b>		<b>12,370</b>	<b>114</b>	<b>25,878</b>
Profit for the period					91		3,000	7	3,098
Other comprehensive income							-413	-1	-414
<b>Total comprehensive income for the period</b>					<b>91</b>		<b>2,587</b>	<b>6</b>	<b>2,684</b>
<b>Equity transactions with owner:</b>									
Share issue								4	4
Group contributions							-1,300	-2	-1,302
Other							57	-8	49
<b>Equity at 31.12.2018</b>	<b>3,540</b>	<b>9,711</b>		<b>13,251</b>	<b>234</b>		<b>13,714</b>	<b>114</b>	<b>27,313</b>
Profit for the period					232	5	1,278	7	1,522
Other comprehensive income							-175	-2	-177
<b>Total comprehensive income for the period</b>					<b>232</b>	<b>5</b>	<b>1,102</b>	<b>6</b>	<b>1,345</b>
<b>Equity transactions with owner:</b>									
Share issue							-97		-97
Group contributions							-3,125		-3,125
Other							33	-7	26
<b>Equity at 31.12.2019</b>	<b>3,540</b>	<b>9,711</b>	<b>88</b>	<b>13,339</b>	<b>466</b>	<b>5</b>	<b>11,628</b>	<b>113</b>	<b>25,550</b>

# Storebrand Livsforsikring

## Statement of cash flow 1. January - 31. December

Storebrand Livsforsikring group			Storebrand Livsforsikring AS	
2018	2019	(NOK million)	2019	2018
<b>Cash flow from operational activities</b>				
24,039	25,236	Net received - direct insurance	17,104	16,698
-19,282	-19,913	Net claims/benefits paid - direct insurance	-12,529	-11,133
-699	-118	Net receipts/payments - policy transfers	-1,368	-799
-5,140	-765	Net change insurance liabilities	-260	773
1,335	1,344	Receipts - interest, commission and fees from customers	824	693
-195	-388	Payments - interest, commission and fees to customers	-368	-157
-2,425	-2,492	Net receipts/payments operations	-1,509	-1,456
-4,147	2,687	Net receipts/payments - other operational activities	-114	-2,833
<b>-6,514</b>	<b>5,591</b>	<b>Net cash flow from operational activities before financial assets</b>	<b>1,780</b>	<b>1,785</b>
-4,398	310	Net receipts/payments - loans to customers	1,556	-4,209
12,896	-1,148	Net receipts/payments - financial assets	2,115	4,371
296	-368	Net receipts/payments - property activities		
-423	-2,092	Net change bank deposits insurance customers	-2,770	229
<b>8,371</b>	<b>-3,298</b>	<b>Net cash flow from operational activities from financial assets</b>	<b>901</b>	<b>391</b>
<b>1,857</b>	<b>2,293</b>	<b>Net cash flow from operational activities</b>	<b>2,681</b>	<b>2,175</b>
<b>Cash flow from investment activities</b>				
1,176		Net payments - sale/purchase of subsidiaries		799
-520		Net payments - purchase/capitalisation associated companies		-520
-4	-14	Net receipts/payments - sale/purchase of fixed assets	-15	-7
<b>652</b>	<b>-14</b>	<b>Net cash flow from investment activities</b>	<b>-15</b>	<b>272</b>
<b>Cash flow from financing activities</b>				
845	927	Payment of subordinated loan capital	927	845
-1,501	-128	Repayment of subordinated loan capital	-128	-1,501
-366	-355	Payments - interest on subordinated loan capital	-355	-366
		Payments received of dividend and group contribution	110	
-1,300	-3,200	Payment of dividend and group contribution	-3,200	-1,300
<b>-2,322</b>	<b>-2,646</b>	<b>Net cash flow from financing activities</b>	<b>-2,646</b>	<b>-2,322</b>
188	-367	Net cash flow for the period	20	126
-8,184	2,931	of which net cash flow for the period before financial assets	-881	-300
188	-367	Net movement in cash and cash equivalent assets	20	126
2,540	2,717	Cash and cash equivalents at start of the period	1,390	1,265
-10	46	Currency translation differences		
<b>2,717</b>	<b>2,396</b>	<b>Cash and cash equivalent assets at the end of the period</b>	<b>1,410</b>	<b>1,391</b>

# Storebrand Livsforsikring AS

## Statement of comprehensive income

(NOK million)	Q4		1.1 - 31.12	
	2019	2018	2019	2018
<b>TECHNICAL ACCOUNT:</b>				
Gross premiums written	4,089	3,773	16,905	16,729
Reinsurance premiums ceded	-1	-1	-8	-18
Premium reserves transferred from other companies	768	308	3,139	2,131
<b>Premiums for own account</b>	<b>4,857</b>	<b>4,080</b>	<b>20,036</b>	<b>18,843</b>
Income from investments in subsidiaries, associated companies and joint ventures companies	862	-493	3,461	323
of which from investment in property companies	384	123	1,302	1,028
Interest income and dividends etc. from financial assets	1,299	1,404	5,389	5,594
Changes in investment value	-841	286	1,702	-592
Realised gains and losses on investments	371	-645	-455	-555
<b>Total net income from investments in the collective portfolio</b>	<b>1,690</b>	<b>552</b>	<b>10,097</b>	<b>4,770</b>
Income from investments in subsidiaries, associated companies and joint ventures companies	885	-997	3,870	-814
of which from investment in property companies	86	26	289	210
Interest income and dividends etc. from financial assets	346	521	64	503
Changes in investment value	1,735	-5,534	8,534	-3,373
Realised gains and losses on investments	1,204	-947	1,430	-150
<b>Total net income from investments in the investment selection portfolio</b>	<b>4,171</b>	<b>-6,958</b>	<b>13,897</b>	<b>-3,835</b>
<b>Other insurance related income</b>	<b>241</b>	<b>219</b>	<b>824</b>	<b>693</b>
Gross claims paid	-2,926	-2,872	-12,226	-11,180
Claims paid - reinsurance	2	50	9	64
Premium reserves etc. transferred to other companies	-614	-588	-4,506	-2,930
<b>Claims for own account</b>	<b>-3,538</b>	<b>-3,411</b>	<b>-16,723</b>	<b>-14,046</b>
To/from premium reserve, gross	464	602	543	335
To/from additional statutory reserves	-832	-119	-768	-60
Change in value adjustment fund	393	596	-3,255	1,462
Change in premium fund, deposit fund and the pension surplus fund	-1	-3	-2	-5
To/from technical reserves for non-life insurance business	19	4	-8	-5
Transfer of additional statutory reserves and value adjustment fund from other insurance companies/pension funds	-4	-4	-11	-16
<b>Changes in insurance obligations recognised in the Profit and Loss Account - contractual obligations</b>	<b>38</b>	<b>1,075</b>	<b>-3,501</b>	<b>1,710</b>
Change in pension capital	-6,811	5,033	-21,134	-4,530
<b>Changes in insurance obligations recognised in the Profit and Loss Account - investment portfolio separately</b>	<b>-6,811</b>	<b>5,033</b>	<b>-21,134</b>	<b>-4,530</b>
Profit on investment result	-199	-162	-199	-162
Risk result allocated to insurance contracts	-196	-194	-196	-194
Other allocation of profit	-43	-58	-43	-58
Unallocated profit	647	722		
<b>Funds allocated to insurance contracts</b>	<b>209</b>	<b>307</b>	<b>-438</b>	<b>-415</b>

# Storebrand Livsforsikring AS

## Statement of comprehensive income continue

(NOK million)	Q4		1.1 - 31.12	
	2019	2018	2019	2018
Management expenses	-45	-53	-189	-209
Selling expenses	-76	-93	-269	-282
Insurance-related administration expenses (incl. commissions for reinsurance received)	-299	-261	-1,051	-964
<b>Insurance-related operating expenses</b>	<b>-420</b>	<b>-407</b>	<b>-1,509</b>	<b>-1,456</b>
Other insurance related expenses after reinsurance share	-17	-122	-368	-157
<b>Technical insurance profit</b>	<b>420</b>	<b>368</b>	<b>1,180</b>	<b>1,576</b>
<b>NON-TECHNICAL ACCOUNT</b>				
Income from investments in subsidiaries, associated companies and joint ventures companies	74	339	565	908
Interest income and dividends etc. from financial assets	131	94	448	367
Changes in investment value	-24	-56	102	-61
Realised gains and losses on investments	-22	-294	279	135
<b>Net income from investments in company portfolio</b>	<b>158</b>	<b>83</b>	<b>1,394</b>	<b>1,350</b>
<b>Other income</b>	<b>5</b>	<b>-91</b>	<b>22</b>	<b>105</b>
Management expenses	-5	-4	-18	-18
Other expenses	-106	-104	-409	-419
<b>Total management expenses and other costs linked to the company portfolio</b>	<b>-111</b>	<b>-108</b>	<b>-427</b>	<b>-436</b>
<b>Profit or loss on non-technical account</b>	<b>52</b>	<b>-117</b>	<b>988</b>	<b>1,019</b>
<b>Profit before tax</b>	<b>471</b>	<b>251</b>	<b>2,168</b>	<b>2,594</b>
Tax expenses	-185	1,442	-322	1,087
<b>Profit before other comprehensive income</b>	<b>286</b>	<b>1,693</b>	<b>1,846</b>	<b>3,682</b>
Change in actuarial assumptions	-4	21	-4	21
Tax on other profit elements not to be classified to profit/loss	10	0	10	0
<b>Other comprehensive income not to be classified to profit/loss</b>	<b>6</b>	<b>22</b>	<b>6</b>	<b>22</b>
Profit/loss cash flow hedging	-19	30	-36	-23
<b>Other comprehensive income that may be classified to profit /loss</b>	<b>-19</b>	<b>30</b>	<b>-36</b>	<b>-23</b>
<b>Other comprehensive income</b>	<b>-13</b>	<b>52</b>	<b>-30</b>	<b>-1</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>273</b>	<b>1,745</b>	<b>1,816</b>	<b>3,681</b>

# Storebrand Livsforsikring AS

## Statement of financial position

(NOK million)	31.12.2019	31.12.2018
<b>ASSETS</b>		
<b>ASSETS IN COMPANY PORTFOLIO</b>		
Other intangible assets	338	338
<b>Total intangible assets</b>	<b>338</b>	<b>338</b>
Equities and units in subsidiaries, associated companies and joint ventures companies	12,814	13,136
Loans at amortised cost	1	1
Bonds at amortised cost	7,119	7,655
Deposits at amoritsed cost	508	486
Equities and fund units at fair value	24	16
Bonds and other fixed-income securities at fair value	11,675	11,026
Derivatives at fair value	1,122	1,121
<b>Total investments</b>	<b>33,262</b>	<b>33,441</b>
Receivables in connection with direct business transactions	305	520
Receivables in connection with reinsurance transactions	9	0
Receivables with group company	770	197
Other receivables	356	1,752
<b>Total receivables</b>	<b>1,439</b>	<b>2,469</b>
Tangible fixed assets	19	4
Cash, bank	902	904
Tax assets	1,340	1,817
<b>Total other assets</b>	<b>2,261</b>	<b>2,725</b>
Other pre-paid costs and income earned and not received	25	38
<b>Total pre-paid costs and income earned and not received</b>	<b>25</b>	<b>38</b>
<b>Total assets in company portfolio</b>	<b>37,326</b>	<b>39,012</b>
<b>Assets in customer portfolios</b>		
Equities and units in subsidiaries, associated companies and joint ventures companies	28,662	25,919
of which investment in property companies	19,565	18,751
Loans to and securities issued by subsidiaries, associated companies		529
Bonds held to maturity	13,377	14,403
Bonds at amortised cost	89,790	86,374
Loans at amoritsed cost	23,735	25,270
Deposits at amoritsed cost	4,444	1,791
Equities and fund units at fair value	7,860	6,797
Bonds and other fixed-income securities at fair value	22,173	25,166
Financial derivatives at fair value	1,080	709
<b>Total investments in collective portfolio</b>	<b>191,121</b>	<b>186,959</b>
<b>Reinsurance share of insurance obligations</b>	<b>67</b>	<b>48</b>

# Storebrand Livsforsikring AS

## Statement of financial position continue

(NOK million)	31.12.2019	31.12.2018
Equities and units in subsidiaries, associated companies and joint ventures companies	20,077	15,855
of which investment in property companies	4,643	4,133
Deposits at amoritised cost	986	870
Equities and fund units at fair value	54,990	42,617
Bonds and other fixed-income securities at fair value	37,138	34,731
Loans at fair value	343	364
Financial derivatives at fair value	1,009	389
<b>Total investments in investment selection portfolio</b>	<b>114,544</b>	<b>94,933</b>
<b>Total assets in customer portfolios</b>	<b>305,732</b>	<b>281,939</b>
<b>TOTAL ASSETS</b>	<b>343,058</b>	<b>320,951</b>
<b>EQUITY AND LIABILITIES</b>		
Share capital	3,540	3,540
Share premium	9,711	9,711
Other paid in equity	599	84
<b>Total paid in equity</b>	<b>13,850</b>	<b>13,335</b>
Risk equalisation fund	466	234
Security reserves	5	
Other earned equity	11,190	11,812
<b>Total earned equity</b>	<b>11,661</b>	<b>12,045</b>
Perpetual subordinated loan capital	1,974	2,101
Dated subordinated loan capital	6,675	5,847
<b>Total subordinated loan capital and hybrid tier 1 capital</b>	<b>8,649</b>	<b>7,948</b>
Premium reserves	171,973	171,927
Additional statutory reserves	9,023	8,494
Market value adjustment reserve	5,500	2,245
Premium fund, deposit fund and the pension surplus fund	2,016	2,157
Other technical reserve	649	622
<b>Total insurance obligations in life insurance - contractual obligations</b>	<b>189,161</b>	<b>185,446</b>
Pension capital	114,538	93,441
<b>Total insurance obligations in life insurance - investment portfolio separately</b>	<b>114,538</b>	<b>93,441</b>
Pension liabilities etc.	7	12
<b>Total provisions for liabilities</b>	<b>7</b>	<b>12</b>
Liabilities in connection with direct insurance	758	1,050
Financial derivatives	421	3,910
Liabilities to group companies	2,257	3,257
Other liabilities	1,450	367
<b>Total liabilities</b>	<b>4,886</b>	<b>8,585</b>
Other accrued expenses and received, unearned income	305	139
<b>Total accrued expenses and received, unearned income</b>	<b>305</b>	<b>139</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>343,058</b>	<b>320,951</b>

# Storebrand Livsforsikring AS

## Statement of change in equity

(NOK million)	Share capital <sup>1)</sup>	Share premium reserve	Other paid in capital	Total paid in equity	Risk equalisation fund	Security reserves	Other equity	Total equity
<b>Equity at 31.12.2017</b>	<b>3,540</b>	<b>9,711</b>		<b>13,251</b>	<b>143</b>		<b>11,422</b>	<b>24,815</b>
Profit for the period					91		3,591	3,682
Other comprehensive income							-1	-1
<b>Total comprehensive income for the period</b>					<b>91</b>		<b>3,590</b>	<b>3,681</b>
<b>Equity transactions with owner:</b>								
Dividend/Group contributions							-3,200	-3,200
Other							1	1
<b>Equity at 31.12.2018</b>	<b>3,540</b>	<b>9,711</b>	<b>84</b>	<b>13,335</b>	<b>234</b>		<b>11,812</b>	<b>25,381</b>
Profit for the period					232	5	1,609	1,846
Other comprehensive income							-30	-30
<b>Total comprehensive income for the period</b>					<b>232</b>	<b>5</b>	<b>1,578</b>	<b>1,816</b>
<b>Equity transactions with owner:</b>								
Group contributions			515	515				515
Dividend/Group contributions							-2,200	-2,200
Other							0	0
<b>Equity at 31.12.2019</b>	<b>3,540</b>	<b>9,711</b>	<b>599</b>	<b>13,850</b>	<b>466</b>	<b>5</b>	<b>11,190</b>	<b>25,511</b>

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 2018 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 2018.

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

#### IFRS 16

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

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

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

#### EFFECTS ON TRANSITION TO IFRS 16

#### STOREBRAND LIVSFORSIKRING GROUP

#### BALANCE SHEET - LEASES

(NOK million)	Rent		IT equipment		Other equipment		Total	
	1.1.19	31.12.19	1.1.19	31.12.19	1.1.19	31.12.19	1.1.19	31.12.19
Right of use asset	199	258	60	49	1	1	259	308
Lease liability	199	258	60	50	1	1	259	309

## INCOME STATEMENT- LEASES

(NOK million)

	Rent	IT equip- ment	Other equip- ment	Total	Rent	IT equip- ment	Other equip- ment	Total
	Q4	Q4	Q4	Q4	1.1 -	1.1 -	1.1 -	1.1 -
	2019	2019	2019	2019	2019	2019	2019	2019
Depreciation after IFRS 16 <sup>1)</sup>	2.2	4.0	0.1	6.2	6.3	15.2	0.2	21.7
Interest expenses after IFRS 16 <sup>1)</sup>	1.7	0.3	0.0	2.0	7.4	1.3	0.0	8.8
<b>Profit after IFRS 16</b>	<b>3.8</b>	<b>4.3</b>	<b>0.1</b>	<b>8.2</b>	<b>13.7</b>	<b>16.5</b>	<b>0.2</b>	<b>30.4</b>
Operating expenses (after IAS 17) <sup>1)</sup>	3.5	5.3	0.0	8.8	14.2	15.9	0.2	30.3
Deviation operating expenses between IAS 17 and IFRS 16	-1.3	-1.4	0.0	-2.7	-8.0	-0.7	0.0	-8.7
Deviation profit (before tax) between IAS 17 and IFRS 16	0.3	-1.0	0.0	-0.7	-0.6	0.7	0.0	0.1

1) Depreciation and interest expense totaling NOK 7.4 million due to lease on property in the Swedish real estate business in customer assets is classified as net operating income from property in the statutory accounts in "net income from investments in the collective portfolio", not as operating expenses.

## STOREBRAND LIVSFORSIKRING AS

### BALANCE SHEET - LEASES

(NOK million)

	Rent	Total	Rent	Total
	1.1.19	31.12.19	1.1.19	31.12.19
Right of use asset	6.2	4.5	6.2	4.5
Lease liability	6.2	4.5	6.2	4.5

### INCOME STATEMENT- LEASES

(NOK million)

	Rent	Total	Rent	Total
	Q4	Q4	Q4	Q4
	2019	2019	2019	2019
Depreciation after IFRS 16	0.4	0.4	1.8	1.8
Interest expenses after IFRS 16	0.0	0.0	0.1	0.1
<b>Profit after IFRS 16</b>	<b>0.5</b>	<b>0.5</b>	<b>1.9</b>	<b>1.9</b>
Operating expenses (after IAS 17)	0.5	0.5	1.9	1.9
Deviation operating expenses between IAS 17 and IFRS 16	0.0	0.0	-0.1	-0.1
Deviation profit (before tax) between IAS 17 and IFRS 16	0.0	0.0	0.0	0.0

## Note 02 | Estimates

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

Actual results may differ from these estimates.

A description of the most critical estimates and judgements that can affect recognised amounts is included in the 2018 annual report in note 2, insurance risk in note 8, valuation of financial instruments at fair value is described in note 13 and in the interim financial statements note 9 Solvency II.

## Note 03 | Segments - profit by business area

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 and employer's liability insurance and pension-related insurance in the Norwegian and Swedish corporate markets.

### **GUARANTEED PENSION**

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

### **OTHER**

The result for 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 OFFICIAL PROFIT AND LOSS ACCOUNTING**

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

A description of the most important differences is included in the 2018 annual report in note 5 Segment reporting.

## PROFIT BY SEGMENTS

(NOK million)	Q4		1.1 - 31.12	
	2019	2018	2019	2018
Savings	146	115	566	491
Insurance	23	67	281	554
Guaranteed pension	332	217	1,029	1,148
Other	77	-40	320	121
<b>Profit before amortisation</b>	<b>578</b>	<b>358</b>	<b>2,196</b>	<b>2,315</b>
Amortisation intangible assets	-87	-85	-341	-305
<b>Profit before tax</b>	<b>491</b>	<b>273</b>	<b>1,855</b>	<b>2,010</b>

## SEGMENT INFORMATION Q4

(NOK million)	Savings		Insurance		Guaranteed pension	
	2019	2018	2019	2018	2019	2018
Fee and administration income	484	427			368	333
Insurance result			120	199		
- Insurance premiums for own account			704	731		
- Claims for own account			-584	-532		
Operational cost	-338	-301	-115	-112	-225	-223
<b>Operating profit</b>	<b>146</b>	<b>126</b>	<b>5</b>	<b>87</b>	<b>143</b>	<b>111</b>
Financial items and risk result life & pension	0	-11	18	-20	189	106
<b>Profit before amortisation</b>	<b>146</b>	<b>115</b>	<b>23</b>	<b>67</b>	<b>332</b>	<b>217</b>
Amortisation of intangible assets						
<b>Profit before tax</b>	<b>146</b>	<b>115</b>	<b>23</b>	<b>67</b>	<b>332</b>	<b>217</b>

(NOK million)	Other		Storebrand Livsforsikring group	
	2019	2018	2019	2018
Fee and administration income	13	16	865	776
Insurance result			120	199
- Insurance premiums for own account			704	731
- Claims for own account			-584	-532
Operational cost	-14	-18	-691	-653
<b>Operating profit</b>	<b>-1</b>	<b>-2</b>	<b>294</b>	<b>322</b>
Financial items and risk result life & pension	78	-39	284	36
<b>Profit before amortisation</b>	<b>77</b>	<b>-40</b>	<b>578</b>	<b>358</b>
Amortisation of intangible assets			-87	-85
<b>Profit before tax</b>	<b>77</b>	<b>-40</b>	<b>491</b>	<b>273</b>

## SEGMENT INFORMATION AS AT 31.12

(NOK million)	Savings		Insurance		Guaranteed pension	
	2019	2018	2019	2018	2019	2018
Fee and administration income	1,805	1,655			1,475	1,440
Insurance result			665	947		
- Insurance premiums for own account			2,750	2,780		
- Claims for own account			-2,086	-1,833		
Operational cost	-1,222	-1,139	-417	-411	-819	-816
<b>Operating profit</b>	<b>583</b>	<b>516</b>	<b>248</b>	<b>536</b>	<b>657</b>	<b>624</b>
Financial items and risk result life & pension	-17	-25	33	18	372	525
<b>Profit before amortisation</b>	<b>566</b>	<b>491</b>	<b>281</b>	<b>554</b>	<b>1,029</b>	<b>1,148</b>
Amortisation of intangible assets						
<b>Profit before tax</b>	<b>566</b>	<b>491</b>	<b>281</b>	<b>554</b>	<b>1,029</b>	<b>1,148</b>

(NOK million)	Other		Storebrand Livsforsikring group	
	2019	2018	2019	2018
Fee and administration income	51	89	3,332	3,185
Insurance result			665	947
- Insurance premiums for own account			2,750	2,780
- Claims for own account			-2,086	-1,833
Operational cost	-52	-88	-2,510	-2,454
<b>Operating profit</b>	<b>-1</b>	<b>2</b>	<b>1,486</b>	<b>1,678</b>
Financial items and risk result life & pension	321	120	709	637
<b>Profit before amortisation</b>	<b>320</b>	<b>121</b>	<b>2,196</b>	<b>2,315</b>
Amortisation of intangible assets			-341	-305
<b>Profit before tax</b>	<b>320</b>	<b>121</b>	<b>1,855</b>	<b>2,010</b>

## Note 04 | Financial market risk and insurance risk

Risks are described in the annual report for 2018 in note 8 (Insurance risk), note 9 (Financial market risk), note 10 (Liquidity risk), note 11 (Credit risk) and note 12 (Concentrations of risk).

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

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

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

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

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

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

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

The equity market continued to be strong during the fourth quarter. Global equities rose 8 % and Norwegian equities rose 5 %. That took the 2019 return to 27 % for global equities and 17 % for Norwegian equities. The market for corporate bonds has also been strong and credit spreads fell, both during the fourth quarter and for 2019. Reduced spreads were positive for return, but lower credit spreads are negative for expected return going forward.

In the fourth quarter, the trend towards lower long term interest rates seen during the first three quarters, reversed. Both the Norwegian and the Swedish 10-year interest rate swap increased by 0.4 pp during the fourth quarter. For 2019, the Norwegian 10-year swap rate was little changed while the Swedish 10-year swap rate fell by 0.4 pp. But short term interest rates increased during 2019, both in Norway and Sweden. Due to the majority of the interest rate investments in the Norwegian customer portfolios being held at amortized cost, changes in interest rates have a limited effect on booked returns in the short term. However, with the present interest rates, new bond investments provide a lower return than the average interest rate guarantee. Lower interest rate is a negative factor for the solvency position.

The Norwegian Krone strengthened during the fourth quarter. During 2019, the Norwegian Krone has weakened 1 % against the US dollar, strengthened 4 % against the Swedish Krona and is little changed against the Euro. A high degree of currency hedging in the portfolio means that the exchange rate fluctuations have a modest effect on results and risk.

During the fourth quarter and 2019, the overall investment allocation was not materially changed.

Return for guaranteed customer portfolios in Norway on average was well above the guaranteed rate for 2019. Most of the excess return came in the form of increased unrealized gains or will be set aside as additional statutory reserves. Return for guaranteed customer portfolios in Sweden was positive and in excess of the increase in value for the liabilities. This led to an increase in conditional bonuses.

Return for unit linked portfolios was good during the fourth quarter and for 2019, positively affected by the strong equity markets.

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

The insurance risk was not materially changed during 2019.

Note  
05

Liquidty risk

**SPECIFICATION OF SUBORDINATED LOAN CAPITAL**

(NOK million)	Nominal value	Currency	Interest rate	Call date	Book value
<b>Issuer</b>					
<b>Perpetual subordinated loan capital</b>					
Storebrand Livsforsikring AS	872	NOK	Variable	2020	874
Storebrand Livsforsikring AS	1,100	NOK	Variable	2024	1,100
<b>Dated subordinated loan capital</b>					
Storebrand Livsforsikring AS	1,000	SEK	Fixed	2022	939
Storebrand Livsforsikring AS	1,000	SEK	Fixed	2024	940
Storebrand Livsforsikring AS	300	EUR	Variable	2023	3,243
Storebrand Livsforsikring AS	750	SEK	Variable	2021	709
Storebrand Livsforsikring AS	900	SEK	Variable	2025	844
<b>Total subordinated loan capital and hybrid tier 1 capital 31.12.2019</b>					<b>8,649</b>
<b>Total subordinated loan capital and hybrid tier 1 capital 31.12.2018</b>					<b>7,948</b>

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 13 in the annual report for 2018.

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

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

(NOK million)	Fair value 31.12.2019	Fair value 31.12.18	Book value 31.12.2019	Book value 31.12.18
<b>Financial assets</b>				
Loans to customers - corporate	6,169	6,981	6,194	6,999
Loans to customers - retail	17,542	18,272	17,542	18,272
Bonds held to maturity	14,433	15,679	13,377	14,403
Bonds classified as loans and receivables	100,588	97,790	96,909	94,029
<b>Financial liabilities</b>				
Subordinated loan capital	8,729	7,940	8,649	7,948

## VALUATION OF FINANCIAL INSTRUMENTS AND PROPERTIES AT FAIR VALUE

### STOREBRAND LIVSFORSIKRING GROUP

(NOK million)	Level 1	Level 2	Level 3	Total 31.12.2019	Total 31.12.2018
	Quoted prices	Observable assumptions	Non-observable assumptions		
<b>Assets</b>					
<b>Equities and fund units</b>					
- Equities	28,007	197	469	28,673	23,974
- Fund units		156,356	9,016	165,372	133,108
<b>Total equities and fund units 31.12.2019</b>	<b>28,007</b>	<b>156,553</b>	<b>9,485</b>	<b>194,045</b>	
<b>Total equities and fund units 31.12.2018</b>	<b>23,166</b>	<b>125,465</b>	<b>8,451</b>		<b>157,082</b>
<b>Total loans to customers</b>					
- Loans to customers - corporate			6,736	6,736	5,708
<b>Bonds and other fixed income securities</b>					
- Government bonds	10,638	20,778		31,416	32,872
- Corporate bonds		60,040	15	60,055	49,096
- Structured notes					79
- Collateralised securities		1,219		1,219	19,703
- Bond funds		49,861	5,490	55,350	49,172
<b>Total bonds and other fixed income securities 31.12.2019</b>	<b>10,638</b>	<b>131,898</b>	<b>5,505</b>	<b>148,040</b>	
<b>Total bonds and other fixed income securities 31.12.2018</b>	<b>13,530</b>	<b>134,015</b>	<b>3,377</b>		<b>150,922</b>
<b>Derivatives:</b>					
- Equity derivatives		1		1	
- Interest derivatives		2,539		2,539	3,068
- Currency derivatives		1,780		1,780	-2,781
<b>Total derivatives 31.12.2019</b>		<b>4,321</b>		<b>4,321</b>	
- derivatives with a positive market value		5,253		5,253	4,542
- derivatives with a negative market value		-932		-932	-4,535
<b>Total derivatives 31.12.2018</b>		<b>7</b>			<b>7</b>
<b>Properties:</b>					
- investment properties			29,415	29,415	28,266
- Owner-occupied properties			1,375	1,375	1,420
<b>Total properties 31.12.2019</b>			<b>30,790</b>	<b>30,790</b>	
<b>Total properties 31.12.2018</b>			<b>29,686</b>		<b>29,686</b>

There is no significant movement between level 1 and level 2 in 4th quarter and year to date 2019.



### MOVEMENT LEVEL 3

(NOK million)	Equities	Fund units	Loans to customers	Corporate bonds	Bond fund	Investment properties	Owner-occupied properties
Book value 01.01	602	7,849	5,707	56	3,321	28,266	1,420
Net profit/loss	12	1,291	169	2	-6	99	-29
Supply/disposal	2	1,074	1,075		2,284	440	40
Sales/overdue/settlement	-9	-776	-762	-42	-269		-1
Currency translation differences	-8	-135	-288	-2	-148	-640	-113
Other			-162			504	
<b>Book value 31.12.2019</b>	<b>457</b>	<b>9,303</b>	<b>5,739</b>	<b>15</b>	<b>5,181</b>	<b>28,670</b>	<b>1,316</b>

As at 31 December 2019, Storebrand Livsforsikring had NOK 4 044 million invested in Storebrand Eiendomsfond Norge KS and Ruseløkkveien 26, Oslo.

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

### SENSITIVITY ASSESSMENTS

Sensitivity assessments of investments on level 3 are described in note 13 in the 2018 annual report. There are no significant change in sensitivity in this quarter and year to date.

### STOREBRAND LIVSFORSIKRING AS

(NOK million)	Level 1 Quoted prices	Level 2 Observable assumptions	Level 3 Non-observable assumptions	Total 31.12.2019	Total 31.12.2018
<b>Assets</b>					
<b>Equities and fund units</b>					
- Equities	1,685	173	469	2,327	1,839
- Fund units		53,709	6,837	60,547	47,591
<b>Total equities and fund units 31.12.2019</b>	<b>1,685</b>	<b>53,883</b>	<b>7,306</b>	<b>62,874</b>	
<b>Total equities and fund units 31.12.2018</b>	<b>1,310</b>	<b>42,329</b>	<b>5,791</b>		<b>49,430</b>
<b>Total loans to customers</b>					
- Loans to customers - corporate			343	343	
<b>Bonds and other fixed income securities</b>					
- Government bonds	4,899	93		4,992	4,139
- Corporate bonds		25,787	8	25,794	25,857
- Collateralised securities		732		732	5,703
- Bond funds		38,704	763	39,467	35,225
<b>Total bonds and other fixed income securities 31.12.2019</b>	<b>4,899</b>	<b>65,316</b>	<b>771</b>	<b>70,986</b>	
<b>Total bonds and other fixed income securities 31.12.2018</b>	<b>4,139</b>	<b>66,193</b>	<b>592</b>		<b>70,924</b>
<b>Derivatives:</b>					
- Equity derivatives		1		1	
- Interest derivatives		1,238		1,238	1,365
- Currency derivatives		1,550		1,550	-3,056
<b>Total derivatives 31.12.2019</b>		<b>2,789</b>		<b>2,789</b>	
- derivatives with a positive market value		3,211		3,211	
- derivatives with a negative market value		-421		-421	
<b>Total derivatives 31.12.2018</b>		<b>-1,691</b>			<b>-1,691</b>

### MOVEMENT LEVEL 3

(NOK million)	Equities	Fund units	Loans to customers	Corporate bonds	Bond funds
Book value 01.01	451	5,340	364	25	567
Net profit/loss	24	1,424	-15	0	-20
Supply/disposal	2	900			318
Sales/overdue/settlement	-9	-827	-6	-17	-102
<b>Book value 31.12.2019</b>	<b>469</b>	<b>6,837</b>	<b>343</b>	<b>8</b>	<b>763</b>

## Note 07

### Tax

The effective tax rate is influenced by the fact that the Storebrand Livsforsikring Group has operations in countries with tax rates that are different from Norway. The income tax expense is also influenced by tax effects relating to previous years. The tax rate for companies in Norway was changed from 23 to 22 per cent with effect from 1 January 2019. It was also agreed to keep the rate at 25 per cent for companies subject to the financial tax. The Storebrand Livsforsikring Group includes companies that are both subject to and not subject to the financial tax. Therefore, when capitalising deferred tax/deferred tax assets in the consolidated financial statements, the company tax rate that applies for the individual companies is used (22 or 25 per cent). The tax rate for companies in Sweden was changed from 22 per cent in 2018 to 21.4 per cent in 2019.

Provisions are made for deferred tax on the increase in value during the ownership of real estate in SPP Fastigheter AB in accordance with IAS 12 and guiding principles for consolidation. The real estate investments are made on behalf of the customer assets. Each real estate is owned by a separate investment company, and a sale of real estate itself would entail a tax expense that will reduce the return on the customer assets and will not affect the income tax for SPP / Storebrand. The deferred tax is in the consolidated financial reporting recognised as a claim on the customer funds and will not affect the income tax expense for SPP / Storebrand. Deferred tax relating to real estate investments in the customer assets is not netted against other temporary differences in the balance sheet.

### 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 best estimate, the difference between Storebrand's interpretation and the Norwegian Tax Administration's interpretation is approximately NOK 4.2 billion in an uncertain tax position. If Storebrand's interpretation is accepted, a deferred tax expense of approximately NOK 1 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	
	31.12.19	31.12.18	31.12.19	31.12.18
Uncalled residual liabilities re limited partnership	7,297	5,818	6,433	4,912
<b>Total contingent liabilities</b>	<b>7,297</b>	<b>5,818</b>	<b>6,433</b>	<b>4,912</b>

Guarantees essentially encompass payment and contract guarantees.

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

Storebrand Group companies are engaged in extensive activities in Norway and abroad, and are subject for client complaints and may become a party in legal disputes, see also note 2 and note 44 in the 2018 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 and include the effect of the transitional arrangement for shares pursuant to Section 58 of the Solvency II Regulations.

## SOLVENCY CAPITAL

(NOK million)	31.12.2019					31.12.18
	Total	Group 1 unlimited	Group 1 limited	Group 2	Group 3	Total
Share capital	3,540	3,540				3,540
Share premium	9,711	9,711				9,711
Reconciliation reserve	21,146	21,146				18,881
Including the effect of the transitional arrangement						
Subordinated loans	7,651		1,114	6,536		7,780
Deferred tax asset						584
Risk equalisation reserve	466			466		234
Expected dividend/group distributions	-1,690	-1,690				
<b>Total solvency capital</b>	<b>40,823</b>	<b>32,707</b>	<b>1,114</b>	<b>7,002</b>		<b>37,530</b>
<b>Total solvency capital available to cover the minimum capital requirement</b>	<b>35,124</b>	<b>32,707</b>	<b>1,114</b>	<b>1,302</b>		<b>31,314</b>

## SOLVENCY CAPITAL REQUIREMENT AND - MARGIN

(NOK million)	31.12.19	31.12.18
Market	18,583	18,688
Counterparty	702	493
Life	7,055	6,292
Health	564	522
Operational	1,036	1,007
Diversification	-5,043	-4,526
Loss-absorbing tax effect	-4,740	-4,701
<b>Total solvency requirement</b>	<b>18,156</b>	<b>17,775</b>
<b>Solvency margin</b>	<b>224.8 %</b>	<b>211.1 %</b>
<b>Minimum capital requirement</b>	<b>6,512</b>	<b>6,465</b>
<b>Minimum margin</b>	<b>539.3 %</b>	<b>484.4 %</b>

## Note 10 | Information about related parties

Storebrand conducts transactions with related parties as part of its normal business activities. These transactions take place on commercial terms. The terms for transactions with management and related parties are stipulated in notes 24 and 45 in the 2018 annual report.

Storebrand Livsforsikring has not carried out any material transactions other than normal business transactions with related parties during 2019, 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 2019 totaled NOK 1.1 billion and NOK 5.9 billion year to date. The total portfolio of loans bought as of 4th quarter 2019 is NOK 34.6 billion. Storebrand Livsforsikring AS pays management fees to Storebrand Bank ASA for management of the portfolios, the expense for the 4th quarter 2019 is NOK 3.9 million and NOK 16.6 million year to date.



# Financial calender 2020



<b>12 February</b>	Results Q4 2020
<b>30 April</b>	Results 1Q 2020
<b>15 July</b>	Results 2Q 2020
<b>21 October</b>	Results 3Q 2020
<b>February 2021</b>	Results 4Q 2020

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