

# Interim report 2019

Storebrand Livsforsikring AS (unaudited)

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# Storebrand Livsforsikring group

Storebrand Livsforsikring AS is a wholly owned subsidiary of the listed company Storebrand ASA. For information about the Storebrand Group's 2nd quarter result please refer to the Storebrand Group's interim report for the 2nd quarter of 2019. Storebrand Group's ambition is to be the best provider of pension savings. The Group offers an integrated product range spanning from life insurance, P&C insurance, asset management and banking to private individuals, companies and public sector entities. The Group is divided into the segments Savings, Insurance, Guaranteed Pension and Other.

## PROFIT STOREBRAND LIVSFORSIKRING GROUP

(NOK million)	2019		2018			1.1 - 30.06		Full year
	Q2	Q1	Q4	Q3	Q2	2019	2018	2018
Fee and administration income	814	809	776	821	800	1,624	1,588	3,185
Insurance result	186	170	199	239	274	356	509	947
Operational expenses	-638	-577	-653	-593	-609	-1,216	-1,208	-2,454
<b>Operating profit</b>	<b>362</b>	<b>402</b>	<b>322</b>	<b>467</b>	<b>466</b>	<b>764</b>	<b>889</b>	<b>1,678</b>
Financial items and risk result life & pension	120	194	36	148	151	313	453	637
<b>Profit before amortisation</b>	<b>482</b>	<b>596</b>	<b>358</b>	<b>615</b>	<b>616</b>	<b>1,078</b>	<b>1,342</b>	<b>2,315</b>
Amortisation	-84	-86	-85	-84	-85	-169	-135	-305
<b>Profit before tax</b>	<b>398</b>	<b>511</b>	<b>273</b>	<b>531</b>	<b>532</b>	<b>908</b>	<b>1,207</b>	<b>2,010</b>

The profit before amortisation was NOK 482m (NOK 616m) in the 2nd quarter and NOK 1,078m year to date (NOK 1,342m). The figures in brackets are from the corresponding period last year.

Total fee and administration income amounted to NOK 814m (NOK 800m) for the 2nd quarter representing an increase of 2% compared to the same period last year, when adjusted for currency changes. Income within the segment Guaranteed Pension decreased by 1% compared to same period last year, adjusted for currency changes. This is in line with the run off of the Guaranteed Pension schemes, while the Savings segment increased income by 8%. Sales of occupational pensions in the first half of 2019 in both the Norwegian and Swedish business have resulted in new corporate clients that will be onboarded in the second half of 2019. Posten Norway is expected to be the largest transfer of premiums for Storebrand to date with more than NOK 300m in annual premiums and more than NOK 3bn in assets.

The Insurance result had a total combined ratio of 88% (74%) in the quarter. High claims in Group Life decreases the segment result.

The operating costs in the 2nd quarter were NOK 638m (NOK 609m).

The underlying cost control is strong. Operational costs increased in the quarter compared to the same period last year due to restructuring costs of NOK 35m that were of one-off nature. Volume growth within the Saving segment has resulted in a larger part of the Group's costs being allocated to this segment.

Overall, the operating profit decreased in the quarter compared to last year. Strong insurance results in the 2nd quarter of 2018 combined with higher costs in the quarter are the main explanations for the difference compared to last year.

The Group reported a tax cost of NOK minus 2m (NOK 182m) for the quarter. The low tax cost in the quarter is a result of too much taxes having been booked previously for the fiscal year 2018. The effective tax rate is influenced by the fact that the Group has operations in countries with tax rates that are different from Norway, and it varies from quarter to quarter depending on each legal entity's contribution to the Group result. The tax rate is estimated to be in the range of 21-23% for 2019. Storebrand has received a change notice for tax returns for 2015 with an uncertain outcome, see note 7 for details.

## PROFIT STOREBRAND LIVSFORSIKRING GROUP - BY BUSINESS AREA

(NOK million)	2019		2018			1.1 - 30.06		Full year
	Q2	Q1	Q4	Q3	Q2	2019	2018	2018
Savings	117	150	115	133	134	267	243	491
Insurance	96	74	67	153	179	170	334	554
Guaranteed pensions	211	249	217	295	236	460	637	1,148
Other	58	124	-40	35	67	182	127	121
<b>Profit before amortisation</b>	<b>482</b>	<b>596</b>	<b>358</b>	<b>615</b>	<b>616</b>	<b>1,078</b>	<b>1,342</b>	<b>2,315</b>

The Savings segment reported a profit of NOK 117m (NOK 134m) for the 2nd quarter. Structural growth and positive equity markets within Unit linked savings contribute positively to the result.

The Insurance segment reported a profit of NOK 96m (NOK 179m) for the 2nd quarter. The risk result gives a claims ratio of 73% (60%) in the quarter. Run-off gains in the previous year contributed to the result last year.

The Guaranteed Pension segment achieved a profit before amortisation of NOK 211m (NOK 236m) for the 2nd quarter. Fee and administration income is reduced by 1.6% compared to last year. Lower interest rates in the 2nd quarter have led to low financial results in SPP, whereas the same period last year saw a reserve release of NOK 200m. The products within Guaranteed Pension are in long-term runoff and reduced earnings from this segment are to be expected over time.

The Other segment includes the return in company portfolios, credit spreads tightening affects results positively.

#### **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 calculated to 167% at the end of the 2nd quarter of 2019, including a two percentage points effect from transitional rules. Reduced interest rates, M&A activities and changes to models and assumptions explain the reduction in Solvency II ratios.

#### **MARKET AND SALES PERFORMANCE**

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

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

# Savings

- Growth in premiums and assets under management
- Increased costs due to underlying growth in the business

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)	2019		2018			1.1 - 30.06		Full year
	Q2	Q1	Q4	Q3	Q2	2019	2018	2018
Fee and administration income	437	435	427	425	406	872	804	1,655
Operational expenses	-314	-281	-301	-286	-270	-595	-553	-1,139
<b>Operating profit</b>	<b>123</b>	<b>153</b>	<b>126</b>	<b>139</b>	<b>136</b>	<b>277</b>	<b>251</b>	<b>516</b>
Financial items and risk result life & pension	-6	-3	-11	-6	-2	-10	-8	-25
<b>Profit before amortisation</b>	<b>117</b>	<b>150</b>	<b>115</b>	<b>133</b>	<b>134</b>	<b>267</b>	<b>243</b>	<b>491</b>

## PROFIT

The Savings segment reported a profit before amortisation and tax of NOK 117m (NOK 134m) for the 2nd quarter and NOK 267m year to date (NOK 243m).

Fee- and administration income increased by 8% for the quarter, when adjusted for currency changes. Returns, customer conversion from defined-benefit to defined-contribution pension schemes, new business and higher savings rates drive income growth. Increased competition contributes to moderate margin pressure both for the Norwegian and the Swedish Unit Linked products.

Operating expenses was NOK 314m for the quarter (NOK 270m). The operating expenses are impacted by underlying growth in the business and restructuring costs in the quarter.

## BALANCE SHEET AND MARKET TRENDS

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

## KEY FIGURES

(NOK million)	2019		2018		
	Q2	Q1	Q4	Q3	Q2
Unit Linked Reserves	198,032	187,016	187,016	178,498	171,749
Unit Linked Premiums	4,175	4,096	4,096	3,892	3,947

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

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

# Insurance

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

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)	2019		2018			1.1 - 30.06		Full year 2018
	Q2	Q1	Q4	Q3	Q2	2019	2018	
Fee and administration income								
Insurance result	186	170	199	239	274	356	509	947
- Insurance premiums f.o.a.	683	675	731	681	680	1,358	1,367	2,780
- Claims f.o.a.	-497	-505	-532	-442	-406	-1,001	-859	-1,833
Operational expenses	-102	-95	-112	-99	-100	-197	-200	-411
<b>Operating profit</b>	<b>83</b>	<b>75</b>	<b>87</b>	<b>140</b>	<b>174</b>	<b>159</b>	<b>309</b>	<b>536</b>
Financial items and risk result life & pension	12	-1	-20	12	5	11	25	18
<b>Profit before amortisation</b>	<b>96</b>	<b>74</b>	<b>67</b>	<b>153</b>	<b>179</b>	<b>170</b>	<b>334</b>	<b>554</b>

## PROFIT

Insurance delivered a result before amortisation of NOK 96m (NOK 179m) for the 2nd quarter and NOK 170m year to date (NOK 334m). The combined ratio was 88% (74%) in the quarter. The 2nd quarter claims ratio was 73% (60%) and the result is weaker than last year mainly due to development in Group Life and run-off gains in 2018.

Group Life delivers a weak risk result as in the previous quarter. Repricing measures will be implemented with effect from year-end 2019. Compared to same period last year, the result is also lower due to run-off gains in 2018. The risk result for Group Disability Pension is driven by a good development in Norwegian disability, but it is still high competition in the market for new business. The Swedish disability result is stronger than expected due to good disability development. The result for individual life products is satisfactory.

The cost ratio was 15% (15%) in the 2nd quarter, and cost control continues to be satisfactory.

Insurance's investment portfolio in Norway amounted to NOK 6.5bn as of the 2nd quarter, which primarily is invested in fixed income securities with a short to medium duration. Return on investments is satisfactory in the quarter.

## BALANCE SHEET AND MARKET TRENDS

Portfolio premium (annual) amounts to NOK 2 645m (NOK 2 685m) in the 2nd quarter.

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. The new disability pension regulations, which entered into force in 2016, have resulted in a lower premium volume.

## PORTFOLIO PREMIUM (ANNUAL)

(NOK million)	2019		2018		
	Q2	Q1	Q4	Q3	Q2
Individual life *	655	649	645	640	641
Group life **	857	855	872	877	889
Pension related disability insurance ***	1,134	1,124	1,138	1,153	1,155
<b>Portfolio premium</b>	<b>2,645</b>	<b>2,628</b>	<b>2,655</b>	<b>2,670</b>	<b>2,685</b>

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

## KEY FIGURES

(NOK million)	2019		2018		
	Q2	Q1	Q4	Q3	Q2
Claims ratio	73 %	75 %	73 %	65 %	60 %
Cost ratio	15 %	14 %	15 %	15 %	15 %
<b>Combined ratio</b>	<b>88 %</b>	<b>89 %</b>	<b>88 %</b>	<b>79 %</b>	<b>74 %</b>

# Guaranteed pension

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

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)	2019		2018			1.1 - 30.06		Full year 2018
	Q2	Q1	Q4	Q3	Q2	2019		
Fee and administration income	364	361	333	369	370	724	738	1,440
Operational expenses	-209	-186	-223	-179	-215	-395	-415	-816
<b>Operating profit</b>	<b>155</b>	<b>174</b>	<b>111</b>	<b>190</b>	<b>155</b>	<b>329</b>	<b>323</b>	<b>624</b>
Financial items and risk result life & pension	56	74	106	105	81	131	314	525
<b>Profit before amortisation</b>	<b>211</b>	<b>249</b>	<b>217</b>	<b>295</b>	<b>236</b>	<b>460</b>	<b>637</b>	<b>1,148</b>

## PROFIT

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

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

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

The risk result amounted to NOK 52m (minus NOK 140m) in the 2nd quarter and NOK 113m year to date (NOK 42m).

Overall, the risk result in the quarter is satisfactory with the Norwegian paid-up policy portfolio generating good results for disability risk coverages. Other product areas had moderate risk results. Compared to same quarter last year there has been a strong improvement in the risk result. This is mainly attributed to a reserve strengthening in SPP last year.

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

## BALANCE SHEET AND MARKET TRENDS

The majority of products are closed for new business, and the customers' choice of transferring from guaranteed to non-guaranteed products is in line with the Group's strategy. As of the 2nd quarter, customer reserves for guaranteed pensions amounted to NOK 262bn, which is an increase of NOK 1.4bn compared to the previous quarter and an increase of NOK 4.2bn compared to the same quarter last year. The premium income for guaranteed pensions (excluding transfers) was NOK 1.3bn (NOK 1.2bn) for the 2nd quarter and NOK 3.0bn for the year to date (NOK 3.2bn). In the Norwegian business, paid-up policies is the only guaranteed pension portfolio experiencing growth over time with a total portfolio amounting to NOK 137bn as of the 2nd quarter. This is an increase of NOK 3.7bn year to date. Since 2014, customers have been given the

choice to convert from traditional paid-up policies to paid-up policies with investment choice. Reserves for defined-benefit pensions in Norway amounted to NOK 33bn at the end of the 2nd quarter, a decline of NOK 0.3bn year to date.

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

## KEY FIGURES

(NOK million)	2019	2018			
	Q2	Q1	Q4	Q3	Q2
Guaranteed reserves	261 973	260 560	260 573	257 570	257 783
Guaranteed reserves in % of total reserves	57.0 %	57.7 %	59.2 %	57.9 %	59.1 %
Transfer out of guaranteed reserves	- 1	75	10	24	13
Buffer capital in % of customer reserves Storebrand	7.9 %	7.4 %	6.4 %	6.6 %	6.5 %
Buffer capital in % of customer reserves SPP	9.9 %	9.4 %	8.7 %	9.6 %	8.8 %



# 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)	2019		2018			1.1 - 30.06		Full year
	Q2	Q1	Q4	Q3	Q2	2019	2018	2018
Fee and administration income	14	14	16	27	24	28	46	89
Operational expenses	-14	-14	-18	-29	-23	-28	-41	-88
<b>Operating profit</b>	<b>0</b>	<b>-0</b>	<b>-2</b>	<b>-2</b>	<b>1</b>	<b>-0</b>	<b>5</b>	<b>2</b>
Financial items and risk result life & pension	58	124	-39	37	66	182	122	120
<b>Profit before amortisation</b>	<b>58</b>	<b>124</b>	<b>-40</b>	<b>35</b>	<b>67</b>	<b>182</b>	<b>127</b>	<b>121</b>

## PROFIT

The Other segment reported a profit of NOK 58m (NOK 67m) for the 2nd quarter and NOK 182m year to date (NOK 127m). Fee and administration income is associated to BenCo's business being wound down.

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 2nd quarter, interest expenses of approximately NOK 80m per quarter are expected.

The company portfolios in the Norwegian and Swedish life insurance companies amounted to NOK 21.5bn at end of the quarter.

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

# Balance sheet 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.

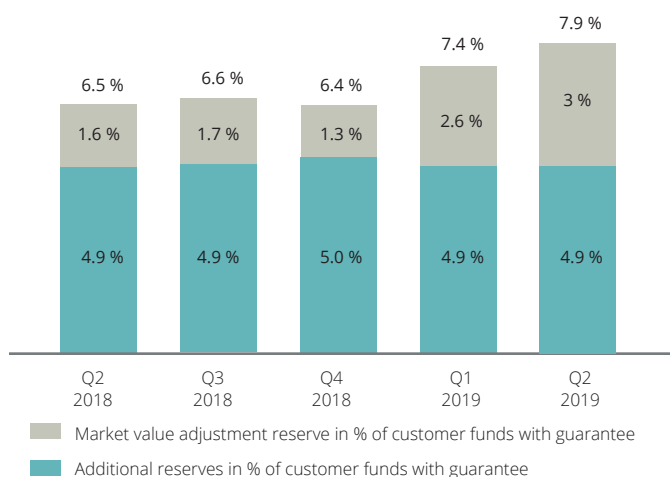
## STOREBRAND LIVSFORSIKRING GROUP

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

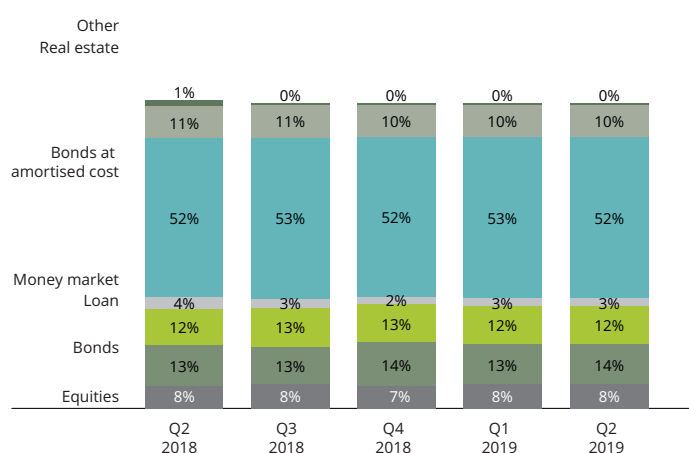
## STORBRAND LIVSFORSIKRING AS

The market value adjustment reserve increased during the 2nd quarter by NOK 0.8bn and year to date by NOK 2.9bn and amounted to NOK 5.1bn at the end of the 2nd quarter 2019. The additional statutory reserves decreased year to date by NOK 0.3bn due to preliminary calculated deduction due to weak booked return in the first quarter and amounted to NOK 8.2bn at the end of the 2nd quarter 2019. The excess value of bonds and loans valued at amortised cost increased by NOK 0.2bn in the 2nd quarter and NOK 1.2bn year to date and amounted to NOK 5.9bn at the end of the 2nd quarter 2019 due to 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

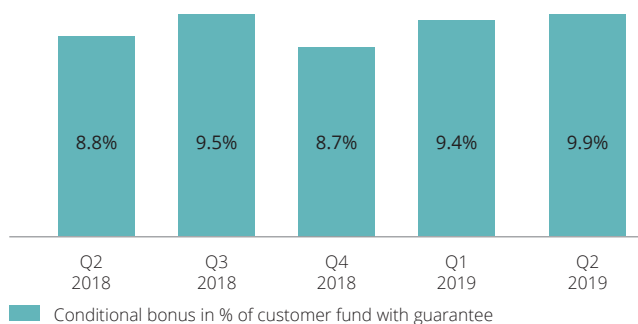


Customer assets increased by NOK 4.8bn in the 2nd quarter and NOK 3.5bn year to date due to positive investment returns. Customer assets totaled NOK 286bn at the end of the 2nd quarter 2019. Customer assets within non-guaranteed savings increased NOK 3.9bn during the 2nd quarter and NOK 10.4bn year to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

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

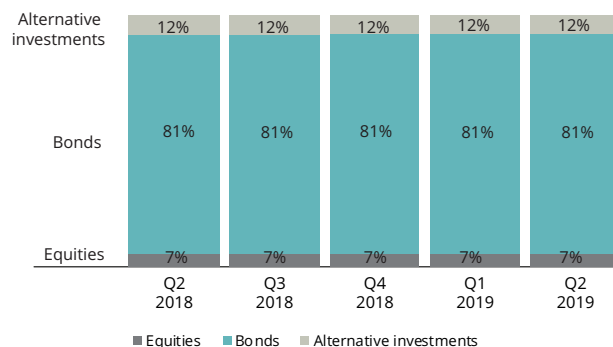
**SPP**

**BUFFER CAPITAL**



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

**ALLOCATION OF GUARANTEED CUSTOMER ASSETS**



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

# Outlook

## STRATEGY

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. Storebrand Group expects to start capital release as dividends and/or share buy backs when the solvency margin is above 180%. The solvency margin is expected to grow 5 percentage points annually after dividends from today's level. The guaranteed business in long term run off is projected to release NOK 10bn in the next eight years until 2027.

## FINANCIAL PERFORMANCE

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

The Guaranteed Pension segment is in long term runoff and the reserves for the Guaranteed Defined Benefit solutions are decreasing. However, there is continued growth in the reserves linked to paid-up policies due to companies choosing to convert existing defined-benefit schemes to defined-contribution schemes. It is expected that the growth in paid-up policies will decline in the next few years and that there will be flat growth in reserves over several years before the reserves start to fall. The portfolio of paid-up policies makes a limited contribution to the Group results with the present interest rates. Guaranteed reserves represent a declining share of the Group's total pension reserves and were 57.7% at the end of the quarter, a 2%-point reduction from the previous year.

The Board observes margin pressure in many parts of the group operations. The group has a strong track record on cost control. To ensure profitability, 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, digitalization and the partnership with Cognizant is expected to cover normal investments in business growth and inflation the coming years.

## RISK

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

## INDIVIDUAL PENSION ACCOUNT

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

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

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

#### **NEW PUBLIC SECTOR PENSION**

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

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

#### **GUARANTEED PENSION REGULATION**

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

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

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

#### **MORTGAGE LOANS HELD BY INSURANCE COMPANIES**

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

Lysaker, 11 July 2019

Board of directors Storebrand Livsforsikring AS

# Storebrand Livsforsikring group

## Statement of comprehensive income

(NOK million)	2Q		01.01 - 30.06		Year
	2019	2018	2019	2018	2018
<b>TECHNICAL ACCOUNT:</b>					
Gross premiums written	5,989	5,671	13,027	12,657	24,027
Reinsurance premiums ceded	-2	-10	-8	-20	-25
Premium reserves transferred from other companies	1,935	1,251	3,416	2,232	4,566
<b>Premiums for own account</b>	<b>7,922</b>	<b>6,912</b>	<b>16,435</b>	<b>14,869</b>	<b>28,568</b>
Income from investments in subsidiaries, associated companies and joint ventures companies	42	66	142	186	254
Interest income and dividends etc. from financial assets	1,794	1,859	3,597	3,793	7,350
Net operating income from properties	264	220	526	436	903
Changes in investment value	1,811	462	5,115	-942	-2,300
Realised gains and losses on investments	844	236	1,803	434	1
<b>Total net income from investments in the collective portfolio</b>	<b>4,755</b>	<b>2,843</b>	<b>11,182</b>	<b>3,907</b>	<b>6,207</b>
Income from investments in subsidiaries, associated companies and joint ventures companies	13	-4	28	36	49
Interest income and dividends etc. from financial assets	11	15	-7	14	570
Net operating income from properties	43	34	75	62	127
Changes in investment value	3,687	6,314	17,902	4,334	-7,624
Realised gains and losses on investments	739	-37	1,355	432	480
<b>Total net income from investments in the investment selection portfolio</b>	<b>4,491</b>	<b>6,321</b>	<b>19,353</b>	<b>4,879</b>	<b>-6,398</b>
<b>Other insurance related income</b>	<b>537</b>	<b>595</b>	<b>1,057</b>	<b>1,146</b>	<b>2,238</b>
Gross claims paid	-4,643	-4,596	-10,065	-9,773	-19,223
Claims paid - reinsurance	3		7	7	76
Premium reserves etc. transferred to other companies	-1,466	-1,510	-3,975	-3,091	-5,265
<b>Claims for own account</b>	<b>-6,106</b>	<b>-6,105</b>	<b>-14,033</b>	<b>-12,858</b>	<b>-24,413</b>
To/from premium reserve, gross	-1,116	622	-3,824	218	2,309
To/from additional statutory reserves	14	28	43	48	-52
Change in value adjustment fund	-828	-407	-2,895	987	1,462
Change in premium fund, deposit fund and the pension surplus fund					-5
To/from technical reserves for non-life insurance business	10	13	-6	22	-5
Change in conditional bonus	-159	-115	-666	-75	336
Transfer of additional statutory reserves and value adjustment fund from other insurance companies/pension funds	1	-4	-3	-8	-16
<b>Changes in insurance obligations recognised in the Profit and Loss Account - contractual obligations</b>	<b>-2,078</b>	<b>138</b>	<b>-7,352</b>	<b>1,192</b>	<b>4,028</b>
Change in pension capital	-7,936	-9,256	-23,993	-10,043	-4,922
<b>Changes in insurance obligations recognised in the Profit and Loss Account - investment portfolio separately</b>	<b>-7,936</b>	<b>-9,256</b>	<b>-23,993</b>	<b>-10,043</b>	<b>-4,922</b>
Profit on investment result					-162
Risk result allocated to insurance contracts					-194
Other allocation of profit		-1		-2	-63
Unallocated profit	-303	-276	-264	-678	
<b>Funds allocated to insurance contracts</b>	<b>-303</b>	<b>-277</b>	<b>-264</b>	<b>-680</b>	<b>-419</b>

# Storebrand Livsforsikring group

## Statement of comprehensive income continue

(NOK million)	2Q		01.01 - 30.06		Year
	2019	2018	2019	2018	2018
Management expenses	-48	-53	-96	-103	-209
Selling expenses	-199	-171	-385	-347	-739
Change in pre-paid direct selling expenses	14	6	28	9	27
Insurance-related administration expenses (incl. commissions for reinsurance received)	-392	-381	-749	-752	-1,503
<b>Insurance-related operating expenses</b>	<b>-625</b>	<b>-599</b>	<b>-1,202</b>	<b>-1,193</b>	<b>-2,425</b>
<b>Other insurance related expenses</b>	<b>-236</b>	<b>-18</b>	<b>-313</b>	<b>-86</b>	<b>-237</b>
<b>Technical insurance profit</b>	<b>421</b>	<b>554</b>	<b>871</b>	<b>1,131</b>	<b>2,228</b>
<b>Non-technical account</b>					
Income from investments in subsidiaries, associated companies and joint ventures companies	1	-1	9	10	14
Interest income and dividends etc. from financial assets	108	89	217	172	363
Changes in investment value	58	-20	154	-1	-108
Realised gains and losses on investments	-9	42	-6	73	133
<b>Net income from investments in company portfolio</b>	<b>158</b>	<b>110</b>	<b>373</b>	<b>253</b>	<b>403</b>
<b>Other income</b>	<b>37</b>	<b>85</b>	<b>85</b>	<b>284</b>	<b>270</b>
Management expenses	-5	-5	-9	-10	-18
Other expenses	-214	-214	-411	-452	-873
<b>Management expenses and other costs linked to the company portfolio</b>	<b>-218</b>	<b>-219</b>	<b>-420</b>	<b>-462</b>	<b>-890</b>
<b>Profit or loss on non-technical account</b>	<b>-23</b>	<b>-23</b>	<b>38</b>	<b>75</b>	<b>-217</b>
<b>Profit before tax</b>	<b>398</b>	<b>531</b>	<b>908</b>	<b>1,207</b>	<b>2,010</b>
Tax expenses	2	-86	-106	-182	1,088
<b>Profit before other comprehensive income</b>	<b>400</b>	<b>446</b>	<b>802</b>	<b>1,024</b>	<b>3,098</b>
Change in actuarial assumptions	-3	-2	-5	-5	-36
Change in value adjustment reserve own properties	11	19	-22	42	48
Adjustment of insurance liabilities	-11	-19	22	-42	-48
Tax on other profit elements not to be classified to profit/loss	0		0		4
<b>Other comprehensive income not to be classified to profit/loss</b>	<b>-3</b>	<b>-2</b>	<b>-6</b>	<b>-5</b>	<b>-32</b>
Profit/loss cash flow hedging		-16	-21	-37	-23
Currency translation differences		-119	-190	-567	-358
<b>Other profit comprehensive income that may be classified to profit /loss</b>	<b>0</b>	<b>-135</b>	<b>-212</b>	<b>-604</b>	<b>-381</b>
<b>Other comprehensive income</b>	<b>-4</b>	<b>-138</b>	<b>-217</b>	<b>-609</b>	<b>-413</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>397</b>	<b>308</b>	<b>585</b>	<b>416</b>	<b>2,684</b>
<b>PROFIT IS ATTRIBUTABLE TO:</b>					
Majority share of profit	401	445	801	1,021	3,091
Minority share of profit	-1		1	3	7
<b>COMPREHENSIVE INCOME IS ATTRIBUTABLE TO:</b>					
Majority share of profit	394	309	585	417	2,719
Minority share of profit	3	-1		-1	-1

# Storebrand Livsforsikring group

## Statement of financial position

(NOK million)	30.06.2019	30.06.2018	31.12.2018
<b>Assets</b>			
<b>Assets in company portfolio</b>			
Goodwill	735	729	780
Other intangible assets	3,148	3,400	3,457
<b>Total intangible assets</b>	<b>3,883</b>	<b>4,129</b>	<b>4,237</b>
Properties at fair value	50	50	50
Equities and units in subsidiaries, associated companies and joint ventures companies	108	97	100
Loans at amortised cost	2	2	2
Bonds at amortised cost	7,542	3,381	7,655
Deposits at amortised cost	430	289	705
Equities and fund units at fair value	19	24	16
Bonds and other fixed-income securities at fair value	17,016	20,945	17,391
Derivatives at fair value	1,003	961	1,121
<b>Total investments</b>	<b>26,171</b>	<b>25,749</b>	<b>27,040</b>
Receivables in connection with direct business transactions	489	874	575
Receivables in connection with reinsurance transactions	5	14	9
Receivables with group company	104	69	98
Other receivables	4,458	4,798	5,756
<b>Total receivables</b>	<b>5,057</b>	<b>5,755</b>	<b>6,439</b>
Tangible fixed assets	316	337	12
Cash, bank	2,103	2,386	2,012
Tax assets	1,785	669	1,942
Other assets designated according to type	70	835	70
<b>Total other assets</b>	<b>4,274</b>	<b>4,228</b>	<b>4,036</b>
Pre-paid direct selling expenses	548	498	553
Other pre-paid costs and income earned and not received	224	145	132
<b>Total pre-paid costs and income earned and not received</b>	<b>773</b>	<b>644</b>	<b>685</b>
<b>Total assets in company portfolio</b>	<b>40,158</b>	<b>40,504</b>	<b>42,437</b>
<b>Assets in customer portfolios</b>			
Properties at fair value	24,666	23,114	24,913
Properties for own use	1,309	1,325	1,420
Equities and units in subsidiaries, associated companies and joint ventures companies	3,345	4,391	3,679
Loans to and securities issued by subsidiaries, associated companies		36	
Bonds held to maturity	13,376	14,378	14,403
Bonds at amortised cost	88,587	85,250	86,374
Loans at amortised cost	24,046	23,546	25,270
Deposits at amortised cost	7,210	4,446	4,509
Equities and fund units at fair value	23,831	24,148	23,402
Bonds and other fixed-income securities at fair value	85,939	90,980	91,493
Loans at fair value	5,044	4,681	5,172
Financial derivatives at fair value	5,866	2,688	3,311
<b>Total investments in collective portfolio</b>	<b>283,218</b>	<b>278,982</b>	<b>283,946</b>



# Storebrand Livsforsikring group

## Statement of financial position continue

(NOK million)	30.06.2019	30.06.2018	31.12.2018
<b>Reinsurance share of insurance obligations</b>	<b>67</b>	<b>26</b>	<b>48</b>
Properties at fair value	3,589	3,146	3,303
Equities and units in subsidiaries, associated companies and joint ventures companies	686	869	727
Deposits at amortised cost	893	371	948
Equities and fund units at fair value	149,293	136,067	133,664
Bonds and other fixed-income securities at fair value	43,037	38,970	42,038
Loans at fair value	340	164	535
Financial derivatives at fair value	409	115	389
<b>Total investments in investment selection portfolio</b>	<b>198,247</b>	<b>179,701</b>	<b>181,605</b>
<b>Total assets in customer portfolio</b>	<b>481,532</b>	<b>458,709</b>	<b>465,599</b>
<b>TOTAL ASSETS</b>	<b>521,690</b>	<b>499,212</b>	<b>508,036</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		
<b>Total paid in equity</b>	<b>13,339</b>	<b>13,251</b>	<b>13,251</b>
Risk equalisation fund	361	98	234
Security reserves	4		
Other earned equity	10,941	11,531	13,714
Minority's share of equity	109	116	114
<b>Total earned equity</b>	<b>11,414</b>	<b>11,745</b>	<b>14,061</b>
Perpetual subordinated loan capital	2,102	2,101	2,101
Dated subordinated loan capital	5,559	5,446	5,847
<b>Total subordinated loan capital and hybrid tier 1 capital</b>	<b>7,660</b>	<b>7,546</b>	<b>7,948</b>
Premium reserves	254,237	256,224	260,106
Additional statutory reserves	8,218	8,286	8,494
Market value adjustment reserve	5,140	2,720	2,245
Premium fund, deposit fund and the pension surplus fund	1,971	2,231	2,157
Conditional bonus	8,243	8,165	8,243
Unallocated profit to insurance contracts	434	687	
Other technical reserve	646	572	622
<b>Total insurance obligations in life insurance - contractual obligations</b>	<b>278,889</b>	<b>278,884</b>	<b>281,868</b>
Pension capital	197,725	179,564	180,283
<b>Total insurance obligations in life insurance - investment portfolio separately</b>	<b>197,725</b>	<b>179,564</b>	<b>180,283</b>
Pension liabilities etc.	136	129	149
Deferred tax	94	84	85
Other provisions for liabilities	125		24
<b>Total provisions for liabilities</b>	<b>355</b>	<b>213</b>	<b>258</b>
Liabilities in connection with direct insurance	1,229	1,499	1,310
Liabilities in connection with reinsurance	2	50	20
Financial derivatives	829	1,865	4,535
Liabilities to group companies	30	29	42
Other liabilities	9,767	4,225	3,999
<b>Total liabilities</b>	<b>11,856</b>	<b>7,668</b>	<b>9,905</b>
Other accrued expenses and received, unearned income	451	341	463
<b>Total accrued expenses and received, unearned income</b>	<b>451</b>	<b>341</b>	<b>463</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>521,690</b>	<b>499,212</b>	<b>508,036</b>

# Storebrand Livsforsikring group

## Statement of change in equity

(NOK million)	Majority's share of equity							Total equity
	Share capital	Share premium	Other paid in equity	Total paid in equity	Risk equalisation fund	Other equity <sup>1)</sup>	Minority interests	
<b>Equity at 31.12.2017</b>	<b>3,540</b>	<b>9,711</b>		<b>13,251</b>	<b>143</b>	<b>12,370</b>	<b>114</b>	<b>25,878</b>
Profit for the period					-44	1,065	3	1,024
Other comprehensive income						-604	-5	-609
<b>Total comprehensive income for the period</b>					<b>-44</b>	<b>461</b>	<b>-1</b>	<b>416</b>
<b>Equity transactions with owner:</b>								
Share issue							4	4
Group contributions						-1,300		-1,300
Other							-1	-1
<b>Equity at 30.06.2018</b>	<b>3,540</b>	<b>9,711</b>		<b>13,251</b>	<b>98</b>	<b>11,531</b>	<b>115</b>	<b>24,996</b>
Profit for the period					91	3,000	7	3,098
Other comprehensive income						-413	-1	-414
<b>Total comprehensive income for the period</b>					<b>91</b>	<b>2,587</b>	<b>6</b>	<b>2,684</b>
<b>Equity transactions with owner:</b>								
Share issue							4	4
Group contributions						-1,300	-2	-1,302
Other						57	-8	49
<b>Equity at 31.12.2018</b>	<b>3,540</b>	<b>9,711</b>		<b>13,251</b>	<b>234</b>	<b>13,714</b>	<b>114</b>	<b>27,313</b>
Profit for the period					127	674	1	802
Other comprehensive income						-217		-217
<b>Total comprehensive income for the period</b>					<b>127</b>	<b>456</b>	<b>1</b>	<b>585</b>
<b>Equity transactions with owner:</b>								
Share issue						-95		-95
Group contributions			88			-3,126		-3,038
Other						-4	-7	-11
<b>Equity at 30.06.2019</b>	<b>3,540</b>	<b>9,711</b>	<b>88</b>	<b>13,339</b>	<b>361</b>	<b>10,945</b>	<b>109</b>	<b>24,753</b>

1) Includes undistributable funds in the security reserves amounting NOK 4 million.

# Storebrand Livsforsikring

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

Storebrand Livsforsikring group			Storebrand Livsforsikring AS	
2018	2019	(NOK million)	2019	2018
<b>Cash flow from operational activities</b>				
24,039	13,106	Net received - direct insurance	9,080	16,698
-19,282	-10,172	Net claims/benefits paid - direct insurance	-6,461	-11,133
-699	-559	Net receipts/payments - policy transfers	-1,295	-799
-6,124	-6,310	Net change insurance liabilities	-135	773
2,238	1,057	Receipts - interest, commission and fees from customers	350	693
-237	-313	Payments - interest, commission and fees to customers	-284	-157
-2,425	-1,202	Net receipts/payments operations	-711	-1,456
-3,738	7,178	Net receipts/payments - other operational activities	3,646	-2,833
<b>-6,227</b>	<b>2,785</b>	<b>Net cash flow from operational activities before financial assets</b>	<b>4,190</b>	<b>1,785</b>
-4,398	1,198	Net receipts/payments - loans to customers	1,248	-4,209
12,609	1,867	Net receipts/payments - financial assets	513	4,371
296	42	Net receipts/payments - property activities		
-423	-2,789	Net change bank deposits insurance customers	-2,527	229
<b>8,084</b>	<b>319</b>	<b>Net cash flow from operational activities from financial assets</b>	<b>-767</b>	<b>391</b>
<b>1,857</b>	<b>3,104</b>	<b>Net cash flow from operational activities</b>	<b>3,423</b>	<b>2,175</b>
<b>Cash flow from investment activities</b>				
1,141		Net payments - sale/purchase of subsidiaries		764
-520		Net payments - purchase/capitalisation associated companies		-520
-4		Net receipts/payments - sale/purchase of fixed assets	-1	-7
<b>618</b>	<b>0</b>	<b>Net cash flow from investment activities</b>	<b>-1</b>	<b>237</b>
<b>Cash flow from financing activities</b>				
845		Payment of subordinated loan capital		845
-1,501		Repayment of subordinated loan capital		-1,501
-366	-271	Payments - interest on subordinated loan capital	-271	-366
		Payments received of dividend and group contribution	110	
-1,300	-3,295	Payment of dividend and group contribution	-3,200	-1,300
<b>-2,322</b>	<b>-3,361</b>	<b>Net cash flow from financing activities</b>	<b>-3,361</b>	<b>-2,322</b>
<b>153</b>	<b>-258</b>	<b>Net cash flow for the period</b>	<b>61</b>	<b>91</b>
-7,931	-576	of which net cash flow for the period before financial assets	828	-300
153	-258	Net movement in cash and cash equivalent assets	61	91
35		Cash at start of the period purchased/sold companies		35
2,540	2,717	Cash and cash equivalents at start of the period	1,390	1,265
-10	73	Currency translation differences		
<b>2,717</b>	<b>2,533</b>	<b>Cash and cash equivalent assets at the end of the period</b>	<b>1,451</b>	<b>1,390</b>

# Storebrand Livsforsikring AS

## Statement of comprehensive income

(NOK million)	2Q		01.01 - 30.06		Year 2018
	2019	2018	2019	2018	
<b>Technical account</b>					
Gross premiums written	3,995	3,913	9,049	8,991	16,729
Reinsurance premiums ceded	-1	-9	-7	-14	-18
Premium reserves transferred from other companies	1,188	731	1,799	1,214	2,131
<b>Premiums for own account</b>	<b>5,182</b>	<b>4,635</b>	<b>10,842</b>	<b>10,191</b>	<b>18,843</b>
Income from investments in subsidiaries, associated companies and joint ventures companies	697	276	1,779	626	323
of which from investment in property companies	436	283	700	665	1,028
Interest income and dividends etc. from financial assets	1,363	1,427	2,735	2,813	5,594
Changes in investment value	595	404	1,894	-1,009	-592
Realised gains and losses on investments	-75	-100	-350	15	-555
<b>Total net income from investments in the collective portfolio</b>	<b>2,580</b>	<b>2,007</b>	<b>6,059</b>	<b>2,445</b>	<b>4,770</b>
Income from investments in subsidiaries, associated companies and joint ventures companies	513	59	1,927	134	-814
of which from investment in property companies	106	58	154	134	210
Interest income and dividends etc. from financial assets	-92	10	-183	6	503
Changes in investment value	330	1,959	4,670	92	-3,373
Realised gains and losses on investments	795	-36	1,373	400	-150
<b>Total net income from investments in the investment selection portfolio</b>	<b>1,545</b>	<b>1,992</b>	<b>7,788</b>	<b>633</b>	<b>-3,835</b>
<b>Other insurance related income</b>	<b>178</b>	<b>163</b>	<b>350</b>	<b>308</b>	<b>693</b>
Gross claims paid	-2,869	-2,716	-6,424	-5,521	-11,180
Claims paid - reinsurance	3	2	7	10	64
Premium reserves etc. transferred to other companies	-1,028	-617	-3,095	-1,616	-2,930
<b>Claims for own account</b>	<b>-3,894</b>	<b>-3,331</b>	<b>-9,512</b>	<b>-7,127</b>	<b>-14,046</b>
To/from premium reserve, gross	304	271	-407	-540	335
To/from additional statutory reserves	14	19	43	40	-60
Change in value adjustment fund	-828	-407	-2,895	987	1,462
Change in premium fund, deposit fund and the pension surplus fund					-5
To/from technical reserves for non-life insurance business	10	13	-6	22	-5
Transfer of additional statutory reserves and value adjustment fund from other insurance companies/pension funds	1	-4	-3	-8	-16
<b>Changes in insurance obligations recognised in the Profit and Loss Account - contractual obligations</b>	<b>-500</b>	<b>-108</b>	<b>-3,268</b>	<b>500</b>	<b>1,710</b>
Change in pension capital	-3,902	-4,316	-10,393	-4,723	-4,530
<b>Changes in insurance obligations recognised in the Profit and Loss Account - investment portfolio separately</b>	<b>-3,902</b>	<b>-4,316</b>	<b>-10,393</b>	<b>-4,723</b>	<b>-4,530</b>
Profit on investment result					-162
Risk result allocated to insurance contracts					-194
Other allocation of profit					-58
Unallocated profit	-280	-276	-416	-678	
<b>Funds allocated to insurance contracts</b>	<b>-280</b>	<b>-276</b>	<b>-416</b>	<b>-678</b>	<b>-415</b>

# Storebrand Livsforsikring AS

## Statement of comprehensive income continue

(NOK million)	2Q		01.01 - 30.06		Year 2018
	2019	2018	2019	2018	
Management expenses	-48	-53	-96	-103	-209
Selling expenses	-65	-58	-126	-121	-282
Insurance-related administration expenses (incl. commissions for reinsurance received)	-254	-242	-489	-477	-964
<b>Insurance-related operating expenses</b>	<b>-368</b>	<b>-352</b>	<b>-711</b>	<b>-701</b>	<b>-1,456</b>
<b>Other insurance related expenses after reinsurance share</b>	<b>-220</b>	<b>15</b>	<b>-284</b>	<b>-32</b>	<b>-157</b>
<b>Technical insurance profit</b>	<b>322</b>	<b>429</b>	<b>454</b>	<b>813</b>	<b>1,576</b>
<b>Non-technical account</b>					
Income from investments in subsidiaries, associated companies and joint ventures companies	737	760	481	540	908
Interest income and dividends etc. from financial assets	105	90	215	177	367
Changes in investment value	36	-8	111	10	-61
Realised gains and losses on investments	45	168	306	423	135
<b>Net income from investments in company portfolio</b>	<b>923</b>	<b>1,011</b>	<b>1,112</b>	<b>1,150</b>	<b>1,350</b>
<b>Other income</b>	<b>7</b>	<b>41</b>	<b>11</b>	<b>186</b>	<b>105</b>
Management expenses	-5	-4	-9	-9	-18
Other expenses	-99	-92	-196	-211	-419
<b>Total management expenses and other costs linked to the company portfolio</b>	<b>-104</b>	<b>-97</b>	<b>-205</b>	<b>-219</b>	<b>-436</b>
<b>Profit or loss on non-technical account</b>	<b>826</b>	<b>956</b>	<b>918</b>	<b>1,117</b>	<b>1,019</b>
<b>Profit before tax</b>	<b>1,148</b>	<b>1,385</b>	<b>1,372</b>	<b>1,930</b>	<b>2,594</b>
Tax expenses	3	-90	-55	-184	1,087
<b>Profit before other comprehensive income</b>	<b>1,151</b>	<b>1,295</b>	<b>1,317</b>	<b>1,747</b>	<b>3,682</b>
Change in actuarial assumptions					21
<b>Other comprehensive income not to be classified to profit/loss</b>					<b>22</b>
Profit/loss cash flow hedging		-16	-21	-37	-23
<b>Other comprehensive income that may be classified to profit /loss</b>		<b>-16</b>	<b>-21</b>	<b>-37</b>	<b>-23</b>
<b>Other comprehensive income</b>		<b>-16</b>	<b>-21</b>	<b>-37</b>	<b>-1</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>1,150</b>	<b>1,279</b>	<b>1,296</b>	<b>1,710</b>	<b>3,681</b>

# Storebrand Livsforsikring AS

## Statement of financial position

(NOK million)	30.06.2019	30.06.2018	31.12.2018
<b>Assets</b>			
<b>Assets in company portfolio</b>			
Other intangible assets	340	356	338
<b>Total intangible assets</b>	<b>340</b>	<b>356</b>	<b>338</b>
Equities and units in subsidiaries, associated companies and joint ventures companies	12,676	12,637	13,136
Loans at amortised cost	1	1	1
Bonds at amortised cost	7,542	3,381	7,655
Deposits at amortised cost	427	286	486
Equities and fund units at fair value	19	17	16
Bonds and other fixed-income securities at fair value	10,274	15,332	11,026
Derivatives at fair value	1,003	961	1,121
<b>Total investments</b>	<b>31,942</b>	<b>32,614</b>	<b>33,441</b>
Receivables in connection with direct business transactions	478	819	520
Receivables in connection with reinsurance transactions	5	10	
Receivables with group company	81	52	197
Other receivables	2,431	420	1,752
<b>Total receivables</b>	<b>2,995</b>	<b>1,300</b>	<b>2,469</b>
Tangible fixed assets	8	5	4
Cash, bank	1,025	999	904
Tax assets	1,766	571	1,817
<b>Total other assets</b>	<b>2,799</b>	<b>1,576</b>	<b>2,725</b>
Other pre-paid costs and income earned and not received	99	25	38
<b>Total pre-paid costs and income earned and not received</b>	<b>99</b>	<b>25</b>	<b>38</b>
<b>Total assets in company portfolio</b>	<b>38,174</b>	<b>35,871</b>	<b>39,012</b>
<b>Assets in customer portfolios</b>			
Equities and units in subsidiaries, associated companies and joint ventures companies	27,244	20,421	25,919
of which investment in property companies	19,267	19,611	18,751
Loans to and securities issued by subsidiaries, associated companies			529
Bonds held to maturity	13,376	14,378	14,403
Bonds at amortised cost	88,587	85,250	86,374
Loans at amortised cost	24,046	23,546	25,270
Deposits at amortised cost	4,379	2,002	1,791
Equities and fund units at fair value	7,341	14,545	6,797
Bonds and other fixed-income securities at fair value	24,571	27,461	25,166
Financial derivatives at fair value	1,590	268	709
<b>Total investments in collective portfolio</b>	<b>191,135</b>	<b>187,870</b>	<b>186,959</b>
<b>Reinsurance share of insurance obligations</b>	<b>67</b>	<b>25</b>	<b>48</b>
Equities and units in subsidiaries, associated companies and joint ventures companies	17,941	4,041	15,855
of which investment in property companies	4,320	4,041	4,133
Loans to and securities issued by subsidiaries, associated companies			106
Deposits at amortised cost	809	307	870
Equities and fund units at fair value	48,395	55,832	42,617
Bonds and other fixed-income securities at fair value	36,290	33,453	34,731

# Storebrand Livsforsikring AS

## Statement of financial position continue

(NOK million)	30.06.2019	30.06.2018	31.12.2018
Loans at fair value	340		364
Financial derivatives at fair value	409	115	389
<b>Total investments in investment selection portfolio</b>	<b>104,184</b>	<b>93,748</b>	<b>94,933</b>
<b>Total assets in customer portfolios</b>	<b>295,386</b>	<b>281,643</b>	<b>281,939</b>
<b>TOTAL ASSETS</b>	<b>333,560</b>	<b>317,514</b>	<b>320,951</b>
<b>Equity and liabilities</b>			
Share capital	3,540	3,540	3,540
<b>Share premium</b>	<b>9,711</b>	<b>9,711</b>	<b>9,711</b>
Other paid in equity	88		84
<b>Total paid in equity</b>	<b>13,339</b>	<b>13,251</b>	<b>13,335</b>
Risk equalisation fund	361	98	234
Security reserves	4		
Other earned equity	12,977	13,176	11,812
<b>Total earned equity</b>	<b>13,341</b>	<b>13,274</b>	<b>12,045</b>
Perpetual subordinated loan capital	2,102	2,101	2,101
Dated subordinated loan capital	5,559	5,446	5,847
<b>Total subordinated loan capital and hybrid tier 1 capital</b>	<b>7,660</b>	<b>7,546</b>	<b>7,948</b>
Premium reserves	172,610	172,460	171,927
Additional statutory reserves	8,218	8,286	8,494
Market value adjustment reserve	5,140	2,720	2,245
Premium fund, deposit fund and the pension surplus fund	1,971	2,231	2,157
Unallocated profit to insurance contracts	434	687	
Other technical reserve	646	572	622
<b>Total insurance obligations in life insurance - contractual obligations</b>	<b>189,019</b>	<b>186,955</b>	<b>185,446</b>
Pension capital	103,811	93,649	93,441
<b>Total insurance obligations in life insurance - investment portfolio separately</b>	<b>103,811</b>	<b>93,649</b>	<b>93,441</b>
Pension liabilities etc.	12	42	12
<b>Total provisions for liabilities</b>	<b>12</b>	<b>42</b>	<b>12</b>
Liabilities in connection with direct insurance	1,025	1,224	1,050
Liabilities in connection with reinsurance		12	
Financial derivatives	173	937	3,910
Liabilities to group companies	40	23	3,257
Other liabilities	4,987	473	367
<b>Total liabilities</b>	<b>6,227</b>	<b>2,669</b>	<b>8,585</b>
Other accrued expenses and received, unearned income	152	128	139
<b>Total accrued expenses and received, unearned income</b>	<b>152</b>	<b>128</b>	<b>139</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>333,560</b>	<b>317,514</b>	<b>320,951</b>

# Storebrand Livsforsikring AS

## Statement of change in equity

(NOK million)	Share capital <sup>1)</sup>	Share premium reserve	Other paid in capital	Total paid in equity	Risk equalisation fund	Other equity <sup>2)</sup>	Total equity
<b>Equity at 31.12.2017</b>	<b>3,540</b>	<b>9,711</b>		<b>13,251</b>	<b>143</b>	<b>11,422</b>	<b>24,815</b>
Profit for the period					-44	1,791	1,747
Other comprehensive income						-37	-37
<b>Total comprehensive income for the period</b>					<b>-44</b>	<b>1,755</b>	<b>1,710</b>
Equity transactions with owner:							
<b>Equity at 30.06.2018</b>	<b>3,540</b>	<b>9,711</b>		<b>13,251</b>	<b>98</b>	<b>13,176</b>	<b>26,525</b>
Profit for the period					91	3,591	3,682
Other comprehensive income						-1	-1
<b>Total comprehensive income for the period</b>					<b>91</b>	<b>3,590</b>	<b>3,681</b>
Equity transactions with owner:							
Group contributions			84	84			84
Dividend/Group contributions						-3,200	-3,200
Other						1	1
<b>Equity at 31.12.2018</b>	<b>3,540</b>	<b>9,711</b>	<b>84</b>	<b>13,335</b>	<b>234</b>	<b>11,812</b>	<b>25,381</b>
Profit for the period					127	1,190	1,317
Other comprehensive income						-21	-21
<b>Total comprehensive income for the period</b>					<b>127</b>	<b>1,169</b>	<b>1,296</b>
Equity transactions with owner:							
Group contributions			3	3			3
<b>Equity at 30.06.2019</b>	<b>3,540</b>	<b>9,711</b>	<b>88</b>	<b>13,339</b>	<b>361</b>	<b>12,981</b>	<b>26,680</b>

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

2) Includes undistributable funds in the security reserves amounting NOK 4 million.



# Notes

## Storebrand Livsforsikring group

### Note 01 | Accounting policies

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

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

Storebrand Livsforsikring AS - the company's financial statements

The financial statements have been prepared in accordance with the accounting principles that were used in the annual report for 2018.

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

#### IFRS 16

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

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

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

#### EFFECTS ON TRANSITION TO IFRS 16

##### STOREBRAND LIVSFORSIKRING GROUP

(NOK million)	Rent		IT equipment		Other equipment		Total	
	1.1.19	30.6.19	1.1.19	30.6.19	1.1.19	30.6.19	1.1.19	30.6.19
Right of use asset	199	255	60	52	1	0	259	307
Lease liability	199	254	60	54	1	0	259	308

## INCOME STATEMENT- LEASES

(NOK million)	IT			IT			Other	
	Rent	equipment	Total	Rent	equipment	equipment	Total	
	Q2	Q2	Q2	1.1 - 30.06	1.1 - 30.06	1.1 - 30.06	1.1 - 30.06	
	2019	2019	2019	2019	2019	2019	2019	
Depreciation after IFRS 16 <sup>1)</sup>	-0.2	3.7	3.6	2.7	7.5	0.1	10.3	
Interest expenses after IFRS 16 <sup>1)</sup>	3.2	0.4	3.6	3.9	0.7		4.6	
<b>Profit after IFRS 16</b>	<b>3.0</b>	<b>4.1</b>	<b>7.1</b>	<b>6.6</b>	<b>8.2</b>	<b>0.1</b>	<b>14.9</b>	
Operating expenses (after IAS 17) <sup>1)</sup>	3.4	2.6	6.0	6.9	6.6	0.1	13.5	
Deviation operating expenses between IAS 17 and IFRS 16	-3.6	1.1	-2.4	-4.1	0.9		-3.2	
Deviation profit (before tax) between IAS 17 and IFRS 16	-0.4	1.5	1.1	-0.3	1.7		1.4	

1) Depreciation and interest expense totaling NOK 3.7 million due to lease on property in the Swedish real estate business in costumor assets is classified as net operating income from property in the statutory accounts in "net income from investments in the collective portfolio", not as operating expenses.

## STOREBRAND LIVSFORSIKRING AS

### BALANCE SHEET - LEASES

(NOK million)	Rent		Total	
	1.1.19	30.6.19	1.1.19	30.6.19
Right of use asset	6	5	6	5
Lease liability	6	5	6	5

## INCOME STATEMENT- LEASES

(NOK million)	Rent		Total	
	Q2	Q2	Q2	Q2
	2019	2019	2019	2019
Depreciation after IFRS 16	0.4	0.4	0.9	0.9
Interest expenses after IFRS 16			0.1	0.1
<b>Profit after IFRS 16</b>	<b>0.5</b>	<b>0.5</b>	<b>1.0</b>	<b>1.0</b>
<b>Operating expenses (after IAS 17)</b>	<b>0.5</b>	<b>0.5</b>	<b>0.9</b>	<b>0.9</b>
Deviation operating expenses between IAS 17 and IFRS 16			-0.1	-0.1
Deviation profit (before tax) between IAS 17 and IFRS 16				

## Note 02 | Estimates

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

Actual results may differ from these estimates.

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

## Note 03 | Segments - profit by business area

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

### **SAVINGS**

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

### **INSURANCE**

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

### **GUARANTEED PENSION**

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

### **OTHER**

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

### **RECONCILIATION WITH THE OFFICIAL PROFIT AND LOSS ACCOUNTING**

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

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

## PROFIT BY SEGMENTS

(NOK million)	Q2		1.1 - 30.06		Year
	2019	2018	2019	2018	2018
Savings	117	134	267	243	491
Insurance	96	179	170	334	554
Guaranteed pension	211	236	460	637	1,148
Other	58	67	182	127	121
<b>Profit before amortisation</b>	<b>482</b>	<b>616</b>	<b>1,078</b>	<b>1,342</b>	<b>2,315</b>
Amortisation intangible assets	-84	-85	-169	-135	-305
<b>Profit before tax</b>	<b>398</b>	<b>532</b>	<b>908</b>	<b>1,207</b>	<b>2,010</b>

## SEGMENT INFORMATION Q2

(NOK million)	Savings		Insurance		Guaranteed pension	
	2019	2018	2019	2018	2019	2018
Fee and administration income	437	406			364	370
Insurance result			186	274		
- Insurance premiums for own account			683	680		
- Claims for own account			-497	-406		
Operational cost	-314	-270	-102	-100	-209	-215
<b>Operating profit</b>	<b>123</b>	<b>136</b>	<b>83</b>	<b>174</b>	<b>155</b>	<b>155</b>
Financial items and risk result life & pension	-6	-2	12	5	56	81
<b>Profit before amortisation</b>	<b>117</b>	<b>134</b>	<b>96</b>	<b>179</b>	<b>211</b>	<b>236</b>
Amortisation of intangible assets						
<b>Profit before tax</b>	<b>117</b>	<b>134</b>	<b>96</b>	<b>179</b>	<b>211</b>	<b>236</b>

(NOK million)	Other		Storebrand Livsforsikring group	
	2019	2018	2019	2018
Fee and administration income	14	24	814	800
Insurance result			186	274
- Insurance premiums for own account			683	680
- Claims for own account			-497	-406
Operational cost	-14	-23	-638	-609
<b>Operating profit</b>	<b>0</b>	<b>1</b>	<b>362</b>	<b>466</b>
Financial items and risk result life & pension	58	66	120	151
<b>Profit before amortisation</b>	<b>58</b>	<b>67</b>	<b>482</b>	<b>616</b>
Amortisation of intangible assets			-84	-85
<b>Profit before tax</b>	<b>58</b>	<b>67</b>	<b>398</b>	<b>532</b>

## SEGMENT INFORMATION AS AT 30.06

(NOK million)	Savings		Insurance		Guaranteed pension	
	2019	2018	2019	2018	2019	2018
Fee and administration income	872	804			724	738
Insurance result			356	509		
- Insurance premiums for own account			1,358	1,367		
- Claims for own account			-1,001	-859		
Operational cost	-595	-553	-197	-200	-395	-415
<b>Operating profit</b>	<b>277</b>	<b>251</b>	<b>159</b>	<b>309</b>	<b>329</b>	<b>323</b>
Financial items and risk result life & pension	-10	-8	11	25	131	314
<b>Profit before amortisation</b>	<b>267</b>	<b>243</b>	<b>170</b>	<b>334</b>	<b>460</b>	<b>637</b>
Amortisation of intangible assets						
<b>Profit before tax</b>	<b>267</b>	<b>243</b>	<b>170</b>	<b>334</b>	<b>460</b>	<b>637</b>

(NOK million)	Other		Storebrand Livsforsikring group	
	2019	2018	2019	2018
Fee and administration income	28	46	1,624	1,588
Insurance result			356	509
- Insurance premiums for own account			1,358	1,367
- Claims for own account			-1,001	-859
Operational cost	-28	-41	-1,216	-1,208
<b>Operating profit</b>	<b>0</b>	<b>5</b>	<b>764</b>	<b>889</b>
Financial items and risk result life & pension	182	122	313	453
<b>Profit before amortisation</b>	<b>182</b>	<b>127</b>	<b>1,078</b>	<b>1,342</b>
Amortisation of intangible assets			-169	-135
<b>Profit before tax</b>	<b>182</b>	<b>127</b>	<b>908</b>	<b>1,207</b>

## Note 04 | Financial market risk and insurance risk

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

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

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

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

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

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

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

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

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

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

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

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

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

Investment return on unit linked portfolios was good during the first two quarters, positively affected by strong equity markets.

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

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

Note  
05

Liquidty risk

**SPECIFICATION OF SUBORDINATED LOAN CAPITAL**

(NOK million)	Nominal value	Currency	Interest rate	Call date	Book value
<b>Issuer</b>					
<b>Perpetual subordinated loan capital</b>					
Storebrand Livsforsikring AS	1,000	NOK	Variable	2020	1,001
Storebrand Livsforsikring AS	1,100	NOK	Variable	2024	1,100
<b>Dated subordinated loan capital</b>					
Storebrand Livsforsikring AS	1,000	SEK	Fixed	2022	920
Storebrand Livsforsikring AS	300	EUR	Variable	2023	3,119
Storebrand Livsforsikring AS	750	SEK	Variable	2021	694
Storebrand Livsforsikring AS	900	SEK	Variable	2025	826
<b>Total subordinated loan capital and hybrid tier 1 capital</b>					
<b>30.06.2019</b>					<b>7,660</b>
<b>Total subordinated loan capital and hybrid tier 1 capital</b>					
<b>31.12.2018</b>					<b>7,948</b>

Note  
06

Valuation of financial instruments and properties

The Group categorises financial instruments valued at fair value on three different levels. Criteria for the categorisation and processes associated with valuing are described in more detail in note 13 in the annual report for 2018.

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

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

(NOK million)	Fair value 30.06.2019	Fair value 31.12.18	Book value 30.06.2019	Book value 31.12.18
<b>Financial assets</b>				
Loans to customers - corporate	6,139	6,981	6,123	6,999
Loans to customers - retail	17,926	18,272	17,926	18,272
Bonds held to maturity	14,661	15,679	13,376	14,403
Bonds classified as loans and receivables	100,921	97,790	96,130	94,029
<b>Financial liabilities</b>				
Subordinated loan capital	7,684	7,940	7,660	7,948

## VALUATION OF FINANCIAL INSTRUMENTS AND PROPERTIES AT FAIR VALUE

### STOREBRAND LIVSFORSIKRING GROUP

(NOK million)	Level 1	Level 2	Level 3	Total 30.06.2019	Total 31.12.2018
	Quoted prices	Observable assumptions	Non-observable assumptions		
<b>Assets</b>					
<b>Equities and fund units</b>					
- Equities	24,978	118	440	25,536	23,974
- Fund units		138,938	8,669	147,607	133,108
<b>Total equities and fund units 30.06.2019</b>	<b>24,978</b>	<b>139,056</b>	<b>9,109</b>	<b>173,143</b>	
<b>Total equities and fund units 31.12.2018</b>	<b>23,166</b>	<b>125,465</b>	<b>8,451</b>		<b>157,082</b>
<b>Total loans to customers</b>					
- Loans to customers - corporate			5,384	5,384	5,708
<b>Bonds and other fixed income securities</b>					
- Government bonds	11,933	19,019		30,951	32,872
- Corporate bonds		61,452	14	61,466	49,096
- Structured notes		71		71	79
- Collateralised securities		615		615	19,703
- Bond funds		48,261	4,627	52,888	49,172
<b>Total bonds and other fixed income securities 30.06.2019</b>	<b>11,933</b>	<b>129,418</b>	<b>4,641</b>	<b>145,992</b>	
<b>Total bonds and other fixed income securities 31.12.2018</b>	<b>13,530</b>	<b>134,015</b>	<b>3,377</b>		<b>150,922</b>
<b>Derivatives:</b>					
- Equity derivatives		5		5	
- Interest derivatives		5,794		5,794	3,068
- Currency derivatives		650		650	-2,781
- Credit derivatives					
<b>Total derivatives 30.06.2019</b>		<b>6,449</b>		<b>6,449</b>	
- derivatives with a positive market value		7,278		7,278	4,822
- derivatives with a negative market value		-829		-829	-4,535
<b>Total derivatives 31.12.2018</b>		<b>287</b>			<b>287</b>
<b>Properties:</b>					
- investment properties			28,305	28,305	28,266
- Owner-occupied properties			1,309	1,309	1,420
<b>Total properties 30.06.2019</b>			<b>29,613</b>	<b>29,613</b>	
<b>Total properties 31.12.2018</b>			<b>29,686</b>		<b>29,686</b>

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



### MOVEMENT LEVEL 3

(NOK million)	Equities	Fund units	Loans to customers	Corporate bonds	Bond funds	Investment properties	Owner-occupied properties
Book value 01.01	602	7,849	5,707	56	3,321	28,266	1,420
Net profit/loss	-4	899	151	2	-36	4	-26
Supply/disposal	2	624	703		1,617	455	37
Sales/overdue/settlement	-9	-555	-702	-42	-112		-1
Currency translation differences	-9	-148	-316	-2	-163	-689	-121
Other						268	
<b>Book value 30.06.2019</b>	<b>582</b>	<b>8,669</b>	<b>5,544</b>	<b>14</b>	<b>4,627</b>	<b>28,305</b>	<b>1,309</b>

As at 30 June 2019, Storebrand Livsforsikring had NOK 4 090 million invested in Storebrand Eiendomsfond Norge KS and Ruse-løkkveien 26, Oslo. The investments are classified as "investment in associated companies and joint ventures" in the Consolidated Financial Statements.

### SENSITIVITY ASSESSMENTS

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

### STOREBRAND LIVSFORSIKRING AS

(NOK million)	Level 1	Level 2	Level 3	Total 30.06.2019	Total 31.12.2018
	Quoted prices	Observable assumptions	Non-observable assumptions		
<b>Assets</b>					
<b>Equities and fund units</b>					
- Equities	1,490	100	440	2,031	1,839
- Fund units		47,729	5,995	53,724	47,591
<b>Total equities and fund units 30.06.2019</b>	<b>1,490</b>	<b>47,829</b>	<b>6,436</b>	<b>55,755</b>	
<b>Total equities and fund units 31.12.2018</b>	<b>1,310</b>	<b>42,329</b>	<b>5,791</b>		<b>49,430</b>
<b>Total loans to customers</b>					
- Loans to customers - corporate			340	340	
<b>Bonds and other fixed income securities</b>					
- Government bonds	6,211			6,211	4,139
- Corporate bonds		26,349	8	26,356	25,857
- Collateralised securities		343		343	5,703
- Bond funds		37,605	620	38,225	35,225
<b>Total bonds and other fixed income securities 30.06.2019</b>	<b>6,211</b>	<b>64,296</b>	<b>627</b>	<b>71,135</b>	
<b>Total bonds and other fixed income securities 31.12.2018</b>	<b>4,139</b>	<b>66,193</b>	<b>592</b>		<b>70,924</b>
<b>Derivatives:</b>					
- Equity derivatives		5		5	
- Interest derivatives		2,190		2,190	1,365
- Currency derivatives		634		634	-3,056
<b>Total derivatives 30.06.2019</b>		<b>2,829</b>		<b>2,829</b>	
- derivatives with a positive market value		3,002		3,002	
- derivatives with a negative market value		-173		-173	
<b>Total derivatives 31.12.2018</b>		<b>-1,691</b>			<b>-1,691</b>

### MOVEMENT LEVEL 3

(NOK million)	Equities	Fund units	Loans to customers	Corporate bonds	Bond funds
Book value 01.01	451	5,340		25	567
Net profit/loss	-4	542	-21		-33
Supply/disposal	2	520			111
Sales/overdue/settlement	-9	-407	-3	-17	-26
<b>Book value 30.06.2019</b>	<b>440</b>	<b>5,995</b>	<b>340</b>	<b>8</b>	<b>620</b>

## Note 07

### Tax

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

#### Uncertain tax positions

The tax legislation and interpretations of the tax rules for the Norwegian life & pension industry have undergone significant changes in the last years, which have entailed complex assessments. Storebrand's uncertain tax positions are described in note 28 in the annual accounts for 2018 and below. In certain instances, Storebrand and The Norwegian Tax Administration (TNTA) have different interpretations of the tax rules. Consequently, this may lead to both a higher or lower tax expense than recognized in the financial reports based on the current uncertain tax positions.

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

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

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

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

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

Note  
08

## Contingent liabilities

(NOK million)	Storebrand Livsforsikring group		Storebrand Livsforsikring AS	
	30.06.19	31.12.18	30.06.19	31.12.18
Uncalled residual liabilities re limited partnership	7,647	5,818	6,717	4,912
<b>Total contingent liabilities</b>	<b>7,647</b>	<b>5,818</b>	<b>6,717</b>	<b>4,912</b>

Guarantees essentially encompass payment and contract guarantees.

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

Storebrand Group companies are engaged in extensive activities in Norway and abroad, and are subject for client complaints and may become a party in legal disputes, see also note 2 and note 44 in the 2018 annual report.

Note  
09

## Solvency II

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

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

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

### SOLVENCY CAPITAL

(NOK million)	30.06.19					31.12.18
	Total	Group 1 unlimited	Group 1 limited	Group 2	Group 3	Total
Share capital	3,540	3,540				3,540
Share premium	9,711	9,711				9,711
Reconciliation reserve	18,284	18,284				18,881
Including the effect of the transitional arrangement						
Subordinated loans	7,627		1,103	6,524		7,780
Deferred tax asset	218				218	584
Risk equalisation reserve	361			361		234
Expected dividend/group distributions	-1,317	-1,317				-3,200
<b>Total solvency capital</b>	<b>38,425</b>	<b>30,218</b>	<b>1,103</b>	<b>6,885</b>	<b>218</b>	<b>37,530</b>
<b>Total solvency capital available to cover the minimum capital requirement</b>	<b>32,657</b>	<b>30,218</b>	<b>1,103</b>	<b>1,336</b>	<b>0</b>	<b>31,314</b>

## SOLVENCY CAPITAL REQUIREMENT AND - MARGIN

(NOK million)	30.6.19	31.12.18
Market	19,194	18,688
Counterparty	438	493
Life	6,359	6,292
Health	529	522
P&C		
Operational	1,036	1,007
Diversification	-4,547	-4,526
Loss-absorbing tax effect	-4,850	-4,701
<b>Total solvency requirement</b>	<b>18,160</b>	<b>17,775</b>
<b>Solvency margin</b>	<b>211.6 %</b>	<b>211.1 %</b>
<b>Minimum capital requirement</b>	<b>6,680</b>	<b>6,465</b>
<b>Minimum margin</b>	<b>488.9 %</b>	<b>484.4 %</b>

### Note 10 | Information about related parties

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

Storebrand Livsforsikring has not carried out any material transactions other than normal business transactions with related parties during 2019, other than Storebrand Livsforsikring AS having acquired mortgages from the sister company Storebrand Bank ASA. The mortgages were transferred on commercial terms. The portfolio of loans that have been transferred in the second quarter of 2019 totaled NOK 2.2 billion and NOK 2.9 billion year to date. The total portfolio of loans bought as of 30 June 2019 is NOK 31.7 billion. Storebrand Livsforsikring AS pays management fees to Storebrand Bank ASA for management of the portfolios, the expense for the second quarter of 2019 is NOK 4.4 million and NOK 8.6 million year to date.

# Declaration by the Members of the Board and the CEO

## STOREBRAND LIVSFORSIKRING AS AND STOREBRAND LIVSFORSIKRING GROUP

On this date, the Board and CEO have discussed and approved the annual report and annual financial statements for Storebrand Livsforsikring AS and Storebrand Livsforsikring Group for the first six months of 2019 (Report for the first six months, 2019).

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

In the best judgment of the Board and CEO the financial statements and consolidated financial statements for the first six months of 2019 have been prepared in accordance with applicable accounting standards, and the information in the financial statements provides a fair and true picture of the assets, liabilities, financial standing and results as a whole of the parent company and the group as at 30 June 2019. In the best judgment of the Board and CEO the annual report provides a fair and true overview of important events during the accounting period and their effects on the financial statements and consolidated financial statements for the first six months. In the best judgment of the Board and CEO the descriptions of the most important risk and uncertainty factors the group faces in the next accounting period, as well as the descriptions of related parties' significant transactions, also provide a fair and true view.

Lysaker, 11 July 2019

The Board of Directors of Storebrand Livsforsikring AS

Odd Arlid Grefstad  
- Chairman of the Board -

Martin Skancke

Vibeke Hammer Madsen

Hans Henrik Klouman

Jørn Hilstad

Kari Birkeland

Jan Otto Risebrobakken

Geir Holmgren  
- Chief Executive Officer -

# Financial calendar 2019



**23 October:** Results Q3 2019

**February 2020:** Results Q4 2019

## Investor Relations contacts



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