

# Interim report 2020

Storebrand Livsforsikring AS (unaudited)

# Contents

## FINANCIAL PERFORMANCE BUSINESS AREAS

Storebrand Livsforsikring Group . . . . .	3
Savings . . . . .	5
Insurance . . . . .	6
Guaranteed pension . . . . .	8
Other . . . . .	9
Balance, Solidity and Capital situation . . . . .	10
Outlook . . . . .	12

## FINANCIAL STATEMENTS/NOTES

Statement of comprehensive income Storebrand Livsforsikring Group. . . . .	14
Statement of financial position Storebrand Livsforsikring Group . . . . .	16
Statement of change in equity Storebrand Livsforsikring Group . . . . .	19
Statement of cash flow . . . . .	20
Statement of comprehensive income Storebrand Livsforsikring AS . . . . .	21
Statement of financial position Storebrand Livsforsikring AS . . . . .	23
Statement of change in equity Storebrand Livsforsikring AS. . . . .	25
Notes . . . . .	26

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# Storebrand Livsforsikring group

Storebrand Livsforsikring AS is a wholly owned subsidiary of the listed company Storebrand ASA. For information about the Storebrand Group's 1st quarter result please refer to the Storebrand Group's interim report for the 1st quarter of 2020. 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)	2020		2019			1.1 - 31.03		Full year
	Q1	Q4	Q3	Q2	Q1	2020	2019	2019
Fee and administration income	851	865	844	813	809	851	809	3,332
Insurance result	-131	120	189	186	170	-131	170	665
Operational expenses	-627	-691	-604	-637	-577	-627	-577	-2,510
<b>Operating profit</b>	<b>93</b>	<b>294</b>	<b>428</b>	<b>362</b>	<b>402</b>	<b>93</b>	<b>402</b>	<b>1,486</b>
Financial items and risk result life & pension	-471	284	112	120	194	-471	194	709
<b>Profit before amortisation</b>	<b>-378</b>	<b>578</b>	<b>540</b>	<b>482</b>	<b>596</b>	<b>-378</b>	<b>596</b>	<b>2,196</b>
Amortisation	-89	-87	-85	-84	-86	-89	-86	-341
<b>Profit before tax</b>	<b>-467</b>	<b>491</b>	<b>456</b>	<b>398</b>	<b>511</b>	<b>-467</b>	<b>511</b>	<b>1,855</b>

The profit before amortisation was NOK minus 467m (NOK 511m) in the 1st quarter. The figures in brackets are from the corresponding period last year.

Total fee and administration income amounted to NOK 851m (NOK 809m) for the 1st quarter representing an increase of 5% compared to the same period last year. Adjusted for currency changes the increase was 3%.

Income in the Savings segment was NOK 488m (NOK 435m) in the quarter and grew by 12%, and adjusted for currency changes 10%. The increase is attributed to product lines within Unit Linked.

In the Guaranteed segment, fee and administration income amounted to NOK 349m (NOK 361m) in the 1st quarter, a decrease in line with the run-off nature of this business.

The Insurance result was NOK minus 131m (NOK 170m) and the total combined ratio was 134% (89%) in the 1st quarter. The negative result and the higher than targeted combined ratio are results of reserve strengthening. Storebrand has conducted a forward-looking model review based on the unfolding of the current economic situation from COVID-19 and the fall in oil prices and has strengthened the reserves for insurance products with disability coverages. Storebrand maintains its target of 90-92% in combined ratio.

The operating costs in the 1st quarter were NOK 627m (NOK 577m). 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 to NOK 93m (NOK 402m) in the quarter as a result of reserve strengthening for insurance products.

The 'financial items and risk result' exhibited a loss of NOK minus 471m (NOK 194m). Turbulent financial markets in the quarter resulted in mark to market losses from spreads widening on credit bond investments, primarily in the company portfolios.

Storebrand Livsforsikring Group booked a tax income of NOK 732m (NOK minus 109m) in the 1st quarter. This is a result of new information and interpretation of the transition rules of 2018 as well as tax losses from currency hedging of the Swedish subsidiary SPP in the first quarter. The estimated normal tax rate is 20-23%, but currency can impact the quarterly tax rate. The effective tax rate is influenced by the fact that the Group has operations in countries with tax rates that are different from Norway, and it varies from quarter to quarter depending on each legal entity's contribution to the Group result. Tax related issues are described in note 7.

## PROFIT STOREBRAND LIVSFORSIKRING GROUP - BY BUSINESS AREA

(NOK million)	2020		2019			1.1 - 31.03		Full year
	Q1	Q4	Q3	Q2	Q1	2020	2019	2019
Savings	148	146	152	117	150	148	150	566
Insurance	-253	23	89	96	74	-253	74	281
Guaranteed pensions	95	332	237	211	249	95	249	1,029
Other	-368	77	62	58	124	-368	124	320
<b>Profit before amortisation</b>	<b>-378</b>	<b>578</b>	<b>540</b>	<b>482</b>	<b>596</b>	<b>-378</b>	<b>596</b>	<b>2,196</b>

The Savings segment reported a profit of NOK 148m (NOK 150m) for the 1st quarter. Growth in assets under management from premium income and new sales contribute positively to the underlying result improvement, but due to the economic downturn and mark to market losses on spread widening on credit bonds impact the result negatively.

The Insurance segment reported a loss of NOK minus 253m (NOK 74m) for the 1st quarter. While the cost ratio remained stable at 15%, the claims ratio increased from 75% to 119% resulting in a combined ratio of 134% in the 1st quarter. Reserve strengthening for products with disability coverage, in light of the COVID-19 and economic situation, affect the results negatively. Over time, the combined ratio is targeted to be in the range 90-92%.

The Guaranteed Pension segment reported a profit before amortisation of NOK 95m (NOK 249m). Results within this segment are also affected by financial turmoil. Reserve strengthening of products with disability coverage, in combination with a negative financial result from SPP, are the main explanations for the lower result. 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 loss of NOK minus 368m (NOK 124m) before eliminations. The negative result stems primarily from spreads widening on credit bond investments in the company portfolios as well as losses on currency hedges. The portfolios now enjoy a higher yield, and subject to credit defaults, the mark-to-market loss will be regained in subsequent quarters.

## 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 172% at the end of 1st quarter 2020. The Solvency margin without transitional rules was 155%. Lower interest rates, increased credit spreads and falling equity markets reduced the solvency margin, but contracyclical measures in the regulatory framework like the volatility adjustment and symmetrical equity adjustment combined with risk management reduced the impact on the solvency margin. The transition rules mitigate the effects of the interest rate movement. Group profit after tax, net of dividend set aside for 2020, contributes positively to the solvency margin as well. Retaining the dividend set aside for 2019 also improved 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 decreased only by NOK 4.6bn (-0.5%) during the quarter, despite market turmoil. The growth partly attributed to an appreciation of the SEK/NOK exchange rate of 13% in the 1st quarter. 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 4th 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<sup>1)</sup>,

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

# Savings

- 17% growth in Unit Linked premiums in the 1st quarter compared to last year adjusted for currency (19% unadjusted)
- 10% fee- and administration income growth adjusted for currency (12% unadjusted)
- Negative financial result related to economic impact of COVID-19

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

## SAVINGS

(NOK million)	2020		2019			1.1 - 31.03		Full year 2019
	Q1	Q4	Q3	Q2	Q1	2020	2019	
Fee and administration income	488	484	450	436	435	488	435	1,805
Operational expenses	-305	-338	-291	-313	-281	-305	-281	-1,222
<b>Operating profit</b>	<b>183</b>	<b>146</b>	<b>160</b>	<b>123</b>	<b>153</b>	<b>183</b>	<b>153</b>	<b>583</b>
Financial items and risk result life & pension	-36		-7	-6	-3	-36	-3	-17
<b>Profit before amortisation</b>	<b>148</b>	<b>146</b>	<b>152</b>	<b>117</b>	<b>150</b>	<b>148</b>	<b>150</b>	<b>566</b>

## PROFIT

The Savings segment reported a profit before amortisation and tax of NOK 148m (NOK 150m) for the 1st quarter.

Compared to last year, the fee- and administration income in the Savings segment increased by 10% in the quarter, when adjusted for currency. The income growth is attributed to all product lines, with Norwegian and Swedish Unit Linked growing 11% and 13% respectively. Returns, new sales and higher savings rates have driven asset growth leading to growth in management fees. The growth is also attributed to currency effects from the Swedish business. Underlying product margins remained stable in the quarter while reported margins are affected by volatility in the asset base and by currency effects. Increased competition and growth in index-based products slowly contribute to moderate margin pressure over time.

Operating expenses was NOK 305m for the quarter (NOK 281m). Operational cost within Savings increased in the 1st quarter compared to 2019. This is explained both by underlying growth and that the cost base is gradually shifting from the Guaranteed segment to the Savings segment as the former segment is in long-term decline and the latter in rapid growth.

The financial result was NOK minus 36m (NOK minus 3m) in the quarter in light of COVID-19 and the resulting financial market turmoil and slowdown in the economy. The negative result is primarily explained stock market returns and credit spreads widening causing lower market values of credit bonds.

## KEY FIGURES

(NOK million)	2020		2019		
	Q1	Q4	Q3	Q2	Q1
Unit Linked Reserves	210,061	219,793	206,717	198,032	190,971
Unit Linked Premiums	5,046	4,551	4,205	4,175	4,237

## BALANCE SHEET AND MARKET TRENDS

The Unit Linked premiums were NOK 5.1bn (NOK 4.2bn) at the end of 1st quarter, growing 19% compared to the 1st quarter last year. Total assets under management in Unit Linked decreased by NOK 9.7bn (-4.4%) during the 1st quarter to NOK 210bn. Compared to the same quarter last year, the growth is NOK 19bn (10%). Total net transfers in the quarter amounted to NOK 3.3bn net inflow.

In the Norwegian Unit Linked business, assets under management decreased by NOK 9.4bn (-8%) in the quarter, but increased by NOK 5.3bn (5%) 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 in 2019 and new sales. As of the 1st quarter 2020, Storebrand manages Posten Norway's Defined Contribution pensions with more than NOK 300m in annual premiums and more than NOK 3bn in transferred assets. Storebrand remains market leader with 29% market share of gross premiums written (at the end of the 4th quarter 2019) within Unit Linked.

In the Swedish market, SPP is the fourth largest, and fastest growing provider of non-unionised occupational pensions with a market share of 14% measured by gross premiums written (excluding transfers) within Unit Linked. Assets under management remained at NOK 105bn in the quarter, as market movements were offset by currency effects in SEKNOK. Compared to the same quarter last year, assets under management increased by NOK 14bn (15%), mainly due to currency. In local currency, the growth was SEK 1bn (1%). The growth is driven by strong growth in sales (APE) and positive net transfers.

# Insurance

- Combined ratio of 124% in the quarter, target 90-92%
- Reserve strengthening due to Covid-19 weakens the result in all business lines
- Continued good cost control with 17% cost ratio

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

## INSURANCE

(NOK million)	2020		2019			1.1 - 31.03		Full year
	Q1	Q4	Q3	Q2	Q1	2020	2019	2019
Insurance result	-131	120	189	186	170	-131	170	665
- Insurance premiums f.o.a.	706	704	689	683	675	706	675	2,750
- Claims f.o.a.	-837	-584	-500	-497	-505	-837	-505	-2,086
Operational expenses	-107	-115	-105	-102	-95	-107	-95	-417
<b>Operating profit</b>	<b>-238</b>	<b>5</b>	<b>84</b>	<b>83</b>	<b>75</b>	<b>-238</b>	<b>75</b>	<b>248</b>
Financial items and risk result life & pension	-15	18	5	12	-1	-15	-1	33
<b>Profit before amortisation</b>	<b>-253</b>	<b>23</b>	<b>89</b>	<b>96</b>	<b>74</b>	<b>-253</b>	<b>74</b>	<b>281</b>

## PROFIT

Insurance delivered a result before amortisation of NOK minus 253m (NOK 74m) for the 1st quarter. The combined ratio was 134% (89%) in the quarter.

The 1st quarter claims ratio was 119% (75%) and to a large extent affected by the COVID-19 situation. The main driver for the weak result is reserve strengthening for disability coverage. Total reserve strengthening amounted to approximately NOK 220m in the quarter.

NAV, the Norwegian Labour and Welfare Administration, has as of 22 April 2020 registered 359,197 applications for welfare benefits from workers affected by temporary layoffs. The insurance results are negatively affected by the increase in observed and expected jobless claims in Norway. Storebrand has conducted a forward-looking model review based on the unfolding of the current economic situation and strengthened the reserves for all insurance products with disability coverages.

Within Group life and workers' compensation and claims frequency for disability in older cohorts remains high. Storebrand has strengthened the disability reserves and price increases of up to 30% have been implemented as of January 2020 of up to 30% to improve the result. Further price increases may be implemented.

The result for Pension related disability insurance was good in Sweden and is generally seeing a satisfactory development in Norway, although the reserve strengthening in the 1st quarter weakens the result.

Cost control has continued to be satisfactory. The cost ratio remains at 15% in the 1st quarter (14%), lower than in the last quarter and only marginally higher compared to the 1st quarter last year.

Insurance's investment portfolio in Norway amounted to NOK 7.2bn<sup>1)</sup> as of the 1st quarter. It is primarily invested in fixed income securities with a short to medium duration and achieved a financial return of minus 0.1% in the quarter, mainly due to credit spreads widening. Financial returns were higher mainly due to an increase in Norwegian short-term rates.

## BALANCE SHEET AND MARKET TRENDS

The Insurance segment offers a broad range of personal risk products to the retail market in Norway, as well as to the corporate market in both Norway and Sweden. Portfolio premium (annual) amounts to NOK 2,923m (NOK 2,628m) in the 1st quarter. 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.

<sup>1)</sup> NOK 2.8bn 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.

<b>PORTFOLIO PREMIUM (ANNUAL)</b> (NOK million)	2020		2019		
	1Q	4Q	3Q	2Q	1Q
Individual life *	680	673	662	655	649
Group life **	975	805	895	857	855
Pension related disability insurance ***	1,269	1,144	1,130	1,134	1,124
<b>Portfolio premium</b>	<b>2,923</b>	<b>2,622</b>	<b>2,687</b>	<b>2,645</b>	<b>2,628</b>

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

<b>KEY FIGURES</b> (NOK million)	2020		2019		
	1Q	4Q	3Q	2Q	1Q
Claims ratio	119 %	83 %	73 %	73 %	75 %
Cost ratio	15 %	16 %	15 %	15 %	14 %
<b>Combined ratio</b>	<b>134 %</b>	<b>99 %</b>	<b>88 %</b>	<b>88 %</b>	<b>89 %</b>

# Guaranteed pension

- Income development in line with strategy and product run-off
- Buffer capital level remains high despite market turmoil

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

## GUARANTEED PENSION

(NOK million)	2020		2019			1.1 - 31.03		Full year 2019
	Q1	Q4	Q3	Q2	Q1	2020	2019	
Fee and administration income	349	368	384	364	361	349	361	1,475
Operational expenses	-202	-225	-199	-209	-186	-202	-186	-819
<b>Operating profit</b>	<b>147</b>	<b>143</b>	<b>185</b>	<b>155</b>	<b>174</b>	<b>147</b>	<b>174</b>	<b>657</b>
Financial items and risk result life & pension	-52	189	52	56	74	-52	74	372
<b>Profit before amortisation</b>	<b>95</b>	<b>332</b>	<b>237</b>	<b>211</b>	<b>249</b>	<b>95</b>	<b>249</b>	<b>1,029</b>

## PROFIT

Guaranteed Pension achieved a profit before amortisation of NOK 95m (NOK 249m) in the 1st quarter.

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 349m (NOK 361m) in the 1st quarter represents a decline of 3.1%.

Operating costs amounted to NOK 202m (NOK 186m) in the 1st quarter. 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 minus 26m (NOK 61m) in the 1st quarter. The risk result continues to be strong in Norwegian Paid-up policies, however the result in the Defined benefit portfolio weakened due to longevity and disability development in the quarter. Based on the Covid-19 situation, NOK 46m of reserve strengthening related to disability has been booked.

The result from profit sharing was NOK minus 26m (NOK 13m) in the 1st quarter and stems primarily from Swedish Guaranteed business in SPP. The drivers for the result are falling equity markets, lower interest rates, and increased credit spreads. The latter was largely compensated for by an increase in volatility adjustment (VA), falling equity markets and lower interest rates.

## 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 1st quarter,

customer reserves for guaranteed pensions amounted to NOK 272bn. This is an increase of NOK 8.7bn compared to the previous quarter, but adjusted for currency effects the reserves amounted to NOK 262bn which is a decrease of NOK 1bn. As a share of the total balance sheet, guaranteed reserves amount to 56.4% (57.7%) as of the 1st quarter, a reduction of 1.3 percentage points since last year. The premium income for guaranteed pensions (excluding transfers) was NOK 1.9bn (NOK 1.8bn) in the 1st quarter.

In the Norwegian business, Paid-up policies is the only guaranteed pension portfolio experiencing some growth over time as active Define Benefit contracts eventually become Paid-up policies. The Paid-up portfolio amounted to NOK 142bn as of the 1st quarter – an increase of NOK 5.3bn from 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. Reserves for Defined Benefit pensions in Norway amounted to NOK 30bn at the end of the 1st quarter, representing a reduction of NOK 3.5bn compared to the level at the start of the year.

Guaranteed portfolios in the Swedish business totalled NOK 89bn as of the 1st quarter, an increase of NOK 8bn in the quarter. Adjusted for currency effects, reserves decreased by NOK 2bn in the quarter.

Despite turbulent financial markets, the total buffer capital for Guaranteed Pension remained solid and amounted to NOK 27bn as of the 1st quarter, in line with the level at the beginning of the year, despite turbulent financial markets. As a share of the total customer reserves, the buffer capital in Sweden fell by 3.4 percentage points to 7.3% however, while the buffer capital in Norway only fell by 0.3 percentage points to 8.3%.

## KEY FIGURES

(NOK million)	2020		2019		
	Q1	Q4	Q3	Q2	Q1
Guaranteed reserves	272 051	263 185	263 677	261 973	260 560
Guaranteed reserves in % of total reserves	56.4 %	54.5 %	56.1 %	57.0 %	57.7 %
Transfer out of guaranteed reserves	- 93	16	14	-1	75
Buffer capital in % of customer reserves Storebrand	8.3 %	8.6 %	8.3 %	7.9 %	7.4 %
Buffer capital in % of customer reserves SPP	7.3 %	10.7 %	9.8 %	9.9 %	9.4 %



# Other

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

## OTHER

(NOK million)	2020		2019			1.1 - 31.03		Full year
	Q1	Q4	Q3	Q2	Q1	2020	2019	2019
Fee and administration income	13	13	10	14	14	13	14	51
Operational expenses	-13	-14	-10	-14	-14	-13	-14	-52
<b>Operating profit</b>	<b>1</b>	<b>-1</b>	<b>-0</b>	<b>0</b>	<b>-0</b>	<b>1</b>	<b>-0</b>	<b>-1</b>
Financial items and risk result life & pension	-368	78	62	58	124	-368	124	321
<b>Profit before amortisation</b>	<b>-368</b>	<b>77</b>	<b>62</b>	<b>58</b>	<b>124</b>	<b>-368</b>	<b>124</b>	<b>320</b>

## PROFIT

The Other segment reported a loss of NOK minus 368 (NOK 124m) in the quarter. The negative result stems primarily from spreads widening on credit bond investments in the company portfolios as well as losses on currency hedges.

Fee and administration income of NOK 13m as well as operational cost of NOK 13m were in line with the levels of previous quarters.

The financial result for the Other segment includes the company portfolios of SPP and Storebrand Life Insurance 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 1st 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 24bn at end of the quarter.

The investments are primarily in interest-bearing securities in Norway and Sweden. The Norwegian company portfolio reported a return of minus 1.25% for the quarter. The Swedish company portfolio achieved a return of minus 0.72% 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.

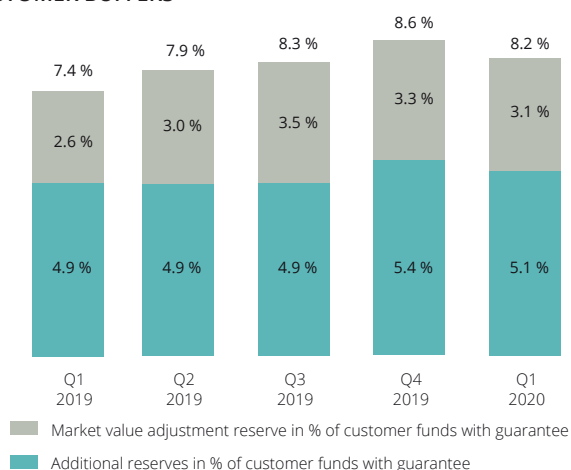
## STOREBRAND LIVSFORSIKRING GROUP

The Solidity capital<sup>1)</sup> measures the amount of IFRS capital available to cover customer liabilities. The solidity capital amounted to NOK 62.7bn at the end of 1st quarter 2020, an increase of NOK 0.3bn in 1st quarter. The change in the quarter is due to increased customer buffers in the Norwegian business and an decrease in customer buffers Swedish business.

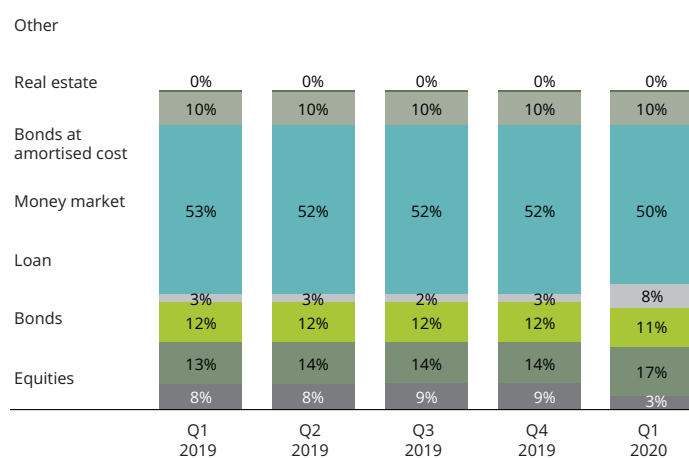
## STORBRAND LIVSFORSIKRING AS

The market value adjustment reserve decreased during the 1st quarter by NOK 0.2bn and amounted to NOK 5.3bn at the end of the 1st quarter 2020. The additional statutory reserves decreased during the 1st quarter by NOK 0.3bn. As a result of low booked investment returns in some customer portfolios there are drawn additional statutory reserves to cover guaranteed interest by NOK 0.2bn. The additional statutory reserves amounted to NOK 8.9bn at the end of the 1st quarter 2020. The excess value of bonds and loans valued at amortised cost increased by NOK 2.0bn in the 1st quarter and amounted to NOK 6.7bn at the end of the 1st quarter 2020 due to decreases in interest rates. The excess value of bonds and loans at amortised cost is not included in the financial statements.

## CUSTOMER BUFFERS



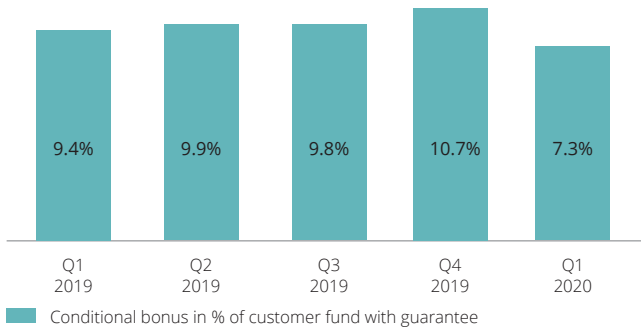
## ALLOCATION OF GUARANTEED CUSTOMER ASSETS



Customer assets decreased by NOK 8.8bn in the 1st quarter due to negative investment returns. Customer assets totaled NOK 289bn at the end of the 1st quarter 2020. Customer assets within non-guaranteed savings decreased NOK 9.3bn during the 1st quarter and amounted to NOK 105bn at the end of 1st quarter 2020. Guaranteed customer assets increased in the 1st quarter by NOK 0.6bn. Guaranteed customer asset amounted to NOK 183bn at the end of 1st quarter 2020.

<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.

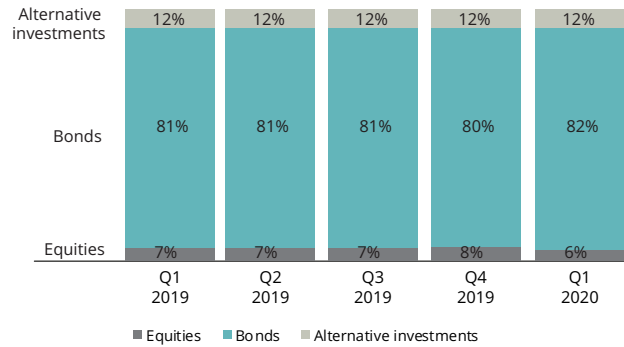
**SPP**



**BUFFER CAPITAL**

The buffer capital amounted to SEK 6.4bn (SEK 7.3bn) at the end of the 1st quarter.

**ALLOCATION OF GUARANTEED CUSTOMER ASSETS**



Total assets under management in SPP were SEK 180bn (SEK 180bn) at the end of the 1st quarter. This corresponds to a decrease of 0.2% compared to the 1st quarter last year. For customer assets in non-guaranteed savings, assets under management totalled SEK 99bn (SEK 98bn) at the end of the 1st quarter, which corresponds to an increase of 1%, compared with the 1st quarter 2019.

# 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. The Storebrand Group expects to start capital release as dividends and/or share buy backs when the solvency margin is above 180%. Under normal circumstances, 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 10% in the last 12 months, despite the financial market downturn in March. Adjusted for currency, the growth is 5% and 1% in Norway and Sweden respectively. 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 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 56.4% at the end of the quarter, a 1.3 percentage point reduction from the same period last year.

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

As an immediate impact of COVID-19 and the economic downturn, Storebrand's results have been negatively affected by financial mark-to-market losses caused by credit spreads widening and weak insurance results following reserve strengthening for increased disability claims. How the current unprecedented situation will unfold is highly uncertain, but Storebrand is fully operational with close to normal productivity and has made plans for various economic scenarios. The full year financial consequence of the current economic situation is highly unpredictable at this stage. Storebrand's risk management systems have performed well in this and earlier crisis's and the Group is robust to handle a further economic downturn.

COVID-19 combined with plummeting oil prices have led to a dramatic increase in the number of temporarily laid off workers in Norway. Over many years, the Norwegian economy has demonstrated relative resilience to global financial crises, including the crisis of 2008-2009. In the current situation, there is increased risk of much higher unemployment in Norway. A prolonged situation with unemployment could lead to increased number of disability claims. This could lead to price increases in Storebrand's insurance policies. Storebrand is fully reserved for our best estimate of expected claims.

## 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 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.

## **COVID-19-RELATED CHANGES IN OCCUPATIONAL PENSION REGULATION**

In response to the COVID-19 crisis, Parliament has passed regulatory changes concerning occupational pension for temporarily laid off employees. In most occupational pension schemes, temporarily laid off employees leave the pension scheme and get an individual pension capital certificate (DC) or paid-up policy (DB).

With over 350,000 workers affected by temporary layoffs, equivalent to roughly 20% of the private sector workforce, a similar fraction of the active DC and DB contracts could become individual pension capital certificates or paid-up policies.

The new regulation allows temporarily laid off employees to remain members in the pension scheme, even if the employer chooses to not pay new pension or risk premiums during the lay off period. If the employer chooses not to pay risk premiums, the laid off employee can buy "continuity insurance" on an individual basis in order to keep their risk coverage.

The new regulation was introduced 17 April and will remain in force for six months. We expect the regulation to significantly reduce the volume of new pension capital certificates and paid-up policies related to Corona-driven labour market changes.

## **INDIVIDUAL PENSION ACCOUNT**

The Ministry of Finance has confirmed the timetable for introducing Individual Pension Accounts in 2021. Supplementary regulation will be sent on a public hearing until 1 August.

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 conducted a public consultation on proposals for changes in guaranteed pension regulations. The Ministry of Finance will now decide which proposals to put forward to

parliament.

The public hearing was based on proposals by the Financial Supervisory Authority (FSA). The FSA proposals built on 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 pointed 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.

## **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, 29 April 2020

Board of directors Storebrand Livsforsikring AS

# Storebrand Livsforsikring group

## Statement of comprehensive income

(NOK million)	01.01 - 31.03		
	2020	2019	Year 2019
<b>TECHNICAL ACCOUNT:</b>			
Gross premiums written	8,229	7,038	24,988
Reinsurance premiums ceded	-6	-6	-11
Premium reserves transferred from other companies	5,640	1,481	6,239
<b>Premiums for own account</b>	<b>13,862</b>	<b>8,513</b>	<b>31,216</b>
Income from investments in subsidiaries, associated companies and joint ventures companies	99	100	285
Interest income and dividends etc. from financial assets	1,545	1,803	7,790
Net operating income from properties	257	262	1,003
Changes in investment value	-2,420	3,304	5,053
Realised gains and losses on investments	125	959	2,235
<b>Total net income from investments in the collective portfolio</b>	<b>-394</b>	<b>6,427</b>	<b>16,367</b>
Income from investments in subsidiaries, associated companies and joint ventures companies	21	16	56
Interest income and dividends etc. from financial assets	-14	-17	379
Net operating income from properties	40	33	148
Changes in investment value	-26,592	14,215	29,870
Realised gains and losses on investments	-2,520	616	1,941
<b>Total net income from investments in the investment selection portfolio</b>	<b>-29,065</b>	<b>14,862</b>	<b>32,394</b>
<b>Other insurance related income</b>	<b>329</b>	<b>302</b>	<b>1,344</b>
Gross claims paid	-5,412	-5,422	-19,591
Claims paid - reinsurance		4	10
Premium reserves etc. transferred to other companies	-2,211	-2,510	-6,357
<b>Claims for own account</b>	<b>-7,623</b>	<b>-7,927</b>	<b>-25,938</b>
To/from premium reserve, gross	-1,537	-2,591	-531
To/from additional statutory reserves	42	29	-768
Change in value adjustment fund	221	-2,067	-3,255
Change in premium fund, deposit fund and the pension surplus fund			-2
To/from technical reserves for non-life insurance business	-133	-16	-8
Change in conditional bonus	3,000	-508	-1,858
Transfer of additional statutory reserves and value adjustment fund from other insurance companies/ pension funds	-5	-3	-11
<b>Changes in insurance obligations recognised in the Profit and Loss Account - contractual obligations</b>	<b>1,588</b>	<b>-5,156</b>	<b>-6,433</b>
Change in pension capital	22,178	-15,956	-43,761
<b>Changes in insurance obligations recognised in the Profit and Loss Account - investment portfolio separately</b>	<b>22,178</b>	<b>-15,956</b>	<b>-43,761</b>
Profit on investment result			-199
Risk result allocated to insurance contracts			-196
Other allocation of profit			-43
Unallocated profit	-204	39	
<b>Funds allocated to insurance contracts</b>	<b>-204</b>	<b>39</b>	<b>-438</b>
Management expenses	-48	-48	-189
Selling expenses	-234	-186	-788

# Storebrand Livsforsikring group

## Statement of comprehensive income continue

	01.01 - 31.03		
(NOK million)	2020	2019	Year 2019
Change in pre-paid direct selling expenses	18	14	51
Insurance-related administration expenses (incl. commissions for reinsurance received)	-350	-357	-1,565
<b>Insurance-related operating expenses</b>	<b>-615</b>	<b>-577</b>	<b>-2,492</b>
<b>Other insurance related expenses</b>	<b>-71</b>	<b>-76</b>	<b>-388</b>
<b>Technical insurance profit</b>	<b>-16</b>	<b>450</b>	<b>1,871</b>
<b>NON-TECHNICAL ACCOUNT</b>			
Income from investments in subsidiaries, associated companies and joint ventures companies		8	15
Interest income and dividends etc. from financial assets	115	109	448
Changes in investment value	-319	96	133
Realised gains and losses on investments	-72	2	83
<b>Net income from investments in company portfolio</b>	<b>-275</b>	<b>215</b>	<b>679</b>
<b>Other income</b>	<b>56</b>	<b>47</b>	<b>173</b>
Management expenses	-5	-5	-18
Other expenses	-227	-198	-850
<b>Management expenses and other costs linked to the company portfolio</b>	<b>-232</b>	<b>-202</b>	<b>-868</b>
<b>Profit or loss on non-technical account</b>	<b>-451</b>	<b>61</b>	<b>-16</b>
<b>Profit before tax</b>	<b>-467</b>	<b>511</b>	<b>1,855</b>
Tax expenses	732	-109	-333
<b>Profit before other comprehensive income</b>	<b>265</b>	<b>402</b>	<b>1,522</b>
Change in actuarial assumptions	-2	-2	14
Change in value adjustment reserve own properties	19	-33	-22
Adjustment of insurance liabilities	-19	33	22
Tax on other profit elements not to be classified to profit/loss			9
<b>Other comprehensive income not to be classified to profit/loss</b>	<b>-2</b>	<b>-2</b>	<b>23</b>
Profit/loss cash flow hedging	34	-21	-36
Currency translation differences	380	-190	-164
<b>Other profit comprehensive income that may be classified to profit /loss</b>	<b>414</b>	<b>-211</b>	<b>-201</b>
<b>Other comprehensive income</b>	<b>413</b>	<b>-214</b>	<b>-177</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>678</b>	<b>188</b>	<b>1,345</b>
<b>PROFIT IS ATTRIBUTABLE TO:</b>			
Majority share of profit	265	399	1,515
Minority share of profit		3	7
<b>COMPREHENSIVE INCOME IS ATTRIBUTABLE TO:</b>			
Majority share of profit	672	191	1,347
Minority share of profit	6	-3	-2

# Storebrand Livsforsikring group

## Statement of financial position

(NOK million)	31.03.2020	31.03.2019	31.12.2019
<b>ASSETS</b>			
<b>ASSETS IN COMPANY PORTFOLIO</b>			
Goodwill	845	742	750
Other intangible assets	3,396	3,238	3,073
<b>Total intangible assets</b>	<b>4,241</b>	<b>3,980</b>	<b>3,824</b>
Properties at fair value	49	50	49
Properties for own use			
Equities and units in subsidiaries, associated companies and joint ventures companies	114	108	114
Loans at amortised cost	2	2	2
Bonds at amortised cost	6,819	7,777	7,119
Deposits at amortised cost	795	460	582
Equities and fund units at fair value	14	16	25
Bonds and other fixed-income securities at fair value	17,012	18,495	19,914
Derivatives at fair value	1,788	1,262	1,122
Other financial assets			
<b>Total investments</b>	<b>26,594</b>	<b>28,169</b>	<b>28,926</b>
Receivables in connection with direct business transactions	583	733	310
Receivables in connection with reinsurance transactions	11	13	17
Receivables with group company	67	106	112
Other receivables	10,940	4,971	3,206
<b>Total receivables</b>	<b>11,602</b>	<b>5,822</b>	<b>3,645</b>
Tangible fixed assets	361	265	325
Cash, bank	2,645	1,889	1,814
Tax assets	2,300	1,828	1,566
Other assets designated according to type	67	70	67
<b>Total other assets</b>	<b>5,373</b>	<b>4,053</b>	<b>3,772</b>
Pre-paid direct selling expenses	678	540	583
Other pre-paid costs and income earned and not received	238	168	138
<b>Total pre-paid costs and income earned and not received</b>	<b>915</b>	<b>708</b>	<b>721</b>
<b>Total assets in company portfolio</b>	<b>48,724</b>	<b>42,732</b>	<b>40,887</b>



# Storebrand Livsforsikring group

## Statement of financial position continue

(NOK million)	31.03.2020	31.03.2019	31.12.2019
<b>Assets in customer portfolios</b>			
Properties at fair value	26,828	25,082	25,526
Properties for own use	1,574	1,314	1,375
Equities and units in subsidiaries, associated companies and joint ventures companies	4,706	3,555	3,352
Bonds held to maturity	13,396	14,433	13,377
Bonds at amortised cost	86,842	88,783	89,790
Loans at amortised cost	23,586	23,910	23,735
Deposits at amortised cost	13,356	6,627	6,163
Equities and fund units at fair value	15,306	24,692	25,677
Bonds and other fixed-income securities at fair value	92,252	87,347	83,881
Loans at fair value	7,786	4,775	6,393
Financial derivatives at fair value	7,017	4,160	3,122
<b>Total investments in collective portfolio</b>	<b>292,649</b>	<b>284,678</b>	<b>282,391</b>
<b>Reinsurance share of insurance obligations</b>	<b>28</b>	<b>86</b>	<b>69</b>
Properties at fair value	3,919	2,842	3,839
Equities and units in subsidiaries, associated companies and joint ventures companies	1,049	572	693
Loans	43		
Deposits at amortised cost	1,572	756	1,312
Equities and fund units at fair value	158,806	144,684	168,344
Bonds and other fixed-income securities at fair value	48,073	41,750	44,245
Loans at fair value	385	507	343
Financial derivatives at fair value	540	93	1,009
<b>Total investments in investment selection portfolio</b>	<b>214,387</b>	<b>191,203</b>	<b>219,786</b>
<b>Total assets in customer portfolio</b>	<b>507,064</b>	<b>475,968</b>	<b>502,246</b>
<b>TOTAL ASSETS</b>	<b>555,789</b>	<b>518,700</b>	<b>543,133</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	3,540	3,540	3,540
Share premium	9,711	9,711	9,711
Other paid in equity	88		88
<b>Total paid in equity</b>	<b>13,339</b>	<b>13,251</b>	<b>13,339</b>
Risk equalisation fund	442	295	466
Security reserves	5		5
Other earned equity	12,324	10,641	11,627
Minority's share of equity	119	114	113
<b>Total earned equity</b>	<b>12,890</b>	<b>11,050</b>	<b>12,211</b>

# Storebrand Livsforsikring group

## Statement of financial position continue

(NOK million)	31.03.2020	31.03.2019	31.12.2019
Perpetual subordinated loan capital	1,100	2,101	1,974
Dated subordinated loan capital	7,697	5,705	6,675
Hybrid tier 1 capital			
<b>Total subordinated loan capital and hybrid tier 1 capital</b>	<b>8,797</b>	<b>7,807</b>	<b>8,649</b>
Premium reserves	265,683	258,263	253,582
Additional statutory reserves	8,699	8,239	9,023
Market value adjustment reserve	5,279	4,312	5,500
Premium fund, deposit fund and the pension surplus fund	2,145	2,047	2,016
Conditional bonus	7,361	8,404	9,302
Unallocated profit to insurance contracts	390	144	
Other technical reserve	723	675	649
<b>Total insurance obligations in life insurance - contractual obligations</b>	<b>290,280</b>	<b>282,084</b>	<b>280,072</b>
Pension capital	210,050	191,855	219,921
<b>Total insurance obligations in life insurance - investment portfolio separately</b>	<b>210,050</b>	<b>191,855</b>	<b>219,921</b>
Pension liabilities etc.	110	140	100
Deferred tax	601	96	527
Other provisions for liabilities	130	22	127
<b>Total provisions for liabilities</b>	<b>840</b>	<b>258</b>	<b>754</b>
Liabilities in connection with direct insurance	765	1,141	1,015
Liabilities in connection with reinsurance	11	25	3
Financial derivatives	9,691	1,266	932
Liabilities to group companies	21	2,728	33
Other liabilities	8,570	6,781	5,433
<b>Total liabilities</b>	<b>19,057</b>	<b>11,940</b>	<b>7,416</b>
Other accrued expenses and received, unearned income	536	455	772
<b>Total accrued expenses and received, unearned income</b>	<b>536</b>	<b>455</b>	<b>772</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>555,789</b>	<b>518,700</b>	<b>543,133</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 31.12.2018</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					61		338	3	402
Other comprehensive income							-211	-3	-214
<b>Total comprehensive income for the period</b>					<b>61</b>		<b>127</b>	<b>0</b>	<b>188</b>
<b>Equity transactions with owner:</b>									
Received dividend/group contributions									
Paid dividend/group contributions							-3,200		-3,200
Other									
<b>Equity at 31.03.2019</b>	<b>3,540</b>	<b>9,711</b>		<b>13,251</b>	<b>295</b>		<b>10,641</b>	<b>114</b>	<b>24,301</b>
Profit for the period					232	5	1,278	7	1,522
Other comprehensive income							-175	-2	-177
<b>Total comprehensive income for the period</b>					<b>232</b>	<b>5</b>	<b>1,102</b>	<b>6</b>	<b>1,345</b>
<b>Equity transactions with owner:</b>									
Received dividend/group contributions			88	88					88
Paid dividend/group contributions							-3,221		-3,221
Other							33	-7	26
<b>Equity at 31.12.2019</b>	<b>3,540</b>	<b>9,711</b>	<b>88</b>	<b>13,339</b>	<b>466</b>	<b>5</b>	<b>11,628</b>	<b>113</b>	<b>25,550</b>
Profit for the period					-24		290		265
Other comprehensive income							406	6	413
<b>Total comprehensive income for the period</b>					<b>-24</b>		<b>696</b>	<b>6</b>	<b>678</b>
<b>Equity transactions with owner:</b>									
Received dividend/group contributions									
Paid dividend/group contributions									
Other							1		1
<b>Equity at 31.03.2020</b>	<b>3,540</b>	<b>9,711</b>	<b>88</b>	<b>13,339</b>	<b>442</b>		<b>12,324</b>	<b>119</b>	<b>26,229</b>

# Storebrand Livsforsikring

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

Storebrand Livsforsikring group			Storebrand Livsforsikring AS	
2019	2020	(NOK million)	2020	2019
		<b>Cash flow from operational activities</b>		
25,236	7,956	Net received - direct insurance	5,698	17,104
-19,913	-5,648	Net claims/benefits paid - direct insurance	-3,689	-12,529
-118	3,429	Net receipts/payments - policy transfers	2,957	-1,368
-765	-1,262	Net change insurance liabilities	187	-260
1,344	329	Receipts - interest, commission and fees from customers		
-388	-71	Payments - interest, commission and fees to customers	-65	-368
-2,492	-615	Net receipts/payments operations	-367	-1,509
2,687	-588	Net receipts/payments - other operational activities	6,102	710
<b>5,591</b>	<b>3,529</b>	<b>Net cash flow from operational activities before financial assets</b>	<b>10,822</b>	<b>1,780</b>
310	-433	Net receipts/payments - loans to customers	64	1,556
-1,148	6,064	Net receipts/payments - financial assets	-3,675	2,115
-368	163	Net receipts/payments - property activities		
-2,092	-7,268	Net change bank deposits insurance customers	-5,914	-2,770
<b>-3,298</b>	<b>-1,474</b>	<b>Net cash flow from operational activities from financial assets</b>	<b>-9,525</b>	<b>901</b>
<b>2,293</b>	<b>2,055</b>	<b>Net cash flow from operational activities</b>	<b>1,298</b>	<b>2,681</b>
		<b>Cash flow from investment activities</b>		
-14	-8	Net receipts/payments - sale/purchase of fixed assets		-15
<b>-14</b>	<b>-8</b>	<b>Net cash flow from investment activities</b>	<b>0</b>	<b>-15</b>
		<b>Cash flow from financing activities</b>		
927		Payment of subordinated loan capital		927
-128	-872	Repayment of subordinated loan capital	-872	-128
-355	-13	Payments - interest on subordinated loan capital	-13	-355
		Payments received of dividend and group contribution		
-3,200		Payment of dividend and group contribution		-3,200
<b>-2,646</b>	<b>-885</b>	<b>Net cash flow from financing activities</b>	<b>-885</b>	<b>-2,646</b>
<b>-367</b>	<b>1,163</b>	<b>Net cash flow for the period</b>	<b>412</b>	<b>20</b>
2,931	2,637	of which net cash flow for the period before financial assets	9,937	-881
-367	1,163	Net movement in cash and cash equivalent assets	412	20
2,717	2,396	Cash and cash equivalents at start of the period	1,410	1,390
46	-119	Currency translation differences		
<b>2,396</b>	<b>3,440</b>	<b>Cash and cash equivalent assets at the end of the period</b>	<b>1,822</b>	<b>1,410</b>

# Storebrand Livsforsikring AS

## Statement of comprehensive income

(NOK million)	01.01 - 31.03		
	2020	2019	Year 2019
<b>TECHNICAL ACCOUNT:</b>			
Gross premiums written	5,966	5,055	16,905
Reinsurance premiums ceded	-6	-5	-8
Premium reserves transferred from other companies	4,638	611	3,139
<b>Premiums for own account</b>	<b>10,598</b>	<b>5,660</b>	<b>20,036</b>
Income from investments in subsidiaries, associated companies and joint ventures companies	-743	1,082	3,461
of which from investment in property companies	106	382	1,302
Interest income and dividends etc. from financial assets	1,285	1,372	5,389
Changes in investment value	1,646	1,299	1,702
Realised gains and losses on investments	-932	-275	-455
<b>Total net income from investments in the collective portfolio</b>	<b>1,255</b>	<b>3,479</b>	<b>10,097</b>
Income from investments in subsidiaries, associated companies and joint ventures companies	-762	1,414	3,870
of which from investment in rproperty companies	27	76	289
Interest income and dividends etc. from financial assets	-101	-91	64
Changes in investment value	-9,506	4,341	8,534
Realised gains and losses on investments	-4,461	579	1,430
<b>Total net income from investments in the investment selection portfolio</b>	<b>-14,830</b>	<b>6,242</b>	<b>13,897</b>
<b>Other insurance related income</b>	<b>185</b>	<b>172</b>	<b>824</b>
Gross claims paid	-3,488	-3,556	-12,226
Claims paid - reinsurance		4	9
Premium reserves etc. transferred to other companies	-1,682	-2,066	-4,506
<b>Claims for own account</b>	<b>-5,170</b>	<b>-5,618</b>	<b>-16,723</b>
To/from premium reserve, gross	-1,023	-711	543
To/from additional statutory reserves	42	29	-768
Change in value adjustment fund	221	-2,067	-3,255
Change in premium fund, deposit fund and the pension surplus fund			-2
To/from technical reserves for non-life insurance business	-133	-16	-8
Transfer of additional statutory reserves and value adjustment fund from other insurance companies/ pension funds	-5	-3	-11
<b>Changes in insurance obligations recognised in the Profit and Loss Account - contractual obligations</b>	<b>-899</b>	<b>-2,768</b>	<b>-3,501</b>
Change in pension capital	9,354	-6,491	-21,134
<b>Changes in insurance obligations recognised in the Profit and Loss Account - investment portfolio separately</b>	<b>9,354</b>	<b>-6,491</b>	<b>-21,134</b>
Profit on investment result			-199
Risk result allocated to insurance contracts			-196
Other allocation of profit			-43
Unallocated profit	-389	-136	
<b>Funds allocated to insurance contracts</b>	<b>-389</b>	<b>-136</b>	<b>-438</b>

# Storebrand Livsforsikring AS

## Statement of comprehensive income continue

(NOK million)	01.01 - 31.03		
	2020	2019	Year 2019
Management expenses	-48	-48	-189
Selling expenses	-96	-60	-269
Insurance-related administration expenses (incl. commissions for reinsurance received)	-223	-235	-1,051
<b>Insurance-related operating expenses</b>	<b>-367</b>	<b>-343</b>	<b>-1,509</b>
Other insurance related expenses after reinsurance share	-65	-65	-368
<b>Technical insurance profit</b>	<b>-327</b>	<b>132</b>	<b>1,180</b>
<b>NON-TECHNICAL ACCOUNT</b>			
Income from investments in subsidiaries, associated companies and joint ventures companies	636	-257	565
of which from investment in property companies			
Interest income and dividends etc. from financial assets	112	110	448
Changes in investment value	-233	75	102
Realised gains and losses on investments	-719	261	279
<b>Net income from investments in company portfolio</b>	<b>-205</b>	<b>189</b>	<b>1,394</b>
<b>Other income</b>	<b>4</b>	<b>5</b>	<b>22</b>
Management expenses	-5	-5	-18
Other expenses	-109	-97	-409
<b>Total management expenses and other costs linked to the company portfolio</b>	<b>-113</b>	<b>-101</b>	<b>-427</b>
<b>Profit or loss on non-technical account</b>	<b>-314</b>	<b>92</b>	<b>988</b>
<b>Profit before tax</b>	<b>-642</b>	<b>224</b>	<b>2,168</b>
Tax expenses	767	-58	-322
<b>Profit before other comprehensive income</b>	<b>125</b>	<b>166</b>	<b>1,846</b>
Change in actuarial assumptions			-4
Tax on other profit elements not to be classified to profit/loss			10
<b>Other comprehensive income not to be classified to profit/loss</b>			<b>6</b>
Profit/loss cash flow hedging	34	-21	-36
<b>Other comprehensive income that may be classified to profit /loss</b>	<b>34</b>	<b>-21</b>	<b>-36</b>
Other comprehensive income	34	-21	-30
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>159</b>	<b>145</b>	<b>1,816</b>

# Storebrand Livsforsikring AS

## Statement of financial position

(NOK million)	31.03.2020	31.03.2019	31.12.2019
<b>ASSETS</b>			
<b>ASSETS IN COMPANY PORTFOLIO</b>			
Goodwill			
Other intangible assets	351	338	338
<b>Total intangible assets</b>	<b>351</b>	<b>338</b>	<b>338</b>
Equities and units in subsidiaries, associated companies and joint ventures companies	13,827	12,752	12,814
of which investment in property companies			
Loans at amortised cost	1	1	1
Bonds at amortised cost	6,819	7,777	7,119
Deposits at amoritised cost	504	452	508
Equities and fund units at fair value	14	15	24
Bonds and other fixed-income securities at fair value	10,645	11,387	11,675
Derivatives at fair value	1,788	1,262	1,122
Other financial assets			
<b>Total investments</b>	<b>33,599</b>	<b>33,646</b>	<b>33,262</b>
Receivables in connection with direct business transactions	572	687	305
Receivables in connection with reinsurance transactions	3	4	9
Receivables with group company	728	195	770
Other receivables	7,794	1,589	356
<b>Total receivables</b>	<b>9,097</b>	<b>2,476</b>	<b>1,439</b>
Tangible fixed assets	18	9	19
Cash, bank	1,318	937	902
Tax assets	2,107	1,759	1,340
<b>Total other assets</b>	<b>3,443</b>	<b>2,705</b>	<b>2,261</b>
Other pre-paid costs and income earned and not received	54	47	25
<b>Total pre-paid costs and income earned and not received</b>	<b>54</b>	<b>47</b>	<b>25</b>
<b>Total assets in company portfolio</b>	<b>46,543</b>	<b>39,212</b>	<b>37,326</b>
<b>Assets in customer portfolios</b>			
Equities and units in subsidiaries, associated companies and joint ventures companies	29,032	27,119	28,662
of which investment in property companies	20,470	20,183	19,565
Bonds held to maturity	13,396	14,433	13,377
Bonds at amortised cost	86,842	88,783	89,790
Loans at amoritised cost	23,586	23,910	23,735
Deposits at amoritised cost	10,071	3,315	4,444
Equities and fund units at fair value	4,779	7,327	7,860
Bonds and other fixed-income securities at fair value	21,891	23,334	22,173
Financial derivatives at fair value	4,503	952	1,080
<b>Total investments in collective portfolio</b>	<b>194,100</b>	<b>189,173</b>	<b>191,121</b>

# Storebrand Livsforsikring AS

## Statement of financial position continue

(NOK million)	31.03.2020	31.03.2019	31.12.2019
<b>Reinsurance share of insurance obligations</b>	<b>25</b>	<b>86</b>	<b>67</b>
Equities and units in subsidiaries, associated companies and joint ventures companies	19,464	17,390	20,077
of which investment in property companies	5,033	3,493	4,643
Lendings at amortised cost	43		
Deposits at amortised cost	1,273	587	986
Equities and fund units at fair value	49,691	46,674	54,990
Bonds and other fixed-income securities at fair value	38,202	34,846	37,138
Loans at fair value	385	344	343
Financial derivatives at fair value	540	93	1,009
<b>Total investments in investment selection portfolio</b>	<b>109,597</b>	<b>99,935</b>	<b>114,544</b>
<b>Total assets in customer portfolios</b>	<b>303,722</b>	<b>289,193</b>	<b>305,732</b>
<b>TOTAL ASSETS</b>	<b>350,266</b>	<b>328,405</b>	<b>343,058</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	3,540	3,540	3,540
Share premium	9,711	9,711	9,711
Other paid in equity	599	84	599
<b>Total paid in equity</b>	<b>13,850</b>	<b>13,335</b>	<b>13,850</b>
Risk equalisation fund	442	295	466
Security reserves	5		5
Other earned equity	11,372	11,896	11,190
<b>Total earned equity</b>	<b>11,819</b>	<b>12,191</b>	<b>11,661</b>
Perpetual subordinated loan capital	1,100	2,101	1,974
Dated subordinated loan capital	7,697	5,705	6,675
<b>Total subordinated loan capital and hybrid tier 1 capital</b>	<b>8,797</b>	<b>7,807</b>	<b>8,649</b>
Premium reserves	173,179	172,847	171,973
Additional statutory reserves	8,884	8,239	9,023
Market value adjustment reserve	5,279	4,312	5,500
Premium fund, deposit fund and the pension surplus fund	2,145	2,047	2,016
Unallocated profit to insurance contracts	390	144	
Other technical reserve	723	675	649
<b>Total insurance obligations in life insurance - contractual obligations</b>	<b>190,600</b>	<b>188,264</b>	<b>189,161</b>
Pension capital	105,186	99,920	114,538
<b>Total insurance obligations in life insurance - investment portfolio separately</b>	<b>105,186</b>	<b>99,920</b>	<b>114,538</b>
Pension liabilities etc.	7	12	7
<b>Total provisions for liabilities</b>	<b>7</b>	<b>12</b>	<b>7</b>
Liabilities in connection with direct insurance	542	921	758
Liabilities in connection with reinsurance	7	7	
Financial derivatives	8,673	425	421
Liabilities to group companies	2,232	2,731	2,257
Other liabilities	8,394	2,645	1,450
<b>Total liabilities</b>	<b>19,848</b>	<b>6,729</b>	<b>4,886</b>
Other accrued expenses and received, unearned income	158	147	305
<b>Total accrued expenses and received, unearned income</b>	<b>158</b>	<b>147</b>	<b>305</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>350,266</b>	<b>328,405</b>	<b>343,058</b>



# Storebrand Livsforsikring AS

## Statement of change in equity

(NOK million)	Share capital <sup>1)</sup>	Share premium reserve	Other paid in capital	Total paid in equity	Risk equalisation fund	Security reserves	Other equity	Total equity
<b>Equity at 31.12.2018</b>	<b>3,540</b>	<b>9,711</b>	<b>84</b>	<b>13,335</b>	<b>233</b>		<b>11,812</b>	<b>25,381</b>
Profit for the period					61		105	166
Other comprehensive income							-21	-21
<b>Total comprehensive income for the period</b>					<b>61</b>		<b>84</b>	<b>145</b>
<b>Equity transactions with owner:</b>								
Received dividend/group contributions								
Paid dividend/group contributions								
Other								
<b>Equity at 31.03.2019</b>	<b>3,540</b>	<b>9,711</b>	<b>84</b>	<b>13,335</b>	<b>294</b>		<b>11,896</b>	<b>25,526</b>
Profit for the period					232	5	1,609	1,846
Other comprehensive income							-30	-30
<b>Total comprehensive income for the period</b>					<b>232</b>	<b>5</b>	<b>1,578</b>	<b>1,816</b>
<b>Equity transactions with owner:</b>								
Received dividend/group contributions			515	515				515
Paid dividend/group contributions							-2,200	-2,200
Other								
<b>Equity at 31.12.2019</b>	<b>3,540</b>	<b>9,711</b>	<b>599</b>	<b>13,850</b>	<b>466</b>	<b>5</b>	<b>11,190</b>	<b>25,511</b>
Profit for the period					-24		149	125
Other comprehensive income							34	34
<b>Total comprehensive income for the period</b>					<b>-24</b>		<b>183</b>	<b>159</b>
<b>Equity transactions with owner:</b>								
Received dividend/group contributions								
Paid dividend/group contributions								
Other							-1	-1
<b>Equity at 31.03.2020</b>	<b>3,540</b>	<b>9,711</b>	<b>599</b>	<b>13,850</b>	<b>442</b>	<b>5</b>	<b>11,372</b>	<b>25,669</b>

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

# Notes

## Storebrand Livsforsikring group

### Note 01 | Accounting policies

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

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

Storebrand Livsforsikring AS - the company's financial statements

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

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

### Note 02 | Estimates

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

Actual results may differ from these estimates.

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

### Note 03 | Segments - profit 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 2019 annual report in note 3 Segment reporting.

## PROFIT BY SEGMENTS

(NOK million)	1.1 - 31.03		Year
	2020	2019	2019
Savings	148	150	491
Insurance	-253	74	554
Guaranteed pension	95	249	1,148
Other	-368	124	121
<b>Profit before amortisation</b>	<b>-378</b>	<b>596</b>	<b>2,315</b>
Amortisation intangible assets	-89	-86	-305
<b>Profit before tax</b>	<b>-467</b>	<b>511</b>	<b>2,010</b>

## SEGMENT INFORMATION AS AT 31.03

(NOK million)	Savings		Insurance		Guaranteed pension	
	2020	2019	2020	2019	2020	2019
Fee and administration income	488	435			349	361
Insurance result			-131	170		
- Insurance premiums for own account			706	675		
- Claims for own account			-837	-505		
Operational cost	-305	-281	-107	-95	-202	-186
<b>Operating profit</b>	<b>183</b>	<b>153</b>	<b>-238</b>	<b>75</b>	<b>147</b>	<b>174</b>
Financial items and risk result life & pension	-36	-3	-15	-1	-52	74
<b>Profit before amortisation</b>	<b>148</b>	<b>150</b>	<b>-253</b>	<b>74</b>	<b>95</b>	<b>249</b>
Amortisation of intangible assets						
<b>Profit before tax</b>	<b>148</b>	<b>150</b>	<b>-253</b>	<b>74</b>	<b>95</b>	<b>249</b>

(NOK million)	Other		Storebrand Livsforsikring group	
	2020	2019	2020	2019
Fee and administration income	13	14	851	809
Insurance result			-131	170
- Insurance premiums for own account			706	675
- Claims for own account			-837	-505
Operational cost	-13	-14	-627	-577
<b>Operating profit</b>	<b>1</b>	<b>0</b>	<b>93</b>	<b>402</b>
Financial items and risk result life & pension	-368	124	-471	194
<b>Profit before amortisation</b>	<b>-368</b>	<b>124</b>	<b>-378</b>	<b>596</b>
Amortisation of intangible assets			-89	-86
<b>Profit before tax</b>	<b>-368</b>	<b>124</b>	<b>-467</b>	<b>511</b>

## 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 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 first quarter has been strongly affected by the development linked to the Coronavirus spread. From the last part of February, the contagion, and the consequences of containment both in Norway and globally, has led to financial turmoil with falling equity prices, increased credit spreads, falling interest rates and lower tradability for part of the investments. In combination with falling oil price, the conditions have also led to a significant weakening of the Norwegian Krone. Storebrand has principles for risk management that handles and dampens the effects, but the effects were still visible. The uncertainty going forward has also increased.

The equity market was very weak during the first quarter. Global equities fell 20 % and Norwegian equities fell 24 %. The market for corporate bonds was also weak and credit spreads increased considerably. Increased spreads were negative for return in the first quarter, but higher credit spreads are positive for expected return going forward.

Norges Bank cut the interest rate twice by a total of 1.25 pp. Long term interest rates also fell. The Norwegian 10-year swap-rate fell by a full 1.0 pp. The Swedish 10-year swap-rate fell by 0.3 pp. 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 weakened strongly during the first quarter, accentuated by a very weak oil price. During the quarter, the Norwegian Krone has weakened 18 % against the US dollar, 17 % against the Euro and 13 % 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 risk.

Financial instruments valued at fair value level three is 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. Several of the input in these models are affected by the short-term effects from Covid-19. For the long-term effects are there greater uncertainty, depending on the continued spread of Covid-19, governmental support and the effects for the economy. There are few to none certain effects from this in the input data, besides a larger range of possible outcomes. Hence, the values reflect management's best estimate, but contain greater uncertainty than in a normal quarter.

During the first quarter the investment allocation to equities was reduced in line with the principles for dynamic risk management.

Despite weak equity and credit markets, the return for the guaranteed customer portfolios in Norway on average was positive in the first quarter. Unrealised gains for equities fell, but this was to a large extent countered by an increase in unrealized gains for interest rate swap-exposure. Return for guaranteed customer portfolios in Sweden was negative and lower than the change in value for the liabilities. This led to a decrease in conditional bonuses.

Return for unit linked portfolios was negative during the first quarter, mainly due to the weak equity markets. This will lead to lower income for Storebrand going forward, dependant on whether and when the market recover.

### 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 March 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. Stresstest 1 is a fall in the value of shares, corporate bonds and property in combination with lower interest rates. Stresstest 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 of time, then dynamic risk management would reduce the effect of the negative outcomes and reinforce the positive to some extent.

As a result of customer buffers, the effect of the stresses on the result will be lower than the combined change in value in the table. As at 31 March 2020, the customer buffers are of such a size that the effects on the result are significantly lower.

### STRESSTEST 1

Sensitivity	Storebrand Livsforsikring		SPP Pension & Försäkring	
	NOK Million	Share of portfolio	NOK Million	Share of portfolio
Interest rate risk	4,171	2.0%	-651	-0.7%
Equity risk	-1,455	-0.7%	-1,589	-1.8%
Property risk	-2,545	-1.2%	-1,177	-1.4%
Credit risk	-1,303	-0.6%	-840	-1.0%
<b>Total</b>	<b>-1,133</b>	<b>-0.5%</b>	<b>-4,257</b>	<b>-4.9%</b>

## STRESSTEST 2

Sensitivity	Storebrand Livsforsikring		SPP Pension & Försäkring	
	NOK Million	Share of portfolio	NOK Million	Share of portfolio
Interest rate risk	-4,171	-2.0%	499	0.6%
Equity risk	-873	-0.4%	-953	-1.1%
Property risk	-1,485	-0.7%	-687	-0.8%
Credit risk	-782	-0.4%	-504	-0.6%
<b>Total</b>	<b>-7,311</b>	<b>-3.5%</b>	<b>-1,645</b>	<b>-1.9%</b>

### STOREBRAND LIVSFORSIKRING

For Storebrand Livsforsikring it is stresstest 2, which includes an increase in interest rates, that makes the greatest impact. The overall market risk is NOK 7.3 billion (NOK 7.2 billion as at 31 December 2019), which is equivalent to 3.5 (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 & INSURANCE

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

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

### Insurance risk

Insurance risk is the risk of higher than expected payments and/or an unfavourable change in the value of an insurance liability due to actual developments deviating from what was expected when premiums or provisions were calculated. Most of the insurance risk for the group is related to life insurance. Changes in longevity is for Storebrand the greatest insurance 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 weak economy has led to a substantial increase in unemployment. Part of the increase is deemed temporary due to the containment of the virus. There has historical been correlations between the unemployment rate and the disability levels. The governments are putting in place many measures to support the economy from effects from Covid-19 and the long-term unemployment rate and the outcome of the pandemic is uncertain. The best estimates for the liabilities are updated in the quarter based on the observed short-term effects. However, if unemployment remains high for a long period, this could lead to higher disability levels. Other than that, the insurance risk was not materially changed during the first quarter.

Note 05 | Liquidity risk

**SPECIFICATION OF SUBORDINATED LOAN CAPITAL**

(NOK million)	Nominal value	Currency	Interest rate	Call date	Book value
<b>Issuer</b>					
<b>Perpetual subordinated loan capital</b>					
Storebrand Livsforsikring AS	1,000	NOK	Variable	2020	1,100
<b>Dated subordinated loan capital</b>					
Storebrand Livsforsikring AS	750	SEK	Variable	2021	801
Storebrand Livsforsikring AS	1,000	SEK	Variable	2022	1,058
Storebrand Livsforsikring AS	900	SEK	Variable	2025	942
Storebrand Livsforsikring AS	300	EUR	Fixed	2023	3,845
Storebrand Livsforsikring AS	1,000	SEK	Variable	2024	1,051
<b>Total subordinated loan capital and hybrid tier 1 capital 31.03.2020</b>					<b>8,797</b>
<b>Total subordinated loan capital and hybrid tier 1 capital 31.12.2019</b>					<b>8,649</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 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 31.03.2020	Fair value 31.12.19	Book value 31.03.2020	Book value 31.12.19
<b>Financial assets</b>				
Loans to customers - corporate	6,745	6,169	6,764	6,194
Loans to customers - retail	16,867	17,542	16,867	17,542
Bonds held to maturity	14,629	14,433	13,396	13,377
Bonds classified as loans and receivables	99,193	100,588	93,662	96,909
<b>Financial liabilities</b>				
Subordinated loan capital	8,540	8,729	8,797	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	31.03.2020	31.12.2019
<b>Assets</b>					
<b>Equities and fund units</b>					
- Equities	20,294	55	514	20,863	28,673
- Fund units		144,036	9,227	153,263	165,372
<b>Total equities and fund units 31.03.2020</b>	<b>20,294</b>	<b>144,091</b>	<b>9,741</b>	<b>174,127</b>	
<b>Total equities and fund units 31.12.2019</b>	<b>28,007</b>	<b>156,553</b>	<b>9,485</b>		<b>194,045</b>
<b>Total loans to customers</b>					
- Loans to customers - corporate			8,171	8,171	6,736
<b>Bonds and other fixed income securities</b>					
- Government bonds	12,674	21,553		34,227	31,416
- Corporate bonds		60,895	16	60,911	60,055
- Collateralised securities		1,472		1,472	1,219
- Bond funds		53,925	6,801	60,725	55,350
<b>Total bonds and other fixed income securities 31.03.2020</b>	<b>12,674</b>	<b>137,845</b>	<b>6,817</b>	<b>157,336</b>	
<b>Total bonds and other fixed income securities 31.12.2019</b>	<b>10,638</b>	<b>131,898</b>	<b>5,505</b>		<b>148,040</b>
<b>Derivatives:</b>					
- Equity derivatives					1
- Interest derivatives		7,509	-138	7,371	2,539
- Currency derivatives		-7,716		-7,716	1,780
<b>Total derivatives 31.03.2020</b>		<b>-207</b>	<b>-138</b>	<b>-345</b>	
- derivatives with a positive market value		9,346		9,346	5,253
- derivatives with a negative market value		-9,553	-138	-9,691	-932
<b>Total derivatives 31.12.2019</b>		<b>4,321</b>			<b>4,321</b>
<b>Properties:</b>					
- investment properties			30,796	30,796	29,415
- Owner-occupied properties			1,574	1,574	1,375
<b>Total properties 31.03.2020</b>			<b>32,370</b>	<b>32,370</b>	
<b>Total properties 31.12.2019</b>			<b>30,790</b>		<b>30,790</b>

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



### MOVEMENT LEVEL 3

(NOK million)	Equities	Fund units	Loans to customers	Corporate bonds	Bond funds	Investment properties	Owner-occupied properties
Book value 01.01	457	9,303	5,739	15	5,181	28,670	1,316
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 31.03.2020</b>	<b>311</b>	<b>10,756</b>	<b>5,771</b>	<b>-27</b>	<b>7,042</b>	<b>29,073</b>	<b>1,212</b>

As of 31.03.20, Storebrand Life Insurance had NOK 5 755 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.

### STOREBRAND LIVSFORSIKRING AS

(NOK million)	Level 1 Quoted prices	Level 2 Observable assumptions	Level 3 Non-observable assumptions	Total 31.03.2020	Total 31.12.2019
<b>Assets</b>					
<b>Equities and fund units</b>					
- Equities	967	40	514	1,520	2,327
- Fund units		45,977	6,986	52,963	60,547
<b>Total equities and fund units 31.03.2020</b>	<b>967</b>	<b>46,017</b>	<b>7,500</b>	<b>54,483</b>	
<b>Total equities and fund units 31.12.2019</b>	<b>1,685</b>	<b>53,883</b>	<b>7,306</b>		<b>62,874</b>
<b>Total loans to customers</b>					
- Loans to customers - corporate			385	385	
<b>Bonds and other fixed income securities</b>					
- Government bonds	5,141	92		5,233	4,992
- Corporate bonds		24,425	8	24,432	25,794
- Collateralised securities		766		766	732
- Bond funds		39,257	1,050	40,307	39,467
<b>Total bonds and other fixed income securities 31.03.2020</b>	<b>5,141</b>	<b>64,540</b>	<b>1,057</b>	<b>70,738</b>	
<b>Total bonds and other fixed income securities 31.12.2019</b>	<b>4,899</b>	<b>65,316</b>	<b>771</b>		<b>70,986</b>
<b>Derivatives:</b>					
- Equity derivatives					1
- Interest derivatives		5,679		5,679	1,238
- Currency derivatives		-7,521		-7,521	1,550
<b>Total derivatives 31.03.2020</b>		<b>-1,842</b>		<b>-1,842</b>	
- derivatives with a positive market value		6,832		6,832	
- derivatives with a negative market value		-8,673		-8,673	
<b>Total derivatives 31.12.2019</b>		<b>2,789</b>			<b>2,789</b>

### MOVEMENT LEVEL 3

(NOK million)	Equities	Fund units	Loans to customers	Corporate bonds	Bond funds
Book value 01.01	469	6,837	343	8	763
Net profit/loss	65	240	42		72
Supply/disposal		385			214
Sales/overdue/settlement	-20	-476	-1		
<b>Book value 31.03.2020</b>	<b>514</b>	<b>6,986</b>	<b>384</b>	<b>8</b>	<b>1,050</b>

### SENSITIVITY ASSESSMENTS

#### EQUITIES

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

(NOK million)	Storebrand Livsforsikring group		Storebrand Livsforsikring AS	
	Change in value at change in discount rate		Change in value at change in discount rate	
	Increase + 25 bp	Decrease - 25 bp	Increase + 25 bp	Decrease - 25 bp
Change in fair value as at 31.03.20	-23	25	-23	25
Change in fair value as at 31.12.19	-19	21	-19	21

#### FUND UNITS

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

(NOK million)	Storebrand Livsforsikring group		Storebrand Livsforsikring AS	
	Change MSCI World		Change MSCI World	
	Increase + 10 %	Decrease - 10 %	Increase + 10 %	Decrease - 10 %
Change in fair value as at 31.03.20	418	-418	323	-323
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 31.03.20	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 31.03.20	-30	30	-10	10
Change in fair value as at 31.12.19	-27	27	-9	9

## CORPORATE BONDS

Corporate bonds at level 3 are typical non-performing loans and convertible bonds. They are not priced by a discount rate as bonds normally are, and therefore these investments are included in the same sensitivity test as private equity.

(NOK million)	Storebrand Livsforsikring group		Storebrand Livsforsikring AS	
	Change MSCI World		Change MSCI World	
	Increase + 10 %	Decrease - 10 %	Increase + 10 %	Decrease - 10 %
Change in fair value as at 31.03.20	0	-0	0	-0
Change in fair value as at 31.12.19	0	-0	0	-0

## PROPERTIES

The sensitivity assessment for properties includes investments properties.

The valuation of property is particularly sensitive to a change in the required rate of return and the expected future cash flow. A change of 0.25 per cent in the required rate of return when everything else remains unchanged will result in a change in the value of Storebrand's property portfolio of approximately 5.2 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 31.03.20	-1,627	1,829	-1,015	1,122
Change in fair value as at 31.12.19	-1,560	1,699	-1,065	1,129

Note  
07

## Tax

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

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

In the quarter there has been 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 the quarter, the hedging of Swedish subsidiaries had a tax effect which increased the tax income with NOK 253 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 6.3 billion in an uncertain tax position. If Storebrand's interpretation is accepted, a deferred tax expense of approximately NOK 1.6 billion will be derecognised from the financial statements.
- C. 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	
	31.03.20	31.12.19	31.03.20	31.12.19
Uncalled residual liabilities re limited partnership	6,715	7,297	5,949	6,433
<b>Total contingent liabilities</b>	<b>6,715</b>	<b>7,297</b>	<b>5,949</b>	<b>6,433</b>

Guarantees essentially encompass payment and contract guarantees.

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

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

Note  
09

## Solvency II

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

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

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

### SOLVENCY CAPITAL

(NOK million)	31.03.20					31.12.19
	Total	Group 1 unlimited	Group 1 limited	Group 2	Group 3	Total
Share capital	3,540	3,540				3,540
Share premium	9,711	9,711				9,711
Reconciliation reserve	19,650	19,650				21,146
Including the effect of the transitional arrangement						
Subordinated loans	8,295		1,035	7,259		7,651
Deferred tax asset	213				213	
Risk equalisation reserve	442			442		466
Expected dividend/group distributions	-1,690	-1,690				
<b>Total solvency capital</b>	<b>40,160</b>	<b>31,211</b>	<b>1,035</b>	<b>7,701</b>	<b>213</b>	<b>40,823</b>
<b>Total solvency capital available to cover the minimum capital requirement</b>	<b>33,666</b>	<b>31,211</b>	<b>1,035</b>	<b>1,420</b>		<b>35,124</b>

## SOLVENCY CAPITAL REQUIREMENT AND - MARGIN

(NOK million)	31.03.20	31.12.19
Market	20,203	18,583
Counterparty	1,089	702
Life	7,091	7,055
Health	629	564
P&C		
Operational	1,081	1,036
Diversification	-5,444	-5,043
Loss-absorbing tax effect	-5,160	-4,740
<b>Total solvency requirement</b>	<b>19,489</b>	<b>18,156</b>
<b>Solvency margin</b>	<b>206.1 %</b>	<b>224.8 %</b>
<b>Minimum capital requirement</b>	<b>7,101</b>	<b>6,512</b>
<b>Minimum margin</b>	<b>474.1 %</b>	<b>539.3 %</b>

### Note 10 | Information about related parties

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

Storebrand Livsforsikring has not carried out any material transactions other than normal business transactions with related parties during 2020, other than Storebrand Livsforsikring AS having acquired mortgages from the sister company Storebrand Bank ASA. The mortgages were transferred on commercial terms. The portfolio of loans that have been transferred in the 1st quarter 2020 totaled NOK 0.7 billion. The total portfolio of loans bought as of 1st quarter 2020 is NOK 35.5 billion. Storebrand Livsforsikring AS pays management fees to Storebrand Bank ASA for management of the portfolios, the expense for the 1st quarter 2020 is NOK 17,8 million.

# Financial calender 2020



<b>15 July</b>	Results 2Q 2020
<b>21 October</b>	Results 3Q 2020
<b>February 2021</b>	Results 4Q 2020

## Investor Relations contacts



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