DNB Livsforsikring AS
A company in the DNB Group

Solvency and Financial Condition Report (SFCR) Extract

2022

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INTRODUCTION[1]

DNB Livsforsikring AS (DNB Liv) is a 100 per cent owned subsidiary of DNB Bank ASA with a license to conduct life insurance business in Norway. All activities in DNB Liv are organized as part of the business area, Wealth Management (WM) in DNB. The company's operations will deliver competitive returns to customers and owners, as well as achieve profitable growth in pensions and life insurance products. Risk and capital management is an important part of the business and shall contribute to the customers' pension funds being secured in a prudent way so that pensions and claims can be paid to the policyholders in accordance with the contracts entered into.

DNB Liv achieved a profit before tax in 2022 of NOK 1.129 billion, a decrease from 1.521 billion in 2021. Profit after tax ended at NOK 875 million. Profit before tax was satisfactory and especially the increased profitability in insurance was satisfactory in 2022. Despite very demanding financial markets, both volumes of premiums and numbers of customers increased in products offered. Value-adjusted and book returns in the common portfolio were 1.0 and 1.5 per cent respectively at the end of 2022, down from 4.5 and 4.3 per cent from the previous year. The average interest rate guarantee was about 3 per cent. The return for the standardized defined contribution pension profiles DNB Pensjonsprofil 30, DNB Pensjonsprofil 50, DNB Pensjonsprofil 80 and DNB Pensjonsprofil 100 were -6.8 per cent, -8.2 per cent, -9.7 per cent and -10.4 per cent, respectively.

The available own funds were at NOK 30 354 million, up against the solvency capital requirement (SCR) of 16 203 million. The ratio of available own funds both with and without transitional measures to SCR ended at 187 per cent, up from 155 per cent without transitional measures by end of 2021. DNB Liv had no effect of the transitional measures in 2022 due to the higher interest level. The transitional measures still gives a good protection against lower interest rates.

The solvency capital requirement without transitional measures, which best expresses the company's risk and solvency, has been reduced by NOK 4.2 billion through 2022. The lower solvency capital requirement was mainly influenced by good financial results, higher interest rates, reduced volatility adjustment, effect of repricing, changes in best estimates, reversed tax and effects of changed market values and reduced market risk due to lower property investments and exposure in portfolio of mortgages.

At year-end 2022 the solvency capital was 16,2 billion above the capital requirements, which means

[1] Disclaimer: DNB Livsforsikring AS (DNB Liv) does not present accounting information in English, except for accounting information presented in Group reporting. This means that the company's Solvency and Financial Conditions Report (SFCR) for 2021 is only available in Norwegian.
Due to the interest shown by international investors and analysts, an extract from the SFCR has been translated into English. The extract primarily includes parts of the quantitative aspects described in the SFCR. The description of the system for risk management and internal control is omitted in its entirety.
The translated extract from the SFCR does not replace the Norwegian version and does not fulfil the requirements which must be met by the SFCR.

that DNB Liv was well capitalised. This implies that the company will meet the solvency requirements even if the interest rate level is lower than current market rates. Based on a normalised return over the coming two to three years, the eligible own funds over SCR without transitional measures will increase reflecting returns and profit generation.

The regulatory capital requirement is measured in transitionals and is at a high level. The transitional measures give a protection to the solvency capital against an eventual further fall in interest rates.

Throughout 2022, the company has satisfied the regulatory capital requirement calculated both with and without transitional measures by a robust margin and is well capitalized.

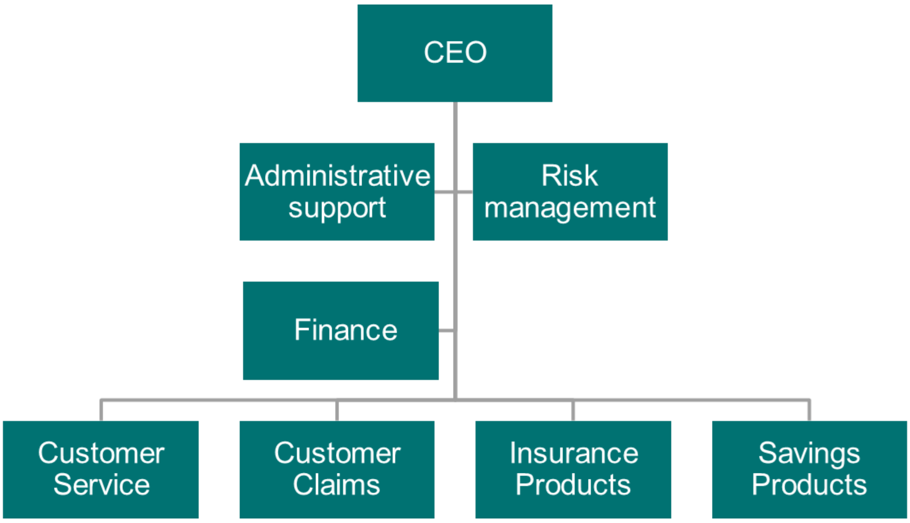
The war in Ukraine

At the end of February, Russia invaded neighbouring Ukraine, and severe sanctions have been imposed on Russia and Belarus. DNB Liv has no activity in the countries but follows developments closely to capture increased cyber risk as well as other indirect consequences that can be triggered by the conflict. DNB Liv is not exposed to the countries through direct investments. Exposure to Russia is minimal and are reduced in portfolios under index asset management.

A. DNB LIV – OPERATIONS AND PRODUCTS

DNB Liv as part of Wealth Management in DNB has a customer- oriented organisation. Including corporate functions, DNB Liv is organised as follows:

Figure 1. DNB Liv organization



Customer Service

Customer service provides services to all private - and corporate customers.

Customer Claims

Customer Claims is responsible for all claims of insurance and pension products to both private- and corporate customers. The unit is also responsible for preventing fraud and uncovers betrayal and swindle.

Insurance Products

The section Insurance Products has the total responsibility for life-insurance products including Paid up policies and defined benefit products, both corporate- and individual customers.

Savings Products

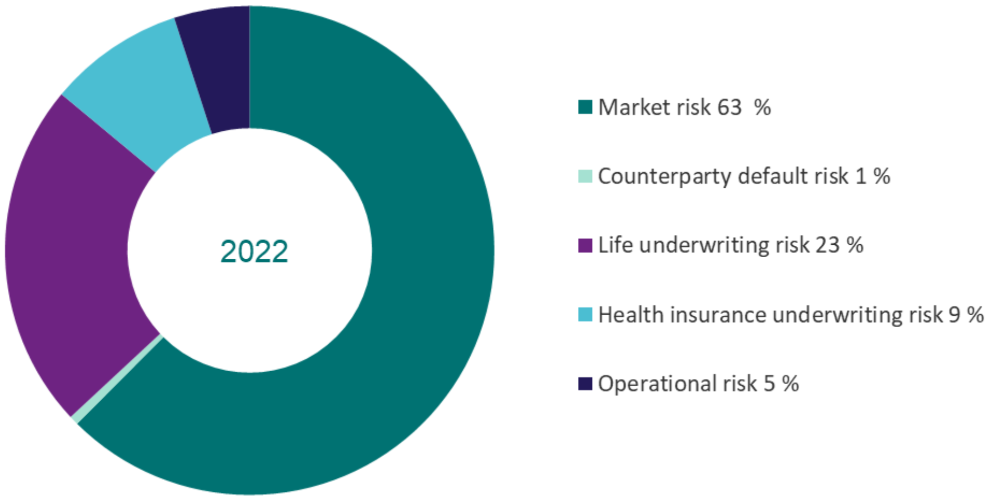
The section Savings Products has the total responsibility for all pension products offered to both corporate- and individual customers. The main products are defined contribution products.

The products are distributed mainly through the DNB Group's sale channels. The sale channels are organised as part of DNB Bank ASA.

B. RISK PROFILE

The company's largest risk categories are market risk, life insurance risk, health insurance risk and operational risk. Market risk is defined as the risk of reduced market values as a result of fluctuations related to financial assets. Insurance risk is primarily risk associated with development in disability, death and life expectancy. Operational risk is the risk of loss due to inadequate or failing internal processes, human error or external events. Risk calculated within these areas is a quantification of losses and incidents that may occur during a 12-month period. The quantification is designed so that it takes into account losses that may occur in 1 in 200 years. The figure 2 below shows the various risk factors' share of net solvency capital requirements at the end of 2022.

Figure 2. Risk profile



Market risk was the highest risk calculated with Solvency II, of which interest was the main as well as spread risk, -driven by the liabilities, property and equity. Life insurance risk was 32 per cent, of which longevity risk is the largest part. There were no significant changes in the various risk categories' relative shares.

INSURANCE RISK

The insurance risk in DNB Liv is in varying degrees divided between policyholders and the company. The risk result reflects differences in the results related to mortality, disability and settlement payments and the assumptions in the company's basis of calculation for premiums and provisions. The company is exposed to insurance risk related to non-life insurance products (employer’s liability insurance), and disability pensions and dependant's pensions.

For group pension agreements, new individual pension and endowment insurance products, up to 50 per cent of a positive risk result can be transferred to the risk equalisation fund. This fund can be used during years with a negative risk result. The risk equalisation fund cannot exceed 150 per cent of the company's total risk premiums for the accounting year.
For existing contracts, the insurance risk is routinely monitored through analysis and follow-up of risk results within each industry. The company also uses reassurance as an instrument to reduce

insurance risk. The company currently has reassurance agreements covering disasters and major individual risks within group and individual insurance. The reassurance agreements entail that DNB Liv is responsible for risk up to an agreed level, while the reassurer covers the excess risk up to an upper defined limit.

To reduce the insurance risk, an individual health assessment is also carried out for small-scale group schemes. In connection with the sale of disability pensions, customers will be categorised according to risk based on a concrete assessment of the risk related to the individual customer. The table 1 below show the risk result for the last two years according to products.

Table 1. Insurance results

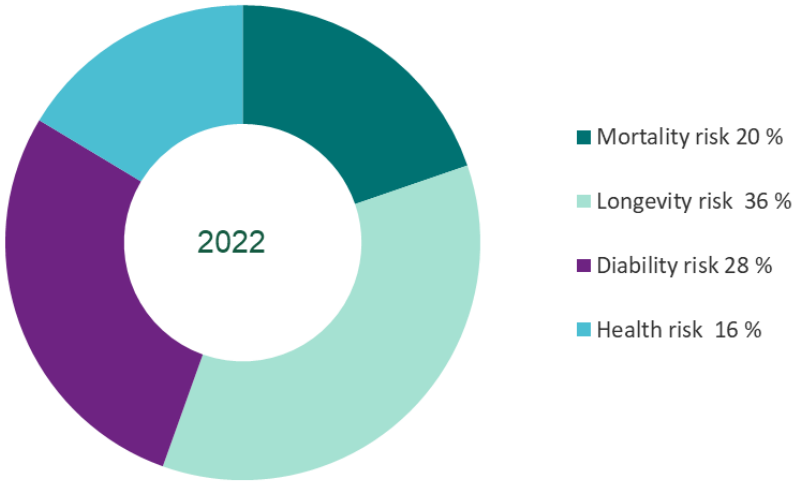
NOK million	Premiums	Claims	Insurance results
31.12.2022			
Defined benefit pension	248	(237)	11
Paid-up policies	2 357	(1 980)	377
Defined contribution pension with disability coverage	906	(886)	20
Group association pension	64	(61)	3
Individual endowment insurance	66	(24)	42
Individual pension insurance	505	(491)	14
Group Life policies	387	(352)	35
Health and non-life insurance	895	(910)	(15)
Total	5 428	(4 941)	487

NOK million	Premiums	Claims	Insurance results
31.12.2021			
Defined benefit pension	194	(209)	(15)
Paid-up policies	2 048	(1 769)	280
Defined contribution pension with disability coverage	756	(893)	(136)
Group association pension	71	(65)	6
Individual endowment insurance	67	(26)	40
Individual pension insurance	460	(419)	42
Group Life policies	406	(304)	102
Health and non-life insurance	779	(884)	(105)
Total	4 874	(4 664)	210

The risk result is dominated by a good disability result on paid-up policies in 2022. The results from Defined contribution with disability coverage and health and non-life insurance products are considerably improved in 2022.

DNB Liv's total insurance risk is mainly generated by longevity risk and disability risk for defined-benefit pensions and paid-up policies. The figure 3 below shows longevity exposure, mortality, disability and health risk in terms of risk premiums at year-end 2022.

Figure 3. Insurance risks



The insurance risk figures in the table do not consider the diversification effect with market risk. The company is capitalized to take insurance risk. To optimize profitability, to reduce fluctuation in the result, and to avoid consequences of large single events, the risk related to single life, frequency damages, large single events and disasters are limited through reinsurance agreements.

With respect to employer's liability insurance and risk cover for disability pensions, risk assessments of customers are used as a basis for risk classification and risk-differentiated pricing. Maximum sums insured have been set, and standards have been established for the processes to develop and launch new products. Insurance results are regularly monitored, and long-term trends are reflected in prices, product design and market strategies. The need for provisions is considered as an ongoing basis.

MARKET AND CREDIT RISK

DNB Liv shall be an active and responsible asset manager which, through good diversification and comprehensive management of market risk, shall ensure a sufficient return on customers' funds and an acceptable return on the company's invested capital. DNB Liv assumes that exposure to market risk in the portfolios will provide a higher return over time than risk-free (low risk) alternatives. Both internal and external funds and mandates are used in the management of DNB Liv's portfolios. The investment portfolios are well diversified between different asset classes, regions, sectors and individual investments.

Asset management in DNB Liv is divided between three main investment portfolios: the common portfolio, the investment choice portfolio and the corporate portfolio. Policyholders' funds are managed in the first two portfolios, while the company's assets are managed in the corporate portfolio. The table 2 below shows exposures and returns in the common and corporate portfolios.

Table 2. The portfolio exposures and returns

NOK million	31.12.2022 Exposure	31.12.2022 Return in %	31.12.2021 Exposure	31.12.2021 Return in %
Common portfolio	191 116	1,0 %	199 997	4,3 %
Corporate portfolio	35 029	1,5 %	35 513	2,7 %

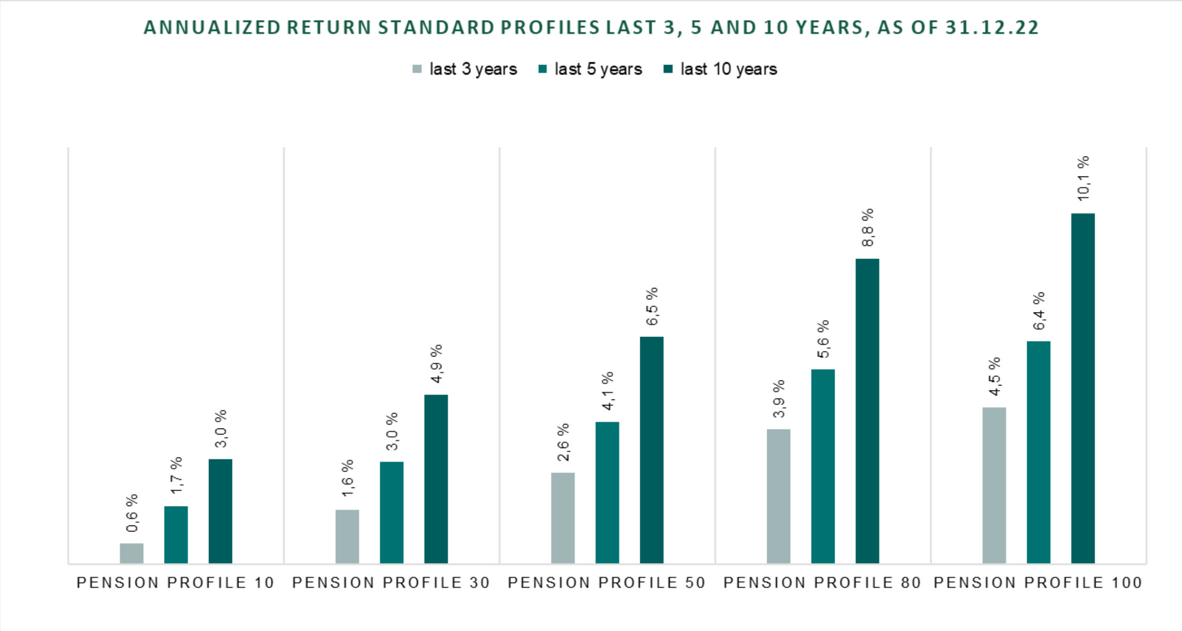
The investment choice portfolio includes all assets where customers themselves make investment decisions. The customer chooses investment profile among the options made available in DNB Liv's product solutions, and the customer is responsible for the market risk. Customer portfolios at year-end 2022 are shown in the table 3.

Table 3. The portfolio sizes at the end of year, 2022

NOK billion	2022
Common portfolio	
Corporate market	**20,0**
Defined benefit pension	15,4
Disability coverage for defined contribution pension	4,6
Private market	**171,1**
Defined benefit pensjon with guarantees for Private Market	23,1
Individual endowment insurance	9,2
Paid-up policies	135,8
Health insurance similar to non-life insurance	3,0
Total	**191,116**
Defined contribution with investment choice	
Corporate market	**138,3**
Profile <=30	34,5
Profile 50	30,7
Profile >=80	61,9
Mutual fond menu	11,3
Private market	**11,3**
Profil <=30	0,8
Profil 50	2,1
Profil >=80	1,6
Mutual fond menu	6,9
Total	**149,7**
Corporate Portfolio	
Share capital	25,4
Subordinated liabilities	7,0
	2,7
Other	0,0
Total	**35,029**

Defined benefit pensions are organised into risk-graded savings profiles. DNB Liv offers pension profiles with different composition of portfolios; DNB Pension profile 10, 30, 50, 80 and 100. Figure 4 shows the annualized return of standard profiles last 3, 5 and 10 years, as of 31.12.2022.

Figure 4. Annualized return of standard profiles last 3, 5 and 10 years, as of 31.12.22



Total assets in the solvency balance amounted to NOK 368,645 million per 31.12.2022 compared to NOK 379,012 million per 31.12.2021. This corresponds to a reduction of NOK 10,367 million. Correspondingly, the assets in the financial accounts amounted to NOK 371,152 million per 31.12.2022 compared to NOK 374,838 per 31.12.2021. Table 4 shows assets in the Solvency II balance sheet and financial statements for 2022 and 2021 respectively.

Table 4 Assets in the Solvency II balance sheet and financial statements for 2022 and 2021

(NOK million)	Solvency II value 2022	Statutory accounts value 2022	Solvency II value 2021	Statutory accounts value 2021
Intangible assets	-	-	-	-
Deferred tax assets	836	-	5	-
Property, plant & equipment held for own use	2	2	2	2
Investments (other than assets held for index-linked and unit-linked contracts)	217 864	221 177	219 828	215 702
Property (other than for own use)	14	14	19	19
Holdings in related undertakings, including participations	31 257	31 257	30 440	30 440
Equities	642	642	524	524
Bonds	118 614	121 927	98 648	94 522
Collective Investments Undertakings	66 421	66 421	89 816	89 816
Derivatives	214	214	381	381
Deposits other than cash equivalents	702	702		
Assets held for index-linked and unit-linked contracts	138 259	138 259	138 747	138 747
Loans and mortgages	9 435	9 465	17 455	17 412
Reinsurance recoverables from:	481	481	400	400
Insurance and intermediaries receivables	172	172	191	191
Receivables (trade, not insurance)	42	42	32	32
Cash and cash equivalents	1 460	1 460	2 278	2 278
Any other assets, not elsewhere shown	94	94	74	74
Total	**368 645**	**371 152**	**379 012**	**374 838**

Expected return and guaranteed rate of return

DNB Liv carries the risk of fulfilling the company's commitments in contracts with policyholders. The return on financial assets must be sufficient to meet the guaranteed rate of return specified in insurance policies. Otherwise, inadequate returns will have to be covered by applying the market value adjustment reserve, additional statutory reserves, equity or subordinated loan capital. The guaranteed rate of return must be complied with on an annual basis.
Measured in relation to the customer funds, the company had an overall average interest rate guarantee of 3.0 per cent for 2022.

The table 5 below shows long-term developments in the guaranteed rate of return for individual group of products. In step with the payment of pensions, the guaranteed rate of return as a percentage of pension commitments will be somewhat reduced each year. The average guaranteed rate of return increased somewhat from 2021 to 2022 due to lower reservations at the end of 2022. In line with the payment of pensions, the guaranteed rate of return as a percentage of the liabilities will be reduced somewhat year by year. Reduced customer buffers through 2022 derives that the average guaranteed rate of return overall increases slightly from 2021 to 2022.

Table 5. Guaranteed rate of return

Per cent	2022	2021	2020	2019	2018	2017
Group pension	2,9 %	2,9 %	3,0 %	3,0 %	3,1 %	3,1 %
Individual endowment insurance	3,3 %	3,2 %	3,2 %	3,3 %	3,4 %	3,4 %
Individual pension insurance	2,1 %	2,1 %	2,1 %	2,1 %	2,2 %	2,2 %
Group association pension	3,9 %	3,8 %	3,8 %	3,9 %	4,0 %	4,0 %
Average	**3,0 %**	**2,9 %**	**3,0 %**	**3,0 %**	**3,1 %**	**3,1 %**

Meeting the guaranteed rate of return is important for the company's value creation and developments in the solvency position.

Development in fixed-income instruments

DNB Liv aims to be an active and responsible asset manager who ensures an adequate return on policyholders' funds and an acceptable return on the company's invested capital through good diversification and consistent management of market risk. The current higher interest rate level makes it less demanding to achieve a high return for policyholders. DNB Liv has adjusted the asset management and aligned the duration to the different profiles of the product portfolios.
Fixed-income instruments are essential in making the company meet the guaranteed rate of return over the coming years.

Climate risk

DNB Liv's exposure to climate risk is mainly considered to be transitional risk through investment activities, for example in the form of "stranded assets" due to new regulations, new technology and changes in demand for products and services of companies which DNB Liv has invested in. In addition, the property portfolio is exposed to physical risk because of changes in the external environment due to increased temperature. This can affect properties through landslides, floods, fire etc.

The climate challenges could be expected to not only affect payments from non-life insurance, but also life insurance, employer's liability insurance and disability pensions. Climate risk is therefore an integral part of the various strategies for all lines of business.

DNB Liv has the following insurance product lines of business which is expected to be affected: Employer's liability insurance and health insurance; Extraction/oil/gas, construction, transport, agriculture, fisheries, health and social services, power supply, public administration, defense, and social insurance as well as water, sewage and waste disposal.
Line of business that are particularly exposed to climate risk account for well over 30 per cent of the total premium volume within both employer's liability insurance and risk cover for disability pensions linked to defined contribution pensions.

As of today, the climate risk is assessed as moderate to small risk. These assessments are made by good notification routines for various expected events, including weather and avalanche warnings, which cause flights to be canceled, boats to seek harbor and crews to be evacuated from oil installations. Furthermore, in case of extreme warnings, vulnerable target groups are evacuated from areas prone to landslides and floods, etc.
DNB Liv will introduce scenario-based sensitivity analysis to use in assessments from medium to longer time horizon.

C. TECHNICAL INSURANCE PROVISIONS, SOLVENCY II

Technical insurance provisions (TIP) affect the company's own funds and solvency capital requirements. The difference between the company's assets and TIP represents the company's solvency capital. TIP equals the sum of the best estimate and the risk margin.
DNB Liv has applied to the Norwegian Financial Supervisory Authority and been granted use of the transitional measures for technical provisions. When determining the solvency capital requirement, the company may apply accounting insurance liabilities instead of liabilities calculated in accordance with the solvency regulations. The transitional measures apply for 16 years, and the effect is reduced by 1/16 each year, for the first time from 1.1.2017. The transitional regulations will be phased out on 1.1.2032.

The table 6 shows the insurance liabilities calculated in accordance with the Solvency II regulations and the insurance liabilities in accordance with the accounts (Solvency I). The table also shows the effect of the transitional measures after phasing out 6/16 parts in 2022 and 5/16 parts in 2021.

Table 6. The technical provisions

	Insurance with guarantee		Insurance without guarantee	Non -life insurance	**Total**
	With profit sharing	*Without proft sharing*			
31.12.2022					
Solvency II	160 684	23 058	136 733	7 313	**327 788**
Effect of transitional measures	(0,0)	(0,0)	(0,0)	(0,0)	**(0,0)**
31.12.2021					
Solvency II	178 877	24 928	136 311	6 208	**346 323**
Effect of transitional measures	8 512	(0,0)	(0,0)	63	**8 574**

DNB Liv had no effect of the transitional measures in 2022 due to the higher interest level. The transitional measures still gives a good protection against lower interest rates.

The difference between Solvency I and Solvency II gives the effect of the transitional measures for calculating the insurance obligations.

Life insurance products with profit sharing include paid-up policies and individual products with guaranteed rates of return sold prior to 1 January 2008.
Life insurance products without profit sharing include defined-benefit pensions and individual products sold after 1 January 2008. Unit linked insurance policies with no guarantee are defined-contribution pensions and unit linked products to the personal market segment.

Technical provisions have decreased by NOK 18.5 billion during 2022. The decrease is mainly related to the development of products with guarantee.

Table 7. Overview of insurance technical provisions for 2022 and 2021

(NOK million)	Best estimate 2022	Risk margin 2022	Technical provisions 2022	Technical provisions 2021
Defined-benefit pension	13 977	221	14 198	14 729
Paid-up policies	134 656	1 916	136 572	143 499
Traditional individual capital and pension	23 874	237	24 112	26 499
Other life insurance	8 784	77	8 860	10 115
Sum traditional life insurance	**181 291**	**2 451**	**183 742**	**194 840**
Private Unit Link	12 248	109	12 357	13 489
Defined contribution, including pension capital certificates	123 162	1 214	124 376	122 822
Sum Index-linked and unit-linked insurance	**135 410**	**1 323**	**136 733**	**136 311**
Health similar to life	4 505	46	4 551	4 007
Non-life (health similar to non-life)	2 751	11	2 761	2 138
Total	**323 957**	**3 831**	**327 787**	**337 749**

The risk margin is quantified through a separate model for this purpose. In the models, developments in the capital requirement for insurance risk (SCR for life and health insurance) are projected. The risk margin is 6 per cent multiplied by the present value of all future capital requirements for insurance risk. The discount rate applied is based on the supervisory authorities' market rate curve on the calculation date. In the projection, it is assumed that for most products, the insurance risk is proportionate to the development in the best estimate for the cash flow.
A volatility adjustment of the yield curve is used to calculate technical provisions. The adjustment is intended to prevent artificial volatility in the company's solvency margin as a result of movements in market spreads on the company's bond portfolio, among other things to reduce pro-cyclical behavior. The volatility adjustment is calculated on the basis of a benchmark portfolio based on Norwegian life insurance companies' assets and amounted to 5 basis points in premiums in the yield curve at the end of 2022, down from 32 basis points in 2021. Without a volatility adjustment, the net effect would be a reduction of NOK 451 billion and the solvency margin reduced by 4.7 percentage points.

Based on the expected settlement of defined benefit pensions with the issuance of paid-up policies, a projection of insurance obligations has been made with interest rate guarantees until 2032, which is the end of the transition period for valuation of technical provisions. Products with an interest rate guarantee are expected to be reduced from a level of approximately NOK 186 billion in 2022 to approximately NOK 128 billion in 2032.

Reduction in technical provisions with interest - guarantee and risk of development in life expectancy combined with growth in products without such guarantees will contribute to a strengthened solvency margin in the coming years.

D. CAPITAL MANAGEMENT

DNB Liv aim to achieve a 5 – 6 per cent return on equity and gradually moving towards 13 percent, a solvency margin above 140 per cent without transitional measures, cost/income ratio below 40 percent and a dividend pay-out ratio of minimum 50 per cent.

The ratio of available own funds to SCR represents the degree to which the company's own funds meet the capital requirement stipulated in the solvency regulations. The ratio of available own funds to SCR is calculated in two ways, with and without the transitional measures.

In addition to the solvency capital requirement, the companies also have a minimum capital requirement (MCR). If the capital falls under MCR, will the authorities take over the management of the company.

The company's own funds and solvency capital requirements are shown in the table 8.

Table 8. The Eligible own funds and solvency capital requirement

Eligible own funds and solvency capital requirement		
NOK million	**31.12.2022**	**31.12.2021**
With transitional rules		
Eligible Own Funds	30 354	34 617
Solvency Capital Requirement	16 203	18 138
The ratio of eligible own funds to meet the SCR	187 %	**191 %**
Without transitional rules		
Eligible Own Funds	30 354	28 186
Solvency Capital Requirement	16 203	18 138
The ratio of eligible own funds to meet the SCR	187 %	**155 %**

The ratio of eligible own funds to meet the SCR without transitional measures has increased through 2022 from 155 to 187 per cent. The ratio was mainly influenced by good financial results, higher interest rates, reduced volatility adjustment, effect of repricing, changes in best estimates, reversed tax and effects of changed market values and reduced market risk due to lower property investments and exposure in portfolio of mortgages. The 10-years swap rate at the end of the year was 3.29 per cent, 1.39 basis points higher than at the beginning of 2022. The transitional measures have had a minor impact on the ratio from 155 to 187 per cent.

At year-end 2022 the solvency capital was 16,2 billion above the capital requirements, which means DNB Liv was well capitalised. This implies that the company will meet the solvency requirements even if the interest rate level is lower than current market rates. Based on a normalised return over the coming two to three years, the eligible own funds over SCR without transitional measures will increase reflecting returns and profit generation.

Own Risk and Solvency Assessment (ORSA) for DNB Liv shows that the company is adequately capitalized in the financial planning period going forward. DNB Liv will submit its more extensive ORSA report to the Norwegian Financial Supervisory Authority t after Board of Directors approval on 24.4.2023.

OWN FUNDS

At the end of 2022, the company's composition of own funds was as presented in the table 9.

Table 9. Own funds

NOK mill	31.12.2022	31.12.2021
Own funds Tier 1		
Ordinary share capital	1 641	1 641
Share premium reserve	6 016	6 016
Subordinated liabilities	1 500	1 500
Reconciliation reserve	14 416	19 030
Impact of transitional measures	-	6 431
Total basic own funds Tier 1	23 573	28 187
Own funds Tier 2		
Subordinated liabilities	5 500	5 500
Risk equalisation fund	1 128	929
Total basic own funds Tier 2	6 628	6 429
Own funds Tier 3		
Deferred tax	152	0
Total basic own funds Tier 3	152	0
Total eligible own funds to meet the SCR	30 354	34 617
Total eligible own funds to meet the SCR without transitional measures	30 354	28 186

In total, subordinated capital with transitional measures has been reduced by NOK 4.3 billion, while subordinated capital without transitional measures has increased by NOK 2.2 billion in 2022.

The capital includes the reconciliation reserve where the effect of valuing assets and liabilities at market values emerges. The transitional regulations had no effect in 2022 due to the higher interest level. This is the main reason for the reduced reconciliation reserve. The reconciliation reserve has increased with 1.8 billion NOK without transitional regulation.

Subordinated loans under subordinated capital group 1 consist of a perpetual subordinated loan of NOK 1.5 billion with possible repayment in 2028. Subordinated loans under subordinated capital group 2 consist of a perpetual subordinated loan of NOK 3 billion that can be repaid in 2025 and a time-limited loans of NOK 2.5 billion maturing in 2025. The subordinated loans are internal loans in the DNB Group. In the regulations for the composition of subordinated capital, there is a limit to how much group 2 capital can cover the minimum requirement (MCR), and the capital in this category is reduced in relation to the starting point. Capital included in group 3 cannot cover the MCR requirement.

DNB Liv's self-assessment of risk and capital concludes that the company is sufficiently capitalised and that there is a good balance between risk and capital.

SENSITIVITIES

The company's solvency position is vulnerable to changes in assumptions and the interest rate level. Sensitivities have been prepared in connection with the calculation of the solvency margin at year-end 2022. These are shown in the table 10 below.

Table 10. The sensitivity analysis with transitional measures

Sensitivities with transitional measures	
The ratio of eligible own funds to meet the SCR per 31 Dec. 2022	187 %
Interest rate up 50 bp.	202 %
Interest rate down 50 bp.	190 %
Increase in mortality of 10%	194 %
Decrease in mortality of 10%	172 %
Increase in disability of 10%	186 %
Decrease in disality of 10%	188 %
Decrease value in equities of 25%	172 %
Increase in spread of 50 bp. combined by increase in VA +15 bp.	182 %
Decrease of ultimate forward rate(UFR) to 3.6 per cent	186 %

The sensitivity analysis shows that the company's largest risk relates to changes in mortality and decrease in values in equities. In the analysis, mortality is assumed to decline by 10 per cent, which corresponds to 1-2 years increase in life expectancy. This reduces the solvency margin to 172 per cent. If the value of equities declines by 25 per cent, the solvency margin also will be reduced to 172 per cent.

Increase in spread of 50 basis points combined with increase in VA by 15 basis points will reduce the solvency margin to 182 per cent.

The remaining sensitivities will have a limited effect on the solvency margin.

Changes in interest rates are highly compensated for through the measures in transitionals, and interest rate changes have smaller effect on the company's solvency position when the transitional measures are applied.

SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

The table 11 provides an overview of developments in the solvency capital requirement with the transitional measures and the minimum capital requirement in 2021 -2022 in total and distributed over the main modules in the standard model.

Table 11. An overview of developments in the solvency capital requirement with the transitional measures and the minimum capital requirement

NOK mill	31.12.2022	31.12.2021
Market and counterparty default risk	28 654	30 221
Insurance risk	10 872	10 490
Operational risk	1 053	1 091
Diversification	(7 119)	(7 115)
Loss-absorbing tax	(5 232)	(4 428)
Loss-absorbing technical provisions	(12 024)	(12 121)
Sovency capital requirement	**16 204**	**18 138**
Minimum capital requirement	7 292	7 723
Solvency margin including transitonal rules	187 %	191 %
Solvency margin without transitonal rules	187 %	155 %

Solvency Capital Requirement was reduced by 1.9 billion NOK through 2022 mainly because of higher risk absorbing capacity due to the higher interest level and reduced mmarket risk. Market risk is reduced through realization of property investments and mortgage loans. Increased equity risk and spread risk increases the capital requirement on the other hand. Insurance risk is somewhat up due to the higher interest level that leads to more profitable portfolios that leads to increased capital requirements regarding increased risk of mass-lapse.

The calculation of the minimum capital requirement is based on rates of best estimate provisions under Solvency II for life insurance products and non-life products. In the calculation there is a lower and upper limit in the requirement of a minimum of 25 per cent and a maximum of 45 per cent of the calculated solvency capital requirement. The minimum capital requirement as of 31.12.2022 is dominated by requirements related to the life insurance part of the business (95 per cent). The non-life products account for the remaining 5 per cent. Both the Solvency Capital Requirement and the Minimum Capital Requirement was reduced in 2022.

NO VIOLATIONS OF THE MINIMUM CAPITAL REQUIREMENT AND THE SOLVENCY CAPITAL REQUIREMENT

DNB Liv has reported its capital requirements and own funds conditions to the Norwegian Financial Supervisory Authority as from 1 January 2022 and for each quarter in 2022. The company fulfilled the solvency capital requirements throughout this period.

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WHERE PEOPLE AND BUSINESS THRIVE

WE WILL BE CURIOUS, BOLD AND RESPONSIBLE.

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