Annual report

Storebrand Livsforsikring AS

2013

storebrand

Contents

Report of the board of directors

Storebrand Livsforsikring has its main business in Norway with its head office located in Lysaker in Bærum municipality.

Greater clarity in relation to the framework conditions for occupational pensions, a changed organisational structure and a shift from products with guaranteed interest rates to unit linked insurance products are the keywords for Storebrand in 2013.

Storebrand Group's strategy is two-pronged. The Group shall be the best at savings for pensions and at the same time effectively manage the part of business operations that consists of pension savings with guaranteed interest rates. In June the Group launched a new customer- and market-adapted group organisation that is designed to support the strategy. The overall objectives of the organisation are to separate growing businesses and businesses with guarantees, strengthen our customer orientation, establish Nordic areas of responsibility and ensure a simple organisation with fewer deliveries and a significantly lower cost level.

THE BEST COMPANY FOR PENSION SAVINGS

The Group has implemented a number of measures aimed at ensuring customers see us as an attractive choice. The commercial work is further strengthened through the establishment of the business units Customer area Norway and Customer area Sweden. The product responsibility for unit linked insurance and the responsibility for innovation and concept and product development is delegated to the customer areas in order to ensure closeness to the customers and as few levels as possible in the organisation.

A changing public pension system and a shift from defined benefit to defined contribution in both Norway and Sweden, leads to increased responsibility for saving for retirement for the individuals. New digital solutions with governments and pension providers, provides employees an overview of their pension in a simple way. This gives both the individual the opportunity to influence their own pension, but also gives the pension providers a unique opportunity to provide savings and insurance advice on individualized basis.

Pension savings are the core of Storebrand's business activities. It concerns more than saving for retirement. Securing future income through good insurance solutions and repayment of loans is for example closely related to the work of being best at saving for pensions. Storebrand seeks to create good customer experiences where customers can receive advice tailored to their life situation. The customers should be able to contact us through the sales or service channel of their choosing. This means that the advice, prices and impression customers get should be the same in all of Storebrand's distribution channels: the internet, social media, telephone calls, letters and face-to-face meetings.

One of the Group's customer promises is that all of our products and relationships shall be sustainable. During 2013 these efforts have been further strengthened with the aim of developing sustainable investments as a differentiating factor. The Group garnered significant attention in both domestic and international media when in June it became known that Storebrand had excluded 19 coal and oil sands companies from all investments.

In Sweden SPP Fonder grew to become the fifth largest fund company in 2013, with growing market shares within pension insurance and fund savings for institutional clients and private individuals. In Norway Storebrand retains its market-leading position within private occupational pensions. Premium income from non-guaranteed products is rising. In the work of being best at saving for pensions the focus on Storebrand Pension Figures plays a key role in Norway. Storebrand's website, storebrand.no, enables customers to gather all their pension assets in one place and calculate how much pension they will receive, how much they would like and how they can bridge the gap and thereby increase their pension amount.

To date over 60,000 people have established their pension figure by logging in to their online account at storebrand.no. This has led to an increase in the sale of savings agreements.

Management of guaranteed business operations

Storebrand has assembled all products that include long-term saving for retirement, where customers have a guaranteed return or performance on the savings funds into the unit Guaranteed pensions. Storebrand has NOK 264 billion in guaranteed reserves as of 31

December 2013. Assembling these into a single unit provides a sound basis for managing the salient risks, namely financial market risk and life expectancy risk. By gathering the expertise associated with products with guaranteed interest rates, Storebrand is seeking to ensure good customers handling and competitive returns on the pension funds. The unit will also have a leading role in the Group's adaptation to Solvency II.

As part of the adaptation to Solvency II and the work on capital effectiveness, the Group has worked actively to inform and advise customers with guaranteed products about the opportunity to transfer to fund-based products both in Norway and Sweden. This work will be particularly important when it is possible to move paid-up policies to products with investment choice. This is expected to occur in 2014, please see the section on amendments to the Norwegian occupational pension rules for further information. The customer promise of providing recommendations that are best suited to you and your situation is a leading principle in all customer dialogue and will be particularly important in relation to Storebrand's advice on paid-up policies and investment choice.

In June 2012 the Group launched a cost programme that is intended to reduce the annual costs by NOK 400 million by 2014. A number of measures have been implemented in 2013 and the effects have contributed to an improvement in financial performance during the year.

SUBSIDIARIES AND ASSOCIATED COMPANIES

Storebrand Livsforsikring AS owns 100 per cent of Storebrand Holding AB, which in turn owns 100 per cent of SPP Konsern, SPP Liv Fondförsäkring AB and SPP Fonder AB. SPP is a leading Swedish supplier of life insurance and occupational pensions. SPP supplies unit-linked products, traditional insurance and defined-benefit pension products as well as consultancy services that cover occupational pensions and insurance and administration solutions for municipalities and other organisations. Together, Storebrand and SPP will become the leading life insurance and pension provider in the Nordic region. SPP's head office is located in Stockholm.

Storebrand Livsforsikring AS owns 89,6 per cent of Benco Insurance Holding BV, which in turn owns Nordben Life and Pension Insurance Company Ltd. in Guernsey and Euroben Life and Pension Ltd with its head office in Dublin. The companies offer pension products to multinational companies.

Through its subsidiaries Aktuar Systemer AS and Storebrand Pensjonstjenester AS, Storebrand offers deliveries within actuarial services, system solutions and all types of services associated with the operation of pension funds.

In 2005 Storebrand Livsforsikring AS set up a branch in Sweden. The branch manages pension insurance policies and unit-linked agreements in the Swedish market in accordance with the Norwegian Insurance Act. New sales no longer take place in the branch. In 2008 the branch was integrated with SPP.

Storebrand Finansiell Rådgivning AS was established as a wholly owned subsidiary by Storebrand Livsforsikring AS in order to satisfy legal changes within financial advice (the MiFid directive) which entered into force on 1 November 2007.

Storebrand Eiendom Holding AS is a holding company for the Norwegian property company. The company is 100 per cent owned by Storebrand Livsforsikring AS.

Storebrand Eiendom Indirekte AS who invested in foreign property funds is from 1 January 2013 merged with Storebrand Livsforsikring AS.

Storebrand Eiendom AS manages properties for Storebrand and SPP both nationally and internationally. The company is 100 per cent owned by Storebrand Livsforsikring AS. Storebrand Livsforsikring AS also owns 100 per cent of Storebrand Realinvesteringer AS. There is no operation in this company.

Storebrand Livsforsikring AS is 68 per cent owned by Foran Real Estate in Latvia and 29 per cent by SPP Livförsäkring AB. The company invests in forests in Latvia.

RESULT

Storebrand Livsforsikring AS is a wholly owned subsidiary of the listed Storebrand ASA. For information about the Storebrand Group's result please refer to the Storebrand Group's annual report for 2013.

The official financial statements of the Storebrand Livsforsikring Group are prepared in accordance with the International Financial Reporting Standards (IFRS), while the official financial statements of Storebrand Livsforsikring AS are prepared in accordance with the Annual Accounts Regulations for Insurance Companies.

From the second quarter of 2013 Storebrand has reorganised its financial reporting. The new reporting format is designed with the intention of clarifying the company's strategy. The reporting clearly sets out key figures that show how the company is realising its strategy. The new segments in the reporting are: Savings, Insurance, Guaranteed Pensions and Other.

The presentation of result by area is exclusive internal transactions.

Result Storebrand Livsforsikring Group

NOK million	**2013**	**2012**
Savings	298	139
Insurance	369	331
Guaranteed pensions	1,665	1,193
Other	94	183
Result before amortisation	**2,426**	**1,846**
Amortisation intangible assets	-375	-357
Profit before tax	**2,050**	**1,489**
Tax	-70	-372
Profit after tax	**1,980**	**1,117**

All the business areas delivered stronger financial performance in 2013. Savings and Insurance are defined as growth areas in Storebrand's strategy, and are areas that should grow as a result of greater business volume. During 2013 the financial performance of these business areas was strengthened both as a result of increased business and also due to streamlining operations and lower costs.

Guaranteed Pensions represent approximately 75 per cent of the balance sheet, and is a business area that will be gradually scaled down. However it is important to maintain earnings from these products during a transitional phase. In 2013 the results have been bolstered due to price rises relating to the guaranteed interest rate premium, but also from a good return on indexing fees and profit sharing, primarily for guaranteed products in Sweden.

Property sales executed during 2013 have led to a reduction in the tax-increasing temporary differences connected with these properties. This gives a low tax cost in 2013.

From 2013 Storebrand has also reported results categorised by type of costs. The results differentiate between "fixed" fees such as administration and insurance premiums and more volatile earnings such as profit sharing.

Result Storebrand Livsforsikring Group

NOK million	**2013**	**2012**
Fee and administration income	3,271	2,840
Risk result life & pensions	298	335
Insurance premiums f.o.a.	1,982	1,770
Claims f.o.a.	-1,466	-1,252
Operational cost	-2,178	-2,474
Financial result	150	243
Result before profit sharing	**2,057**	**1,463**
Net profit sharing	368	383
Result before amortisation	**2,426**	**1,846**

Financial performance figures for 2013 show that the results have improved both due to growth in earnings from fees and administration and from insurance premiums of 13 and 12 per cent respectively, but also from a nominal reduction in costs of 14 per cent. In 2012 the costs included a non-recurring charge in connection with restructuring. Costs in 2013 are reduced due to non-recurring income in connection with amended pension liabilities. Accordingly, the real nominal cost reduction is 6 per cent.

The next pages refers to the development in results by areas. Amounts in brackets show the result for 2012.

SAVINGS

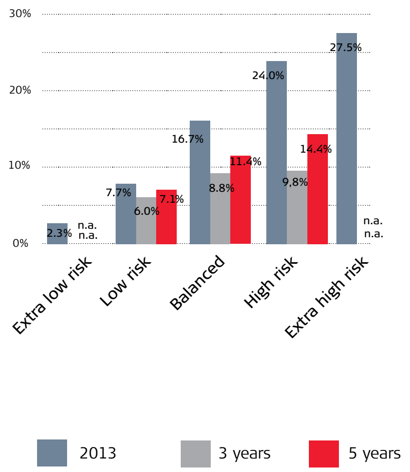
The Savings business area encompasses products that offer savings for retirement with no explicit interest rate guarantees. The business area consists of defined contribution pensions and similar unit-linked products in Norway and Sweden.

Result

NOK million	**2013**	**2012**
Fee and administration income	1,040	849
Risk result life & pensions	7	3
Operational cost	-752	-715
Result before profit sharing	**296**	**137**
Net profit sharing	2	2
Result before amortisation	**298**	**139**

MARKET RETURN DEFINED CONTRIBUTION STANDARD PROFILES STOREBRAND

Gross annual average return (geometric)



The profit for Savings totalled NOK 298 million in 2013, an increase of 114 per cent compared with 2012. The improvement in profit is due to a combination of earnings growth in all parts of the business and cost-reducing measures. Total earnings from fees and administration have shown a growth of about 22 per cent in 2013 in comparison with 2012. A number of measures have been initiated for rationalisation and savings with respect to the Group's cost programme. Operating expenses have been reduced by NOK 37 million in comparison with 2012, which includes non-recurring items. Increased sales have led to higher distribution costs.

Defined contribution pensions are undergoing strong growth due to a steadily rising number of companies choosing to convert from defined benefit schemes to defined contribution-based schemes. This is increasing both the number of members and the management volume in the defined contribution-based pension schemes in both Norway and Sweden. In addition, rising equity markets contribute to further growth through solid returns on the premium reserves. This gives a total growth in earnings for the Group's defined contribution pension products of 26 per cent in 2013 in comparison with the previous year.

Balance sheet and market trends

Premium income for non-guaranteed life insurance-related saving amounts to NOK 9.7 billion in 2013, an increase of 8 per cent compared with 2012. Both the Norwegian and Swedish businesses have a positive cumulative net inflow of transfers in 2013 of around NOK 0.7 billion. Total reserves within unit linked have grown by 35 per cent from 2012.

In the Norwegian market, Storebrand is the market leader in defined contribution schemes, with around 30 per cent of the market. There is strong competition in the market for defined contribution pensions. Storebrand expects that this will persist in consequence of the significant dynamic in the market, driven by factors that include changes in the regulations for occupational pensions. From 2014 a significant increase will be introduced to the companies' maximum limits for employees savings in defined contribution pensions. The increased limits are expected to give further growth in the Norwegian premium reserves for defined contribution pensions in the future. On 1 January 2014 the new occupational pension act came into force. It allows for the sale of so-called hybrid products. Storebrand is continuously assessing whether the company will offer these products, based on dialogue with the customers.

In the Swedish market SPP's market share for new subscriptions to unit linked insurance within the Other occupational pensions segment is nearly 15 per cent. Premium growth within unit linked insurance was 17 per cent in 2013. This means that SPP is the third largest enterprise in this market, measured by new sales. SPP's sales of unit linked insurance show an increase of 50 per cent from 2012, and it is the company's internal sales channels that have recorded the greatest increases. SPP was selected in 2013 to be one of several suppliers to the largest pension platform in Sweden (the ITP Plan) and activities to increase customer contact have been commenced in connection with this.

Key figures Savings

NOK million	**2013**	**2012**
Unit Linked reserves	85,452	63,387
Unit Linked premier	9,655	8,959

INSURANCE

The Insurance business area encompasses personal risk products in the Norwegian retail market and employee insurance and pensions-related insurance in the Norwegian corporate market.

Result

NOK million	**2013**	**2012**
Insurance premiums f.o.a.	1,982	1,770
Claims f.o.a.	-1,466	-1,252
Operational cost	-249	-309
Financial result	102	122
Result before amortisation	**369**	**331**

The profit before amortisation was NOK 369 million for the year, which represents an improvement of 11 per cent from 2012. For 2013, the combined ratio was 87 per cent (88 per cent).

The underlying risk trends are good for both mortality and disability risk in the portfolio, and personal insurance showing good results. The exception is within group pensions (risk coverage in connection with defined contribution pensions) where the risk result is weak. Because the profitability of this product area has been negative over a period of time has the final quarter was necessary to strengthen the reserves of NOK 52 million. A higher proportion of premiums is with effect from fourth quarter allocated from the premium to risk management that contribute to the reserve strengthening.

The cost percentage was 13 per cent (17 per cent) for the year. The amendment to the pension rules for Storebrand Group's employees and former employees entailed a positive non-recurring effect of NOK 45 million. The cost base will be further streamlined through increased automation of end-to-end processes, sourcing of services and exploitation of economies of scale with greater volume.

Balance sheet and market trends

Premiums for own account increased by 12 percent in 2013 compared with the previous year. Customers' demand for product solutions that cover a selection personal insurance, as well as disability coverage, is expected to increase. This is driven by the desire of companies to reduce sick leave, increase job satisfaction and reduce overall insurance costs. For risk coverage in connection with defined contribution pensions relatively high growth is expected in the future driven by conversions from defined benefit to defined contribution based pensions.

This is a market with price pressures and demands for good efficiency and underwriting to achieve satisfactory profitability.

I %	**2013**	**2012**
Claims ratio	74%	71%
Cost ratio	13%	17%
Combined ratio	87%	88%

GUARANTEED PENSIONS

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

Result

NOK million	**2013**	**2012**
Fee and administration income	2,115	1,861
Risk result life & pensions	288	318
Operational cost	-1,111	-1,375
Result before profit sharing	**1,292**	**804**
Net profit sharing	373	389
Result before amortisation	**1,665**	**1,193**

The profit for Guaranteed Pensions totalled NOK 1,665 million in 2013, an increase of NOK 472 million compared with 2012.

New subscriptions for guaranteed pensions have been closed for most products, however premium payments and the accumulation of returns for existing customers is leading to a moderate increase in reserves. Work is actively being done to inform customers of the consequences of converting to non-guaranteed saving, both in the Norwegian and Swedish businesses.

Earnings from fees and administration show an increase of almost 14 per cent in 2013 compared with the previous year. The underlying reason for this growth is that the Norwegian business has recorded a solid increase in income driven by the price of interest rate guarantee / profit margin risk. In addition, other administration incomes within group pensions have also been maintained. Both elements are driven by low conversion from defined benefit to defined contribution pensions due to the market awaiting new regulations.

Overall revenue growth in 2013 is significantly above the expected future trend, viewed in light of the fact that a large part of the portfolio is mature and reducing over the long-term. Clarifications within the occupational pension regulations in the Norwegian market will likely mean that more customers choose to transfer to defined contribution-based pension schemes.

The risk result gives a substantial contribution to the income statement but is a little weaker in 2013 compared with the previous year. Within group defined benefit pensions in Norway, it is the disability and reactivation result (disabled persons who return to working life) in particular that is impacting positively, while the longevity result remains negative. In the Swedish business it is also risk coverage related to disability that is contributing most to the risk results.

The result from net profit sharing has primarily been generated in the Swedish business. The portfolio that is open to new sales (denoted P250) has contributed to the income statement through profit sharing. Furthermore, good value performance in the defined benefit-based portfolios in SPP led to the company calculating an indexing fee. The indexing fee totalled NOK 153 million for the year. Amendments to the deferred capital contribution (DCC) have also made a positive contribution to the profit figures. The Norwegian business is prioritising the build-up of buffers and reserves for the higher expected life expectancy, instead of profit sharing between clients and owners.

Balance sheet and market trends

Customer reserves for guaranteed pensions comprise as at the fourth quarter NOK 264 billion, representing growth during the last 12 months of 1.5 per cent.

Transfers from guaranteed pensions have amounted to NOK 10 billion in 2013 compared with NOK 4.1 billion in the previous year. Storebrand's discontinuation of defined benefit pensions for the public sector in Norway is behind the greatest part of the transfers. In addition, customers have chosen to move to defined contribution-based products with higher expected returns.

The premium incomes for guaranteed pensions were NOK 10.9 billion in 2013, a reduction of almost 10 per cent compared with 2012. The majority of products are closed for new business and the customers' choices about transferring from guaranteed to non-guaranteed products are in line with the Group's strategy.

Premium (excluding transfer of premium reserves)

NOK million	**2013**	**2012**
Defined benefit Storebrand Livsforsikring	8,189	9,104
Paid-up policies Storebrand Livsforsikring	89	79
Traditional individual life and pensions Storebrand Livsforsikring	306	377
Guaranteed products SPP	2,320	2,422
Sum	**10,903**	**11,983**

Key figures Guaranteed pension

NOK million	**2013**	**2012**
Guaranteed reserves	263,776	269,858
Guaranteed reserves in % of total reserves	75.5 %	80.4 %
Transfer out of guaranteed reserves	8,987	4,074
Buffer capital in % of cutomer reserves Storebrand Livsforsikring	4.8 %	4.0 %
Buffer capital in % of cutomer reserves SPP	15.1 %	11.9 %

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.

Result

NOK million	**2013**	**2012**
Fee and administration income	116	130
Risk result life & pensions	3	14
Operational cost	-66	-74
Financial result	48	121
Result before profit sharing	**100**	**191**
Net profit sharing	-7	-8
Result before amortisation	**94**	**183**

The profit for Other activities is NOK 94 million for 2013, down from NOK 183 million in 2012. This decrease is due primarily to weaker financial performance in the company's portfolio. Operating expenses fell by 8 million from 2012 due to cost-reducing measures in BenCo.

The financial result includes the return in the company portfolios of Storebrand Livsforsikring and SPP, the financial result of Storebrand ASA as well as the net result for subsidiaries currently being wound up and started up at SPP. The sale of SPP Liv Pensionstjänst AB to KPA affects the result for 2013 positively by NOK 55 million. The financial result is primarily weakened due to a lower return in the company portfolio in SPP as a result of lower short term interest rates in Sweden. The result is also negatively affected by start-up costs associated with establishing the product concept Investment savings account. The Storebrand Life Insurance Group is funded by a combination of equity and subordinated loans. The proportion of subordinated loans of approximately 25 per cent and interest charges comprise a net amount of approximately NOK 120 million per quarter at the current interest rate level. The company portfolios comprised NOK 18.5 billion at the end of the year. The investments are primarily in short-term interest-bearing securities in Norway and Sweden.

CHANGING REGULATIONS

For Storebrand the change in framework conditions is important. During 2013 important clarifications for the Group have been made in several areas. Further clarifications are expected during 2014.

New European solvency regulations (Solvency II)
Solvency II is a set of rules covering solvency that will apply to all insurance companies in the EEA area. It now seems clear that final adoption in the EU Parliament will take place in early 2014, and that the regulations will be introduced beginning in 2016. Transitional rules are being introduced that allow for the difference between the value of insurance liabilities under Solvency II and Solvency I at the time of transition to be used to increase the solvency capital. The transitional period may be up to 16 years, during which the contribution to increased solvency capital is phased out on a straight-line basis. The transitional rules may be applied to parts of the business.

It also allows for a supplement to the yield curve that is used to discount the insurance liabilities, through a supplement to the swap yield curve. The supplement corresponds to an illiquidity premium on the investment side called a volatility adjustment. A proposal has been made to give the individual national authorities the competence to decide the length and arrangement of use of the transitional period and the level of the permanent measures to adapt Solvency II to long-term guarantees.

As the proposed regulation is currently worded it is somewhat better suited to companies that have long-term return guarantees than was previously the case. The significance of the transitional rules will largely depend on the level of interest rates at the time Solvency II is introduced. A higher yield curve through the volatility adjustment will also contribute to reducing the significance of the transitional rules, because the difference between the Solvency II and Solvency I liabilities, which may increase the solvency capital, is reduced.

The European supervisory authority (EIOPA) has introduced formal requirements for preparations for Solvency II with effect from 1 January 2014. This involves the requirements in Solvency II for business management and controls (pillar 1) being phased in, including requirements for self-assessment of risk and solvency (ORSA), and that parts of the reporting requirements to the supervisory authorities (pillar 3) be introduced and reported on annually as at 31 December 2014, with reporting to the Financial Supervisory Authority of Norway in week 22 of 2015. The capital requirements (pillar 2) and the reporting requirements for the market will not apply before formal Solvency II implementation in 2016.

AMENDMENTS TO THE NORWEGIAN OCCUPATIONAL PENSION RULES
New mortality basis K2013
In March 2013 the Financial Supervisory Authority of Norway presented a new mortality basis for group pension insurance, K2013. The new mortality basis is dynamic, i.e. it incorporates expectations for additional growth in life expectancy. K2013 is therefore regarded as being more robust than K2005, which is a static tariff. K2013 is applicable from 1 January 2014.

For new accrual of defined benefit-based occupational pensions, the introduction of K2013 entails that the premiums for such schemes are increased by an average of about 10 per cent. For already accrued defined benefit-based occupational pensions, the introduction of K2013 entails a need to increase reserves by about NOK 12.5 billion for Storebrand (approximately 8 per cent of the premium reserves). During the period 2011-2012 Storebrand has allocated NOK 4.3 billion for the building up of future reserves. For 2013 NOK 0.5 billion was set aside. NOK 0.5 billion is used to reserve transferred contracts in 2013 and in January 2014.

Due to the substantial required build-up of reserves the Financial Supervisory Authority of Norway will allow for reserve-building periods that should not exceed five years. Customer surplus may be used to cover the required build-up of reserves. A minimum of 20 per cent of the total required build-up of reserves should be covered by the company with equal contributions each year. The size of the owner's contribution depends on the length of the escalation plan, principles for building up the reserves, as well as the return and risk surpluses during the escalation period. This will likely be clarified in the guidelines for the escalation plans that are expected from the Financial Supervisory Authority of Norway at the start of 2014.

New Occupational Pension Act
In December 2013 the Storting approved the proposal by the Ministry of Finance for a new occupational pension act. The new law builds on the Banking Law Commission's proposal in NOU 2012:13.

The new occupational pension act allows for a new hybrid product in the Norwegian market.

The hybrid product is adapted to the new National Insurance. It is based on all-years accrual, annual contributions to pension holdings, mortality inheritance, flexible pension from the age of 62, and longevity adjustment. Different regulation mechanisms are now possible. Pension holdings may be regulated according to the national salary growth (according to the National Insurance Basic Amount – G), the company's salary growth or actual returns. The product may also have an annual zero guarantee or individual investment option. The schemes may be time-limited, with disbursements until a minimum age of 80, or lifelong.

The new occupational pension act came into force from 1 January 2014.

Higher maximum limits for defined contribution pensions
The rules regarding defined contribution pensions have also changed. From 1 January 2014 the maximum frameworks for saving for a defined contribution pension have been set to 7 per cent of income between 1 and 7.1 G and 25.1 per cent of income between 7.1 and 12 G. This means that as much can be saved in a defined contribution scheme pursuant to the defined contribution pensions act as in a hybrid scheme pursuant to the occupational pension act.

Transitional rules – a new defined benefit product
In NOU 2013:3, the Banking Law Commission proposed changes that entailed a gradual discontinuing of defined benefit pension over a three-year period. The Ministry of Finance did not follow this up in its bill Prop. 199L (2012-2013). The rules therefore make it possible to keep defined benefit pension schemes without adaptation to the new National Insurance accrual system. In the draft legislation the Ministry of Finance writes that the Banking Law Commission is given a mandate to study whether it is desirable and possible to establish a form of defined benefit-based group retirement pension, adapted to the new age accrual in the National Insurance scheme.

The Banking Law Commission proposed converting accrued rights in the defined benefit schemes into a pension holding pursuant to the new occupational pension act. These should be managed in accordance with the new regulations, at the same time as the guaranteed benefits were continued. The proposal covered both group schemes and paid-up policies. The proposal from the Banking Law Commission, and adaptations that were proposed by the Financial Supervisory Authority of Norway and Finance Norway during the consultation round, would have contributed to a better adaptation of the paid-up policies to Solvency II. However the proposal was complicated and met a lot of resistance in the public consultation round. The ministry has not followed up these parts of the Banking Law Commission's report. It means that the discontinuation of defined benefit schemes due to the transition to defined contribution pensions or a new hybrid product will be based on the issuance of paid-up policies.

In connection with the future work on defined benefit based pension schemes the ministry will assess whether there is a need for additional rules for the transition between the pension schemes.

Paid-up policies with investment options
In 2012 the Storting adopted amendments to legislation that allow the customers to choose to convert paid-up policies to paid-up policies with investment options. Since the legislation has not yet come into force, there is a need to clarify how the conversion will be handled during the building up of reserves to K2013. In November 2013 the ministry sent a memorandum from the Financial Supervisory Authority of Norway for consultation. The following is proposed here:

- The requirement that paid-up policies that are converted to investment options must have a full build-up of reserves to K2013. The companies may use equity for this purpose. The companies may choose whether such a build-up of reserves (beyond what follows from the escalation plan) will take place, but there must exists objective criteria for what customers are given and not given such an offer.
- The opportunity to use a technical, non-guaranteed calculation interest rate when determining the annual pension benefits from the paid-up policy with investment options. It gives a more appropriate disbursement profile, avoiding disbursements that are too low in the early years and strong growth in the disbursements with rising age.
- Provisions relating to advisory services.

Clarification of these points is expected in early 2014, and the law is expected to enter into force at that time.

Disability pension in private occupational pension schemes
On 4 December 2013 the Banking Law Commission delivered NOU 2013:12 "Disability pension in private occupational pension schemes". The proposal has been distributed for consultation until 6 March 2014. The proposal is an adaptation to the National Insurance scheme where disability benefits are amended from 2015. The new disability product will give the right to a disability pension without curtailment after the period of service. As a result of this, as a general rule paid-up policy rights related to a disability pension will not be earned either. However the proposal allows for companies that wish for such accrual of paid-up policy to be able to choose it.

National Insurance disability benefit constitutes 66 per cent of income up to 6 G. The Banking Law Commission proposes that disability pension may constitute up to 10 per cent of earned income up to 12 G. In addition, the company may insure up to 66 per cent of income between 6 and 12 G. As in the National Insurance scheme it introduces curtailment for earned income over 0.4 G. In addition, it is planned that prior accrued rights, both from the public sector and the private sector, will be coordinated with the new disability pension.

Amendments to regulations in Sweden
A 2013 report on higher retirement age in Sweden ("pensjonsaldersutredningen") proposed a new longevity adjustment for pensions. This entails that the different age limits in connection with pensions be adjusted upwards in line with the increase in projected life expectancy in the population and shall encourage successively higher retirement ages. Another report in 2013, Crossroads for the premium pension ("Veivalg for premiepensjonen"), proposed adjusting the Swedish premium pension system with a reduced funds dividend.

In Sweden work is also being undertaken on a report that will look into proposals for how the MiFID II directive should be incorporated into Swedish legislation. It is expected that this will lead to reductions for insurance agents paid by commission in the Swedish market.

Work has also begun on drawing up a report that will propose amendments to the tax regulations, which will lead to greater tax neutrality between different pension solutions. A report is also being prepared on incorporating the occupational pension directive (IORP II) and Solvency II into Swedish legislation that will affect capital adequacy requirements for the occupational pension providers.

All of these reports are expected to be completed in 2014 and will be considered by the government after the election in September 2014.

RISK AND CAPITAL SITUATION

RISK
Continuous monitoring and active risk management are core areas of the Group's activities. The basis for risk management is laid down in the Board's annual review of the strategy and planning process, which sets the appetite for risk, risk targets and overriding risk limits for the operations. Risk management and internal control form an integral part of management responsibility in Storebrand.

The company's total risk picture is monitored continuously, using tools such as the supervisory authorities' Risk-based Supervision (RBT) in Norway, Traffic light reporting in Sweden, and self-developed risk goals. The self-developed risk goals are monitored on a daily basis.

All parts of the company are exposed to operational risk. Operational risk is direct or indirect losses due to inadequate or failing internal processes or systems, human error or external events. Storebrand seeks to reduce operational risk by having plain routines, clear descriptions of responsibilities and documented authorisations. In addition, Internal Audit carries out independent checks through audit projects adopted by the Board. The greatest operational risks are associated with regulatory changes and major IT projects and their accompanying risk of operational and business impacts and failures in customer service and deficiencies in advisory services. The executive management conducts annual risk assessments which result in an overview of risks and improvement measures. The risk assessments are presented to and considered by the boards of the individual companies and the Group's Board of Directors.

Through the insurance business Storebrand has the risk of there being more and/or bigger insurance disbursements than anticipated. Both Storebrand's customers and Storebrand as a company have risks associated with financial market performance, particularly for the pension products. The banking business is exposed to credit risk. In the new organisation the Group's business activities are divided into three principal areas with very different risk and result drivers: Guaranteed Pensions, Saving and Insurance.

GUARANTEED PENSIONS

Guaranteed pensions include both individual (IF) and group pensions (KF) in Sweden and defined benefit-based occupational pensions include paid-up policies and traditional individual pension products in Norway. The salient risks are financial market risk and life expectancy risk.

A common feature of the products is that Storebrand guarantees a minimum return. The level of the guarantee varies. In Sweden new premiums in IF have a 0.5 per cent guarantee, whereas existing reserves have up to a 5.2 per cent guarantee. In Norway new premiums are taken in with a 2.5 per cent guarantee, whereas existing portfolios primarily have guarantee levels of between 3 and 4 per cent. Over time new premiums will contribute to the average guarantee level falling.

In Norway the return must exceed the guarantee in each year, while in Sweden it is sufficient to achieve the guaranteed return as an average. In Norway a new lifetime tariff is being introduced for defined benefit pensions and paid-up policies from 2014. For the existing reserve there is a 5 year escalation plan, and customer returns exceeding the guarantee can contribute to building up reserves. During the escalation period it gives an increase in risk that may be compared with increasing the interest rate guarantee.

In order to achieve sufficient returns from the customer portfolios to cover the guarantee, reserve build-up and revaluation of pension, it is necessary to take investment risk (market risk) beyond investing in secure fixed income securities. This is primarily done by investing in equities, property and credit bonds. It is possible to reduce market risk but then the probability of achieving the necessary level of return is reduced. The investment strategy and risk management must balance these considerations, including the effect on the required rate of return from the required build-up of reserves. Dynamic risk management of the equity percentage is also utilised.

Interest rate risk is in a special position because changes in interest rates also affect the value of the insurance liability. Since pension disbursements may be many years in the future, the insurance liability is particularly sensitive to changes in interest rates. Risk management shall reduce this risk by undertaking investments with a corresponding level of interest rate sensitivity. In Sweden management of interest rate risk is based on this principle, but primarily targets the financial result. The yield curves in the financial accounts and the solvency accounts are based on different principles. The transition to a common yield curve for financial and solvency accounts in SPP will reduce the interest rate risk, and this will be regarded as part of the adaptation to Solvency II. From 2014 the solvency yield curve in Sweden is based on the Solvency II principles.

In Norway greater interest rate sensitivity from the investments will give increased risk that the return for the year is below the guarantee. Risk management must therefore balance the risk of the profit for the year being negatively affected by an increase in interest rates with the reinvestment risk if interest rates fall below the guarantee in the future. Hold-to-maturity accounting of long-term bonds is a key risk management tool. Closing interest rate risk in Norway is not an available alternative. This is due to both product rules with annual guarantees and that there is not sufficient access to long bonds or interest rate swaps. The introduction of Solvency II from 1 January 2016 will draw more attention to the interest rate risk in the solvency calculation.

Even though rising interest rates are negative for investment return in the short term due to capital losses on bonds, they are positive over the long term due to increasing the likelihood of achieving a return that is higher than the guarantee. During 2013 long-term interest rates have risen in both Norway and Sweden. But short-term interest rates have fallen, and the central banks are expected to keep interest rates low during 2014 as well.

KF in Sweden adjusts disbursements for inflation, and that gives an inflation risk. This is reduced by having parts of the portfolio invested in inflation-linked bonds.

Good equity markets have contributed positively to the return on the guaranteed portfolios in 2013, but falling interest rates have given a capital loss on bonds with the result that the return has been weak for the Swedish guaranteed portfolios with low equity percentages. In Norway the return has been above the guarantee for all portfolios with the exception of paid-up policies. The return above the guarantee for 2013 that is utilised to cover the build-up of reserves for long lives amounted to NOK 0.5 billion. Rising long-term interest rates during 2013, particularly in Sweden, have improved the solvency position.

Changes in occupational pension schemes in Norway will reduce the risk over time since defined benefit-based schemes are replaced by defined contribution pensions or hybrid schemes without a guaranteed return. The restructuring has the greatest effect on new premiums, while existing reserves will continue as paid-up policies. For paid-up policy customers it will also be possible to choose to convert to a product with investment choice. For many customers it will give a higher expected return and thus larger pension disbursements. In the short term the transition is limited by the fact that it is a condition that the reserves must be fully built up to the new lifetime tariff before the customer can select investment choice. For IF in Sweden it is possible for the customer to change to a product without a guaranteed return.

The bulk of guaranteed pension agreements have lifelong disbursements. These give higher disbursements if life span increases more than expected. In principle this risk can be reduced by buying reinsurance. In practice, reinsurance of long life risk is not available on acceptable terms. Dynamic tariffs, that include a trend for increased lifespan, are the most important risk management tools. This has been introduced in Sweden and will be introduced in Norway from 2014 for YTP and paid-up policies.

Over time the risk associated with long life can be reduced by changing the products. In Sweden a large portion of the portfolios have life-long disbursements with the accompanying risk of increasing lifespan, but the customer can make other choices. For many customers changing to time-limited disbursements or disbursement protection may provide greater benefit, at the same time as risk is reduced for Storebrand. In Norway the proposal for new occupational pension products (hybrid) entails that the lifetime risk is limited to the disbursement period. It is also expected that some of the current defined benefit customers will choose defined contribution pensions with time-limited disbursements.

SAVINGS

Saving comprises products without guaranteed interest rates for pension savings. The area includes defined contribution pensions in Norway and Sweden.

For non-guaranteed pension products the customer has the financial market risk. In Norway the disbursements are time limited and therefore Storebrand does not bear the risk from increased life expectancy. For the new hybrid product the main rule is lifelong disbursements, but the risk for the pension provider is limited to the disbursement period. In Sweden a large portion of the portfolios have lifelong disbursements, but the customer can choose time-limited disbursements.

For Storebrand the risk for non-guaranteed pensions is primarily related to future income and cost changes. This is therefore an indirect market risk, because negative investment returns will reduce future incomes. Incomes are also reduced if the customer chooses to leave. Market risk and exit risk are therefore the main risks for non-guaranteed pensions. There is also a risk that costs may increase.

In 2013 the return has been very favourable for non-guaranteed pensions due to strong equity markets.

INSURANCE

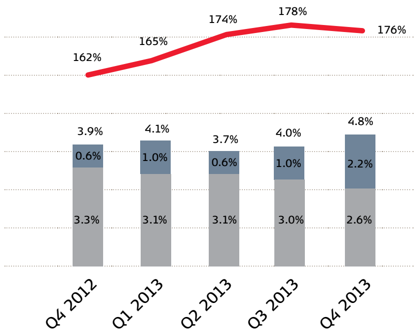
For one-year risk products the main risk is disability risk, including health insurance in Sweden. Storebrand has the risk of there being more disability cases than expected and/or that fewer disabled persons are fit to work again (reactivation). In Sweden political factors (waiting periods) have affected the risk. There is also coverage that provides payment in the event of death.

Compliance and operational risk are monitored closely and systematically as part of the daily management by the unit through regular reviews of identified risk areas, risk assessments of new projects and evaluations of the causes of incidents.

CAPITAL SITUATION

Storebrand pays particular attention to the active management of equity and loans in the group. This management is tailored to the business-related financial risk and capital requirements in which the composition of its business areas and their growth will be an important driver for the group's capital requirements. The goal of the capital management is to ensure an effective capital structure and ensure an appropriate balance between internal goals in relation to regulatory and the rating companies' requirements. The group's goal is to achieve a solvency margin in the life business of more than 150 per cent over time. In addition, Storebrand Livsforsikring AS' goal is to attain an A level rating. At the year-end, Storebrand Livsforsikring AS had A3 and A- ratings from Moody's and Standard & Poor's respectively, unchanged from 2012. However due to the new lifetime tariff, the future prospects for the ratings were changed from stable to negative in March.

Norwegian life insurance companies must satisfy two sets of capital adequacy requirements – one set that monitors the company's assets (Basel) and one set that monitors liabilities (Solvency I). With effect from 2008, life insurance companies in Norway are subject to new regulations on capital adequacy that are an adaptation of the new capital adequacy rules for banks (through Basle II). The Basel regulations, combined with Solvency I are expected to apply to life insurance companies until the introduction of the common European capital adequacy regulations for insurance company, Solvency II.



Additional statutory reserves in % of customer funds with guarantee

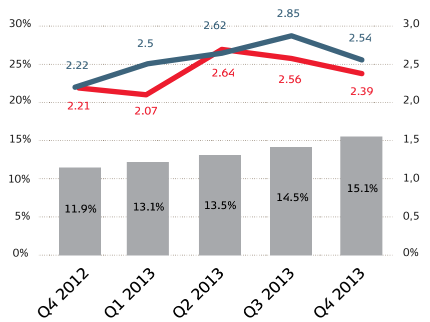
Market value adjustment reserve in % of customer funds with guarantee

Solvency margin Storebrand Life Group

Solvency capital

NOK million	2009	2010	2011	2012	2013
Equity	14,004	15,069	15,031	15,385	16,467
Subordinated loan capital	6,637	6,642	6,630	6,468	6,632
Risk equalisation fund	225	287	469	640	776
Market value adjustment reserve	31	1,971		1,027	3,823
Additional statutory reserves (ASR)	4,646	5,439	5,442	5,746	4,458
Conditional bonus (CB)	8,689	11,503	10,038	11,264	14,167
Reserves on bonds held to maturity	140	732	1,757	5,225	5,160
Profit carried forward	952	1,067	742	1,105	2,619
Total	**35,324**	**42,710**	**40,109**	**46,860**	**54,102**

The solvency capital in the life insurance group increased by NOK 7.2 billion in 2013. In addition to the profit for the year (NOK 2.6 billion) the main contributions were the increased market value adjustment reserve (NOK 2.8 billion) and increased buffers in the form of a conditional bonus in SPP (NOK 2.9 billion). The additional statutory reserves comprised NOK 4.5 billion at the end of the year, a reduction of NOK 1.3 billion for the year, largely due to drawing on the additional statutory reserves in consequence of low returns having been recognised for paid-up policies. The excess value of held-to-maturity bonds valued at amortised cost increased by NOK 0.1 billion in 2013 and totalled NOK 5.2 billion at year-end. The excess value of held-to-maturity bonds is not included in the financial statements. Total reserves for long lives as per 31 December 2013 amounted to NOK 4.5 billion and are not included in the solvency capital.



Conditional bonus in % of customer funds with guarantee

Solvency margin SPP Fondförsäkring AB

Solvency margin SPP Livförsäkring AB

The Storebrand Life Insurance Group's solvency margin increased from 162 per cent to 176 per cent at the end of the year. The solvency margin is positively affected by the profit for the year and increased long-term interest rates in Sweden. As at 31 December 2013 the yield curve for discounting the Swedish insurance liabilities in the solvency calculation was changed. This led to a fall in the Group's solvency margin of about 8 percentage points. The new yield curve is better suited to the yield curve that will be utilised under Solvency II. The valuation principles used in solvency calculations at a national level are applied in the Group calculations.

SPP Livförsäkring AB's solvency margin was 254 per cent and SPP Liv Fondförsäkring AB's solvency margin was 239 per cent at the end of the year, compared with 222 per cent and 221 per cent respectively in 2012. Increased long-term interest rates have led to the value of insurance liabilities in the solvency calculation being reduced and solvency capital being higher, at the same time as the changed yield curve has had a negative contribution.

SUSTAINABILITY

The Storebrand Group has worked systematically and purposefully on sustainability for almost 20 years. Sustainable products and relationships are one of Storebrand's customer promises and form an integral part of the Group's brand. During 2013 Storebrand has further strengthened its work on sustainability with the aim of delivering on our customer promise relating to sustainability, and ensuring that sustainability is a differentiating factor that brings us closer to our vision: "Recommended by our customers".

FUNDAMENTAL PRINCIPLES

Storebrand has signed the UN's principles for responsible business operation, the Global Compact. These principles provide a foundation for our sustainability guidelines. We support the UN's human rights conventions, the UN's environmental conventions, the ILO's core conventions and the UN Convention against Corruption. We have also signed the UN principles for Responsible Investment (PRI) and the UN Principles for Sustainable Insurance (PSI). Both these sets of principles underpin our sustainability strategy.

A guiding star for our work is the vision of a sustainable world in 2050 which we developed and supported, in collaboration with many other large enterprises within the framework of the World Business Council for Sustainable Development. The vision: where 9 billion people live well and within the limits of the planet.

WE LIVE AS WE LEARN

The Group makes high demands on the companies we invest in, and we make the same demands on ourself and our suppliers. By making sustainability a clear requirement in our selection of suppliers we play a role in the development of more numerous and better sustainable products. We are a member of the Swan eco-label's purchaser club. In 2013 we received the Swan Award as Best Purchaser. At present the Group has excluded 176 companies from investment, and these companies are also automatically disqualified as suppliers to the Group.

Every department works to minimise our environmental footprint by focusing on resource use. The emissions we still cause, arising from travel and energy use, are offset through the purchase of UN-certified emission reductions.

Our ethical rules are an important tool in our daily operation, and are followed up every year through training and monitoring. Management teams at all levels of the Group discuss ethical dilemmas and review the rules at least annually. The extent to which the rules are complied with is followed up by an ethics indicator. Each year targets are established for the indicator and performance is reported in the Group's sustainability scorecard.

The Group's rules relating to anti-corruption, notification and work against internal fraud are included in the ethical rules and apply to all employees and consultants that work for Storebrand. A notification channel has been established that connects directly to an external partner if the employee wishes to send notification anonymously. Information on notification routines is available to all employees on the Group intranet. In 2013 an internal analysis of Storebrand's anti-corruption work was conducted. The analysis uncovered a need to further develop the existing systems. This includes an expanded risk analysis of the Group to ensure efficient resource use and risk-adapted training that will be conducted in 2014.

HR is responsible for Group employees being familiar with and aware of what the ethical rules mean in colleagues' day-to-day work, through measures such as e-learning, dilemma training, group work, and the question and answer service on the intranet. The ethical rules support the Group's corporate values, which should form the basis of employee appraisals. The HR director has the overall responsibility for the ethical rules.

We want to be transparent, and submit annual reports to a number of sustainability indices, including the Carbon Disclosure Project, the Dow Jones Sustainability Index, Vigeo, Sustainalytics and FTSE4Good. Our sustainability reports follow the guidelines from the Global Reporting Initiative. Our head office in Oslo holds an environmental certification from the Eco-Lighthouse Foundation, and a process is currently under way to environmentally certify SPP's head office in Stockholm.

SUSTAINABLE INVESTMENTS

Storebrand's minimum standard for sustainable investments applies to all Storebrand's own funds and pension portfolios. The requirements apply to both equities and bonds, in Norway and internationally.

The standard means that we exclude individual companies that are in violation of international norms and conventions or that violate Storebrand's self-defined minimum standard for sustainability.

The following topics are covered by the minimum standard:

- Human rights, workers' rights and international law
- Corruption and financial crime
- Serious climate and environmental damage
- Controversial weapons: land mines, cluster munitions, nuclear weapons
- Tobacco
- We also exclude the companies that are the worst performers in relation to sustainability and climate measures in high-risk industries.

As at 31 December 2013 176 companies are excluded from investments.

Active ownership is exercised to influence companies in the direction of sustainability and to get to grips with challenges related to global environmental, social and governance (ESG) trends.

SUSTAINABILITY IN INSURANCE

nsurance, by its nature, is an instrument of a sustainable society, in that it provides financial security to customers if an accident were to occur. Storebrand Insurance works with sustainability across two dimensions, through beneficial pricing when the customers show sustainable attitudes and behaviours and by developing products and concepts intended to prevent injury, disability and health problems.

Storebrand monitors whether our corporate customers run their businesses on the basis of socially responsible attitudes and actions. For example a company that is working well in the areas of health, environment and safety will be rewarded in the form of a lower price on personal insurance. In this way we want to stimulate sustainability in our customers' operations.

Storebrand wants to focus in particular on the prevention of injury, disability and health problems. Insurance concepts that actively help employees who become ill to return to work more quickly and thereby reduce the risk of permanent disability are positive for the individual, the insurance company and society. An important instrument in this context is health insurance where we can quickly establish dialogue with the employee and consider courses of treatment to ensure expeditious return to work.

Storebrand Forsikring aims to be the natural choice for customers when they are thinking about sustainability. We shall strengthen our customer communication and raise the visibility of work that is currently being undertaken, both in relation to prevention of injuries and product development. We will show customers what opportunities they have to choose socially responsible alternatives within insurance as well. We will carry this out by emphasising what customers can do, through both large and small measures, to contribute to a continued sustainable society in the future. Our aim is to help to change customers' behaviour, which in turn contributes to increased sustainability within environmental, social and financial matters.

DIALOGUE WITH THE OUTSIDE WORLD

We have an impact on our society, and our society has an impact on us. Our sustainability work relies on a close dialogue with key players in society. Each year we arrange a dialogue with stakeholders in which we answer questions and receive feedback on what is expected of us and our work on sustainability.

We want to be available and open to everyone and during the year we have met many upper secondary school students, contributed to a number of project assignments in Norwegian, Swedish and international universities as well as contributed to research.
We are active in key sustainability organisations such as UNEP FI, Norsif, Swesif and the Swedish Sustainable Value Creation collaborative project for investors.

The main channel for dialogue with the outside world is social media. Both Twitter and Facebook are important channels for feedback from relevant communities, and for availability for dialogue and questions.

STOREBRAND GROUP'S SUSTAINABILITY GUIDELINES

Sustainability is integrated into Storebrand's values, our vision, core values and promises to customers. The following guidelines are fundamental to our work:

- The Group's ambition is to contribute to **solving society's problems** and to create sustainable development locally and globally through its products and services.
- The Group will **combine** profitable operations with social, ethical and environmental goals and activities.
- We have **implemented requirements** with regard to sustainability, corporate social responsibility, environmental work and ethics within the Group and for all of our partners and suppliers.
- Sustainability must **run through the development of new** financial products and services, and must be fully integrated with our asset management.
- The Group will constantly ensure **reduced environmental emissions** from our operations.
- We will actively seek to **prevent any activities that are harmful to society** and criminal acts in connection with our operations.
- The Group will have a **transparent management structure** that lives up to national and international corporate governance standards.
- Storebrand's goal is to be **a leader in sustainability in the Nordic region**, and one of the foremost companies in the world in the area of sustainable investments.
- All of the Storebrand Group's self-managed assets are subject to the minimum standard for sustainable investments.

For further information on our sustainability work refer to the section on sustainability and the Sustainability Scorecard in Storebrand Group's annual report.

HUMAN RESOURCES AND THE WORKING ENVIRONMENT

Storebrand Livsforsikring AS is a wholly owned subsidiary of Storebrand ASA. At year-end, the Storebrand Livsforsikring Group had 1,532 employees, compared with 1,667 at the beginning of the year. Due to the recruitment freeze, staffing reductions and restructuring processes during 2013 the age composition has changed and the average age has risen from 41 to 43. The average term of service is 6 years.

EQUALITY AND DIVERSITY

Storebrand works purposefully to strengthen the trend and attain an equal distribution between women and men in all areas and at all levels of the company. The company has participated in the project "Battle of the Numbers" with both Norwegian and Swedish participants. The aim of the project has been to create the conditions for diversity by increasing the proportion of women in operational management positions. 43 per cent of Storebrand Livsforsikring AS's board members are women in 2013, unchanged from the previous year. The proportion of women in the executive management it is 38 per cent, compared to 22 per cent in the previous year. At the end of the year, women accounted for 44 per cent of people with managerial responsibilities in the Group and the ratio of women to men was 51/49. In SPP 53 per cent of the managers are women. The positive trend in the proportion of women relative to men is a result of the systematic work of identifying future managerial candidates and promoting an even gender distribution.

Like society in general, the company has developed in the direction of greater cultural diversity. The company received 81 points out of a possible 100 in a survey on ambition levels and work on diversity. Storebrand does not discriminate on the basis of age, gender, disability or cultural background and gives everyone access to the workplace on the same terms.

ANNUAL EMPLOYEE SURVEY (MTI)

The MTI for the year recorded a total score for job satisfaction that was unchanged from 2012 for the Group's employee satisfaction index. Job satisfaction is a combination of satisfaction and motivation, which is indirectly affected by seven priority areas.
The employer's reputation among the employees has improved. As many as 90 per cent of the employees consider it to be valuable that the Storebrand Group will take a leading position within sustainability.

The results show a continued high level of trust for the immediate manager and good collaboration in the organisation. The survey also showed that there continues to be strong interest among the employees in skills training and personal development, and this will be followed up in the individual action plans in 2014.

SICK LEAVE

Sick leave rate has been stable for several years. The sick leave rate in Storebrand Livsforsikring was 3.7 per cent for 2013, compared to 4.1 per cent in 2012 and 4.7 per cent in 2011. SPP had a sick leave rate of 2.7 per cent and Storebrand Baltic 2.8 per cent. Storebrand Norway has been an "inclusive workplace" (IA) company since 2002 and the Group's managers have over the years built up good routines for following up sick employees.

All managers with Norwegian employees must complete a mandatory HES course in which part of the training involves following up illnesses.

Storebrand's own health clinic in Norway provided treatment on more than 3,000 occasions in 2013 and has also provided training guidance and workplace assessments for employees. Health checks, the health clinic, as well as health insurance for all employees are positively contributing to the low sick leave.

Employees at the head office in Norway can work out in the spinning room, weights room and in a separate sports hall during working hours. More than 60 per cent of employees in Norway are members of Storebrand Sport. All employees in Sweden are members of SPP Leisure, where they have access to subsidised exercise and wellness. Like in the head office in Norway, employees have access to a training facility with a variety of activities and organised training.

No injuries to people, property damage, or accidents were reported in the Storebrand Group in 2013.

ETHICS AND TRUST

Trust is the lifeblood of Storebrand. The company sets strict requirements concerning high ethical standards for the Group's employees. The Group has a common code of ethics that is available on our intranet in three languages. Notification routines, brochures, anonymous postbox, dilemma bank, question and answer summaries and presentations are all available to employees on the intranet. Every year all the managers must confirm in writing that they have discussed ethics and ethical dilemmas, information security, financial crime and HES in departmental meetings.

Employees take the company's e-learning course on ethics. The company's authorised financial advisors complete a specially tailored training programme in ethics.

SKILLS

The company's vision, customer promises and core values constitute the heart of company culture. In conjunction they contribute to underpinning priorities with a customer focus for both managers and employees.

During 2013 the company has continued the work of making day-to-day working life a good arena for learning and development. The company has focused on management development in particular. Work has been undertaken on change management to strengthen implementation of the strategy and the work on improving employee appraisals is also well under way. Work has gone into giving employees an appreciation of their own role and mastering skills throughout the year. This will help employees to more easily be able to understand how to prioritise, what support they need and how they can develop themselves both professionally and personally in order to contribute to achieving goals. Among the measures that have been implemented in 2013 are giving managers training in constructive feedback, increasing the frequency of performance appraisals and follow-up conversations, removing the grading system for measuring performance and introducing an annual departmental review of skills and employees. In this way it is easier to obtain an overview of future skills requirements and career wishes. Further improving customer relations forms an important part of achieving our vision: "Recommended by our customers". Training programmes on customer communication and sales are therefore continued from 2013.

CORPORATE GOVERNANCE

Storebrand Livsforsikring's systems for internal control and risk management of the accounting process comply with Storebrand Group's guidelines. Storebrand's executive management and Board of Directors review Storebrand's corporate governance policies annually. The policies were established in 1998. In accordance with section 3-3b of the Accounting Act and the Norwegian Code of Practice for Corporate Governance dated 23 October 2012, Storebrand issues a statement concerning its corporate governance principles and practices. For a detailed account of Storebrand Livsforsikring's corporate governance and a report on corporate governance, see the separate article to be found in Storebrand Group's annual report.

Storebrand Livsforsikring's articles of association stipulate that the company shall have the same nomination committee as Storebrand ASA, and hence is part of Storebrand Group's processes for appointing and replacing Board members.

Storebrand Livsforsikring has no provisions in the articles of association nor has it issued any authorities that allow the Board to resolve that the company shall repurchase or issue own shares or equity capital certificates.

10 board meetings and one board seminar were held in 2012 in Storebrand Livsforsikring AS. The work of the Board is regulated by special rules of procedure for the Board. Storebrand ASA's board has established two advisory committees: the Compensation Committee and Audit Committee.

CHANGE IN THE BOARD AND MANAGEMENT

There is no change in the composition of the board or CEO in 2013.

OUTLOOK

EARNINGS PERFORMANCE

Low interest rates are challenging for insurance companies that have to cover an annual interest rate guarantee. The interest rates increased in 2013, while credit spreads for bonds narrowed. There are still investment opportunities in the bond market with an expected return that exceeds the interest rate guarantee. Storebrand has a strategy of pursuing growth in products where the results are less affected by short-term fluctuations in the financial markets. Financial performance will also be impacted by the future changes in the regulations for Norwegian occupational pensions and how the customers will choose to adapt to these changes. Growth is still expected in Storebrand's core markets, driven by low unemployment and good wage growth.

Storebrand is continuously adapting to enhance its competitiveness and earnings from its business operations. Among other things, through a cost programme that aims to reduce the Group's costs by at least NOK 400 million before the end of 2014.

Storebrand's results will in the period from 2014 include a minimum 20 per cent cost related to the reserving for higher life expectancy. Part of this will occur through a reduced profit sharing.

RISK

Storebrand is exposed to several types of risk through its business areas. Trends in interest rates and the property and equity markets are assessed to be the most significant risk factors that can affect the Group's result. Over time, it is important to be able to deliver a return that exceeds the interest rate guarantees of the products. Risk management is therefore a prioritised core area for the group. In addition, the disability and life expectancy trends are key risks.

REGULATORY CHANGES IN PRIVATE OCCUPATIONAL PENSIONS

Occupational pension statutes in Norway will undergo a series of changes in order to adapt them to National Insurance reforms.

The Norwegian Parliament (Storting) passed the Ministry of Finance's proposed new act for occupational pensions. The new Occupational Pensions Act will give rise to a hybrid product in the Norwegian market. This hybrid product is adapted to the new National Insurance Scheme. It is based on the National Insurance principles of all-years accrual, annual contributions to pension holdings, death inheritance, flexible pension from the age of 62 and longevity adjustments. The new Act does not change anything about benefits already earned through a defined benefit pension scheme. The Act does not solve the challenges related to paid-up policies under Solvency II as described in NOU 2012:3.

The maximum limits for contributions to the hybrid product are 7 per cent of salaries up to 7.1 G and 25.1 per cent of salaries between 7.1 and 12 G. At the same time as the Storting passed a new Occupational Pensions Act, it also increased the maximum limits for defined contribution pensions to the same levels. The new Occupational Pensions Act and the higher maximum limits for defined contribution pensions, entered into force on 1 January 2014.

The Banking Law Commission published its report NOU 2013:12 Disability Pensions in Private Pension Schemes on 4 December 2013. The deadline for the submission of comments is 6 March. It is expected that new regulations will enter into force from 2015, at the same time as new disability benefits will be introduced to the National Insurance Scheme.

On 25 November, the Ministry of Finance distributed a memorandum on paid-up policies with investment choice from the Financial Supervisory Authority of Norway for comments until 17 January 2014. It is proposed here that the paid-up policies should have full reserves in accordance with K2013 before they can be converted to policies with investment choice. The Financial Supervisory Authority of Norway also proposes regulatory provisions that require the pension fund to give the paid-up policy holder written examples illustrating how great a return a given investment portfolio for a given age group must at least have in order to achieve certain pension benefits. It is expected that the statutory amendments that will allow paid-up policies with investment choice will enter into force by the end of 2014.

SOLVENCY II

Solvency II is a set of rules covering solvency that will apply to all insurance companies in the EEA area. It appears to be clear now that final adoption by the EU Parliament could occur in early 2014, and that the regulations will be introduced from 2016. Transitional rules will probably be introduced that will allow the difference between the value of the insurance liabilities after Solvency II and Solvency I at the time of the transition to increase the solvency capital. It will also allow a mark-up on the yield curve that is used to discount the insurance liabilities. The way in which the proposed regulations are formulated, they are somewhat better adapted now to companies that have long-term guaranteed annual returns, especially if the authorities choose to exploit the opportunities permitted by the transitional rules.

FUTURE RESERVES FOR A HIGHER LIFE EXPECTANCY

In March 2013 the Financial Supervisory Authority of Norway published a new mortality basis for group pension insurance, K2013. The new mortality basis is dynamic, i.e. it incorporates an expectation that mortality will fall further in the future.

For defined benefit occupational pensions that have already been earned, the introduction of K2013 entails the need to build up reserves of approximately NOK 12.5 billion for Storebrand (approximately 8 per cent of the premium reserve). A build-up period will be permitted, which should, in the opinion of the Financial Supervisory Authority of Norway, not exceed five years from the start in 2014. At present, the transitional rules are unclear, however it will be permitted to use customer surpluses to cover increased reserves combined with a minimum coverage of 20 per cent from the company. The size of the owner's contribution is dependent on the length of the build-up plan, principles for building up reserves and the financial and risk profit during the build-up period, and the pension fund's share of the build-up of reserves can thus exceed 20 per cent of the reserves required. This will probably be clarified in the guidelines for the build-up plans that were announced by the Financial Supervisory Authority of Norway as being available early in 2014.

During the period from 2011 to 2012, a total of NOK 4.3 billion has been set aside for the future build-up of reserves from customer surpluses. NOK 0.5 billion will be set aside for 2013. NOK 0.5 billion has been used to build up reserves on contracts transferring out of Storebrand in 2013 and January 2014. The Group also has other buffers and reserves that may be utilised to build up reserves, depending upon the final regulations.

APPLICATION OF THE YEAR'S RESULT

The Board confirms that the financial statements were prepared on the basis of a going concern assumption.

The following application of the profit of NOK 1,904 million is proposed:

Other equity	NOK 1,768 million
Risk equalisation fund	NOK 135 million

Lysaker, 11 February 2014
The Board of Directors of Storebrand Livsforsikring AS

Translation - not to be signed

Odd Arild Grefstad
Chairman of the Board

Peik Norenberg

Tove Margrete Storrødvann

Else-Lill Grønli

Erik Haug Hansen

Inger Johanne Bergstøl

Jan Otto Risebrobakken

Geir Holmgren
Chief Executive Officer

Profit and loss account Storebrand Livsforsikring Group

1. January - 31. December

NOK million	Note	2013	2012
TECHNICAL ACCOUNT			
Gross premiums written		23,106	23,740
Reinsurance premiums ceded		-86	-76
Premium reserves transferred from other companies	17	4,962	3,615
Premiums for own account	**14,15**	**27,982**	**27,279**
Income from investments in subsidiaries, associated companies and joint-controlled companies	28	29	48
Interest income and dividends etc. from financial assets	18	7,612	9,424
Net operating income from real estate	19	1,139	1,266
Changes in investment value	19	739	-210
Realised gains and losses on investments	19	27	5,344
Total net income from investments in the collective portfolio	**14**	**9,546**	**15,871**
Interest income and dividends etc. from financial assets	18	305	1,832
Net operating income from real estate	19	81	105
Changes in investment value	18	9,996	2,820
Realised gains and losses on investments	18	785	621
Total net income from investments in the investment selection portfolio	**14**	**11,167**	**5,378**
Other insurance related income	**14**	**1,394**	**1,157**
Gross claims paid		-18,533	-17,931
Claims paid - reinsurance		42	13
Gross change in claims reserve		9	-65
Premium reserves etc. transferred to other companies	17	-10,889	-4,366
Claims for own account	**14**	**-29,372**	**-22,348**
To (from) premium reserve, gross	39	6,013	-7,822
To/from additional statutory reserves	39	1,047	-387
Change in value adjustment fund	39	-2,796	-1,027
Change in premium fund, deposit fund and the pension surplus fund	39	-23	-74
To/from technical reserves for non-life insurance business	39	-57	-92
Change in conditional bonus	39	-1,924	-1,458
Transfer of additional statutory reserves and value adjustment fund from other insurance companies/pension funds	17	106	152
Changes in insurance obligations recognised in the Profit and Loss Account - contractual obligations	**14**	**2,365**	**-10,709**
Change in premium reserve		-18,079	-12,084
Change in other provisions		-133	13
Changes in insurance obligations recognised in the Profit and Loss Account - investment portfolio separately	**14, 39**	**-18,212**	**-12,071**
Profit on investment result			-155
Other allocation of profit		-90	-3
Funds allocated to insurance contracts	**14**	**-90**	**-158**
Management expenses		-360	-297
Selling expenses	20	-589	-521
Change in pre-paid direct selling expenses	20	19	45
Insurance-related administration expenses (incl. commissions for reinsurance received)		-1,375	-1,831
Reinsurance commissions and profit participation			6
Insurance-related operating expenses	**14**	**-2,305**	**-2,599**
Other insurance related expenses	**14**	**-262**	**-210**
Technical insurance result		**2,213**	**1,590**

Profit and loss account Storebrand Livsforsikring Group

1. January - 31. December

NOK million	Note	2013	2012
NON-TECHNICAL ACCOUNT			
Income from investments in subsidiaries, associated companies and joint-controlled companies	28	74	-3
Interest income and dividends etc. from financial assets	18	442	551
Net operating income from real estate	19	54	67
Changes in investment value	18	26	40
Realised gains and losses on investments	18	-17	70
Net income from investments in company portfolio		**579**	**724**
Other income		**426**	**459**
Management expenses		-35	-31
Other costs		-1,134	-1,253
Management expenses and other costs linked to the company portfolio		**-1,169**	**-1,284**
Profit or loss on non-technical account		**-163**	**-101**
Profit before tax		**2,050**	**1,489**
Tax costs	**24**	**-70**	**-372**
PROFIT BEFORE OTHER COMPREHENSIVE INCOME		**1,980**	**1,117**
Change in pension experience adjustments	21	10	221
Change in value adjustment reserve own buildings		154	90
Adjustment of insurance liabilities		-154	-90
Tax on other result elements not to be classified to profit/loss		12	-84
Total other result elements not to be classified to profit/loss		**22**	**137**
Translation differences		840	-103
Total other result elements that may be classified to profit /loss		**840**	**-103**
Total other result elements		**862**	**35**
TOTAL COMPREHENSIVE INCOME		**2,843**	**1,151**
PROFIT IS DUE TO:			
Minority share of profit		8	14
Majority share of profit		1,973	1,103
COMPREHENSIVE INCOME IS DUE TO:			
Minority share of profit		18	11
Majority share of profit		2,824	1,140

Statement of financial position Storebrand Livsforsikring Group

31. December

NOK million	Note	2013	2012
ASSETS			
ASSETS IN COMPANY PORTFOLIO			
Goodwill	25	798	724
Other intangible assets	25	4,882	4,754
Total intangible assets		**5,679**	**5,478**
Real estate at fair value	27	1,084	1,208
Real estate for own use	27	66	58
Equities and units in subsidiaries, associated companies and joint-controlled companies	28	205	121
Loans to and securities issued by subsidiaries, associated companies	28		69
Lendings	10, 13, 26	3	4
Bonds held to maturity	10, 13, 26, 29	347	222
Bonds at amortised cost	10, 13, 26, 29	1,510	1,156
Equities and other units at fair value	13, 26, 30	74	44
Bonds and other fixed-income securities at fair value	13, 26, 31	17,439	15,716
Derivatives at fair value	10, 13, 26, 32	364	255
Other financial assets	13, 26, 34	305	126
Total investments		**21,398**	**18,980**
Reinsurance share of insurance obligations		**142**	**144**
Receivables in connection with direct business transactions		2,722	101
Receivables in connection with reinsurance transactions		28	7
Receivables with group company		28	23
Other receivables		1,472	3,653
Total receivables		**4,249**	**3,783**
Tangible fixed assets	35	419	388
Cash, bank	10, 26	3,517	2,938
Tax assets	24		38
Other assets designated according to type	37	690	599
Total other assets		**4,627**	**3,964**
Pre-paid direct selling expenses		510	443
Other pre-paid costs and income earned and not received		101	90
Total pre-paid costs and income earned and not received		**611**	**533**
Total assets in company portfolio		**36,706**	**32,883**
ASSETS IN CUSTOMER PORTFOLIOS			
Real estate at fair value	27	21,478	25,401
Real estate for own use	27	2,322	2,066
Equities and units in subsidiaries, associated companies and joint-controlled companies	28	34	115
Loans to and securities issued by subsidiaries, associated companies	28	186	597
Bonds held to maturity	10, 13, 26	14,773	10,496
Bonds at amortised cost	10, 13, 26, 29	63,919	54,557
Lendings	10, 13, 26, 29	3,436	3,702
Equities and other units at fair value	13, 26, 30	34,629	27,152
Bonds and other fixed-income securities at fair value	13, 26, 31	133,203	139,040
Financial derivatives at fair value	10, 13, 26, 32	1,048	2,575
Other financial assets	13, 26, 34	3,357	3,462
Total investments in collective portfolio		**278,384**	**269,164**

Statement of financial position Storebrand Livsforsikring Group

31. December

NOK million	Note	2013	2012
Real estate at fair value	27	1,614	2,114
Real estate for own use	27	103	107
Lendings	10, 13, 26, 29	73	140
Equities and other units at fair value	13, 26, 30	57,987	45,014
Bonds and other fixed-income securities at fair value	13, 26, 31	31,869	25,168
Financial derivatives at fair value	10, 13, 26, 32	81	169
Other financial assets	13, 26, 34	262	397
Total investments in investment selection portfolio		**91,987**	**73,108**
Total assets in customer portfolio		**370,372**	**342,272**
TOTAL ASSETS		**407,078**	**375,155**
EQUITY AND LIABILITIES			
Share capital		3,540	3,540
Share premium		9,711	9,711
Total paid in equity		**13,251**	**13,251**
Risk equalisation fund		776	640
Other earned equity		5,844	3,223
Minority's share of equity		141	148
Total earned equity		**6,760**	**4,011**
Perpetual subordinated loan capital		2,787	5,142
Dated subordinated loan capital		2,540	
Hybrid tier 1 capital		1,502	1,501
Total subordinated loan capital and hybrid tier 1 capital	**9, 13, 26**	**6,829**	**6,643**
Premium reserves		250,567	245,333
Additional statutory reserves		4,279	5,489
Market value adjustment reserve		3,823	1,027
Claims allocation		891	837
Premium fund, deposit fund and the pension surplus fund		3,184	3,394
Conditional bonus		14,167	11,264
Other technical reserve		616	561
Total insurance obligations in life insurance - contractual obligations	**38, 39**	**277,526**	**267,905**
Premium reserve		91,887	72,751
Claims allocation		1	1
Additional statutory reserves		179	257
Premium fund, deposit fund and the pension surplus fund		330	487
Total insurance obligations in life insurance - investment portfolio separately	**38, 39**	**92,396**	**73,495**
Pension liabilities etc.	21	575	839
Period tax liabilities		1,441	1,377
Other provisions for liabilities		108	115
Total provisions for liabilities		**2,123**	**2,331**

Statement of financial position Storebrand Livsforsikring Group

31. December

NOK millION	Note	2013	2012
Liabilities in connection with direct insurance		1,353	1,317
Liabilities in connection with reinsurance		36	4
Financial derivatives	13, 26, 32	2,122	755
Liabilities to group companies		13	14
Other liabilities	40	4,233	4,950
Total liabilities		**7,757**	**7,041**
Other accrued expenses and received, unearned income		435	478
Total accrued expenses and received, unearned income		**435**	**478**
TOTAL EQUITY AND LIABILITIES		**407,078**	**375,155**

Lysaker, 11 February 2014
The Board of Directors of Storebrand Livsforsikring AS

Translation - not to be signed

Odd Arild Grefstad
Chairman of the Board

Peik Norenberg — Tove Margrete Storrødvann — Else-Lill Grønli

Erik Haug Hansen — Inger Johanne Bergstøl — Jan Otto Risebrobakken

Geir Holmgren
Chief Executive Officer

Reconciliation of change in equity Storebrand Livsforsikring Group

	Majority's share of equity						
NOK million	**Share capital**	**Share premium**	**Total paid in equity**	**Risk equalisation fund [1)]**	**Other equity**	**Minority interests**	**Total equity**
Equity at 31.12.2011	**3,430**	**9,271**	**12,701**	**469**	**2,474**	**177**	**15,821**
Profit for the period				171	931	14	1,117
Other result elements:							
Translation differences					-100	-3	-103
Change in pension experience adjustments					137		137
Total comprehensive income for the period				**171**	**969**	**11**	**1,151**
Equity transactions with owner:							
Share issue	110	440	550				550
Group contributions					-200	-26	-226
Acquisition of minority						-14	-14
Other					-19	-1	-20
Equity at 31.12.2012	**3,540**	**9,711**	**13,251**	**640**	**3,223**	**148**	**17,262**
Profit for the period				135	1,837	8	1,980
Other result elements:							
Translation differences					829	11	840
Change in pension experience adjustments					23	-1	22
Total comprehensive income for the period				**135**	**2,689**	**19**	**2,843**
Equity transactions with owner:							
Group contributions					-85	-27	-112
Other					17	2	19
Equity at 31.12.2013	**3,540**	**9,711**	**13,251**	**776**	**5,844**	**141**	**20,011**

[1)] Includes undistributable funds in the risk equalisation fund amounting to NOK 776 million and security reserves amounting NOK 149 million. The risk equalisation reserve can only be used to increase allocations to the premium reserve with regard to risk linked to persons. Liabilities for accounting purposes in accordance with IFRS and are included in equity in their entirety. The risk equalisation reserve and contingency reserves are not considered. Allocations to the risk equalisation reserve and contingency reserves are tax deductible when the allocations are made, and these deductions are differences between the financial and tax accounts in accordance with IAS 12 so that provisions are not made for deferred tax related to permanent differences.

Cash flow analysis Storebrand Livsforsikring

1. January - 31. December

Storebrand Livsforsikring Group			Storebrand Livsforsikring AS	
2012	**2013**	*NOK million*	**2013**	**2012**
		CASH FLOW FROM OPERATIONAL ACTIVITIES		
22,142	17,784	Net received - direct insurance	11,653	15,393
-18,440	-18,675	Net claims/benefits paid - direct insurance	-12,136	-12,153
-751	-5,927	Net receipts/payments - policy transfers	-4,575	373
-2,599	-2,289	Net receipts/payments operations	-1,173	-1,591
-2,920	992	Net receipts/payments - other operational activities	-2,339	-147
-2,568	**-8,115**	**Net cash flow from operational activities before financial assets**	**-8,569**	**1,874**
-831	335	Net receipts/payments - lendings to customers	335	-831
2,350	3,182	Net receipts/payments - financial assets	8,974	-508
728	5,562	Net receipts/payments - real estate activities		
1,588	241	Net change bank deposits insurance customers	-185	66
3,835	**9,320**	**Net cash flow from operational activities from financial assets**	**9,124**	**-1,273**
1,267	**1,204**	**Net cash flow from operational activities**	**555**	**602**
		CASH FLOW FROM INVESTMENT ACTIVITIES		
-173	407	Net payments - purchase/capitalisation of subsidiaries and associated companies	92	-523
-130	-149	Net receipts/payments - sale/purchase of fixed assets	-33	-47
-303	**258**	**Net cash flow from investment activities**	**60**	**-570**
		CASH FLOW FROM FINANCING ACTIVITIES		
-930	2,222	Payment of subordinated loan capital	2,222	
550		Payments - share issue		550
	-2,366	Repayment of subordinated loan capital	-2,366	
-382	-447	Payments - interest on subordinated loan capital	-447	-382
-226	-112	Payments - group contribution dividends		-200
-988	**-704**	**Net cash flow from financing activities**	**-591**	**-32**
-24	**759**	**Net cash flow for the period**	**23**	**0**
-3,859	-8,561	of which net cash flow for the period before financial assets	-9,101	1,273
-24	759	Net movement in cash and cash equivalent assets	23	0
3,088	3,064	Cash and cash equivalent assets at start of the period	1,517	1,517
3,064	**3,823**	**Cash and cash equivalent assets at the end of the period**	**1,540**	**1,517**

Profit and loss account Storebrand Livsforsikring AS

1. January - 31. December

NOK million	Note	2013	2012
TECHNICAL ACCOUNT:			
Gross premiums written		15,918	16,762
Reinsurance premiums ceded		-22	-35
Premium reserves transferred from other companies	17	3,010	3,138
Premiums for own account	**14, 15**	**18,906**	**19,865**
Income from investments in subsidiaries, associated companies and joint-controlled companies		952	610
of which from investment in real estate companies		881	620
Interest income and dividends etc. from financial assets	19	4,452	6,382
Changes in investment value	19	2,764	1,345
Realised gains and losses on investments	19	-206	1,854
Total net income from investments in the collective portfolio	**14**	**7,962**	**10,191**
Income from investments in subsidiaries, associated companies and joint-controlled companies		68	54
of which from investment in real estate companies		68	54
Interest income and dividends etc. from financial assets	19	287	933
Changes in investment value	19	3,319	875
Realised gains and losses on investments	19	771	634
Total net income from investments in the investment selection portfolio	**14**	**4,445**	**2,496**
Other insurance related income	**14**	**217**	**177**
Gross claims paid		-11,809	-11,938
Claims paid - reinsurance		30	13
Gross change in claims reserve		-3	-70
Premium reserves etc. transferred to other companies	17	-7,585	-2,765
Claims for own account	**14**	**-19,367**	**-14,760**
To (from) premium reserve, gross	39	120	-7,192
To/from additional statutory reserves	39	1,047	-387
Change in value adjustment fund	39	-2,796	-1,027
Change in premium fund, deposit fund and the pension surplus fund	39	-23	-74
To/from technical reserves for non-life insurance business	39	-63	-115
Transfer of additional statutory reserves and value adjustment fund from other insurance companies/pension funds	17	106	152
Changes in insurance obligations recognised in the Profit and Loss Account - contractual obligations	**14**	**-1,610**	**-8,643**
Change in premium reserve		-7,459	-6,541
Change in other provisions		-133	13
Changes in insurance obligations recognised in the Profit and Loss Account - investment portfolio separately	**14, 39**	**-7,593**	**-6,528**
Profit on investment result			-155
Other allocation of profit		-85	-3
Funds allocated to insurance contracts	**14**	**-85**	**-158**
Management expenses	20	-134	-133
Selling expenses	20	-351	-306
Insurance-related administration expenses (incl. commissions for reinsurance received)		-688	-1,153
Insurance-related operating expenses	**14**	**-1,173**	**-1,591**
Other insurance related expenses after reinsurance share	**14**	**-204**	**-129**
Technical insurance result		**1,498**	**920**

Profit and loss account Storebrand Livsforsikring AS

1. January - 31. December

NOK million	Note	2013	2012
NON-TECHNICAL ACCOUNT			
Income from investments in subsidiaries, associated companies and joint-controlled companies		251	289
of which from investment in real estate companies		60	33
Interest income and dividends etc. from financial assets	18	659	703
Changes in investment value	18	11	62
Realised gains and losses on investments	18	35	51
Net income from investments in company portfolio		**956**	**1,104**
Other income		**26**	**21**
Management expenses		-11	-9
Other costs		-468	-491
Total management expenses and other costs linked to the company portfolio		**-479**	**-501**
Profit or loss on non-technical account		**503**	**624**
Profit before tax		**2,001**	**1,545**
Tax costs	**24**	**-57**	**-377**
PROFIT BEFORE OTHER COMPREHENSIVE INCOME		**1,944**	**1,168**
Management expenses	21	-51	264
Other costs		-2	
Total management expenses and other costs linked to the company portfolio		13	-74
Profit or loss on non-technical account		**-40**	**190**
COMPREHENSIVE INCOME		**1,904**	**1,357**

Statement of financial position Storebrand Livsforsikring AS

31. December

NOK million	Note	2013	2012
ASSETS			
ASSETS IN COMPANY PORTFOLIO			
Other intangible assets	25	144	108
Total intangible assets		**144**	**108**
Equities and units in subsidiaries, associated companies and joint-controlled companies	28	10,482	10,707
of which investment in real estate companies		1,016	1,268
Loans to and securities issued by subsidiaries, associated companies	28	7,351	6,748
Loans	10, 13, 26	3	4
Bonds held to maturity	10, 13, 26, 29	347	222
Bonds at amortised cost	10, 13, 26, 29	1,510	1,156
Equities and other units at fair value	13, 26, 30	50	17
Bonds and other fixed-income securities at fair value	13, 26, 31	6,888	5,691
Derivatives at fair value	10, 13, 26, 32	362	255
Other financial assets	13, 26, 34	259	109
Total investments		**27,253**	**24,910**
Reinsurance share of insurance obligations		**163**	**171**
Receivables in connection with direct business transactions		2,682	1,527
Receivables in connection with reinsurance transactions		28	7
Receivables with group company		97	53
Other receivables		629	892
Total receivables		**3,436**	**2,478**
Tangible fixed assets	35	35	58
Cash, bank	10, 26	1,280	1,408
Total other assets		**1,316**	**1,466**
Other pre-paid costs and income earned and not received		31	31
Total pre-paid costs and income earned and not received		**31**	**31**
Total assets in company portfolio		**32,343**	**29,164**
ASSETS IN CUSTOMER PORTFOLIOS			
Equities and units in subsidiaries, associated companies and joint-controlled companies	28	20,285	29,666
of which investment in real estate companies		19,662	28,948
Bonds held to maturity	10, 13, 26	14,773	10,496
Bonds at amortised cost	10, 13, 26, 29	63,919	54,557
Loans	10, 13, 26, 29	3,436	3,702
Equities and other units at fair value	13, 26, 30	19,716	12,218
Bonds and other fixed-income securities at fair value	13, 26, 31	54,195	63,648
Financial derivatives at fair value	10, 13, 26, 32	161	556
Other financial assets	13, 26, 34	1,769	1,454
Total investments in collective portfolio		**178,253**	**176,297**
Equities and units in subsidiaries, associated companies and joint-controlled companies	28	1,600	2,462
of which investment in real estate companies		1,587	2,443
Loans	10, 13, 26, 29	73	140
Equities and other units at fair value	13, 26, 30	18,803	14,697
Bonds and other fixed-income securities at fair value	13, 26, 31	17,846	17,309
Financial derivatives at fair value	10, 13, 26, 32	81	169
Other financial assets	13, 26, 34	227	357
Total investments in investment selection portfolio		**38,630**	**35,134**
Total assets in customer portfolios		**216,883**	**211,431**
TOTAL ASSETS		**249,227**	**240,595**

Statement of financial position Storebrand Livsforsikring AS

31. December

NOK million	Note	2013	2012
EQUITY AND LIABILITIES			
Share capital		3,540	3,540
Share premium		9,711	9,711
Total paid in equity		**13,251**	**13,251**
Risk equalisation fund		776	640
Other earned equity		6,069	4,301
Total earned equity		**6,845**	**4,941**
Perpetual subordinated loan capital		2,787	5,142
Dated subordinated loan capital		2,540	
Hybrid tier 1 capital		1,502	1,502
Total subordinated loan capital and hybrid tier 1 capital	**9, 13, 26**	**6,829**	**6,643**
Premium reserves		165,873	162,268
Additional statutory reserves		4,279	5,489
Market value adjustment reserve		3,823	1,027
Claims allocation		763	760
Premium fund, deposit fund and the pension surplus fund		3,184	3,394
Other technical reserve		786	731
Total insurance obligations in life insurance - contractual obligations	**38, 39**	**178,708**	**173,669**
Premium reserves		38,700	34,703
Claims allocation		1	1
Additional statutory reserves		179	257
Premium fund, deposit fund and the pension surplus fund		330	487
Total insurance obligations in life insurance - investment portfolio separately	**38, 39**	**39,209**	**35,447**
Pension liabilities etc.	21	432	571
Period tax liabilities	24	1,190	1,146
Other provisions for liabilities		63	66
Total provisions for liabilities		**1,685**	**1,783**
Liabilities in connection with direct insurance		846	1,003
Liabilities in connection with reinsurance		2	2
Financial derivatives	13, 26, 32	438	206
Liabilities to group companies		6	2,490
Other liabilities	40	1,160	866
Total liabilities		**2,453**	**4,567**
Other accrued expenses and received, unearned income		248	294
Total accrued expenses and received, unearned income		**248**	**294**
TOTAL EQUITY AND LIABILITIES		**249,227**	**240,595**

Lysaker, 11 February 2014
The Board of Directors of Storebrand Livsforsikring AS

Translation - not to be signed

Odd Arild Grefstad
Chairman of the Board

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Erik Haug Hansen — Inger Johanne Bergstøl — Jan Otto Risebrobakken

Geir Holmgren
Chief Executive Officer

Reconciliation of change in equity Storebrand Livsforsikring AS

NOK million	Share capital [1]	Share premium	Total paid in equity	Risk equalisation fund [2]	Other equity	Total equity
Equity at 31.12.2011	**3 430**	**9 271**	**12 701**	**469**	**3 115**	**16 285**
Profit for the period				171	996	1 168
Other result elements:						
Change in pension experience adjustments					190	190
Total comprehensive income for the period				**171**	**1 186**	**1 358**
Equity transactions with owner:						
Share issue	110	440	550			550
Equity at 31.12.2012	**3 540**	**9 711**	**13 251**	**640**	**4 301**	**18 192**
Profit for the period				135	1 809	1 944
Other result elements:						
Change in pension experience adjustments					-39	-39
Translation differences					-2	-2
Total comprehensive income for the period				**135**	**1 768**	**1 904**
Equity at 31.12.2013	**3 540**	**9 711**	**13 251**	**776**	**6 069**	**20 096**

[1] 35 404 200 shares of NOK 100 par value.

[2] Restricted equity 776 million. The risk equalisation reserve can only be used to increase allocations to the premium reserve with regard to risk linked to persons. The risk equalisation reserve and contingency reserves are not considered liabilities for accounting purposes in accordance with IFRS and are included in equity in their entirety. Allocations to the risk equalisation reserve and contingency reserves are tax deductible when the allocations are made, and these deductions are treated as permanent differences between the financial and tax accounts in accordance with IAS 12 so that provisions are not made for deferred tax related to permanent differences.

Notes to the accounts

BUSINESS AND RISK NOTES

PROFIT AND LOSS ACCOUNT NOTES

STATEMENT OF FINANCIAL POSITION NOTES

OTHER NOTES

Note 1 | Company information and accounting policies

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR MATERIAL STATEMENT OF FINANCIAL POSITION ITEMS

The asset side of the Group's statement of financial position comprises, for the most part, financial instruments and investment properties. Investment properties are recognised at fair value. A large majority of the financial instruments are recognised at fair value (the fair value option is used), whilst other financial instruments that are included in the categories Loans and receivables and Held to maturity are recognised at amortised cost. Financial instruments valued at amortised cost are largely related to Norwegian pension liabilities with guaranteed interest rates. In addition, the majority of loans are valued at amortised cost. Capitalised intangible assets, which mainly comprise excess value relating to insurance contracts upon a business combination, are also recognised on the balance sheet. This excess value is recognised at cost less an annual amortisation and write-down.

The liabilities side of the Group's balance sheet comprises, for the most part, financial instruments (liabilities) and provisions relating to future pension and insurance payments (technical insurance reserves). With the exception of derivatives that are stated at fair value, the majority of the financial liabilities are measured at amortised cost. Technical insurance reserves must be adequate and cover liabilities relating to issued insurance contracts. Various methods and principles are used when assessing the reserves for different insurance contracts. A considerable part of the insurance liabilities relate to insurance contracts with interest guarantees. Recognised liabilities relating to Norwegian insurance contracts with interest guarantees are discounted at the premium calculation rate. Recognised liabilities relating to Swedish insurance contracts with interest guarantees are discounted at the markets rates. In the case of unit-linked insurance contracts, reserves for the savings element in the contracts will correspond to the value of related asset portfolios. Due to the fact that the customers' assets in the life insurance business (guaranteed pension) have historically yielded a return that has exceeded the increased value in guaranteed insurance liabilities, the excess amount has been set aside as customer buffers (liabilities), including in the form of additional provisions, value adjustment reserve and conditional bonuses.

2. COMPANY INFORMATION

Storebrand Livsforsikring AS owns the Swedish holding company Storebrand Holding AB, which in turn owns SPP Livförsäkring AB and SPP Liv Fondförsäkring AB. On acquiring the Swedish activities in 2007, the authorities instructed Storebrand to make an application to maintain a group structure by the end of 2009. Storebrand has submitted an application to maintain the current group structure, and it is of the opinion that it is natural to see possible changes in the group structure in light of the upcoming solvency framework (Solvency II).

3. THE BASIS FOR PREPARATION OF THE FINANCIAL STATEMENTS

The accounting policies applied in the Group accounts are described below. The policies are applied consistently to similar transactions and to other events involving similar circumstances.

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 for the group are presented using EU-approved International Financial Reporting Standards (IFRS).

USE OF ESTIMATES IN PREPARING THE ANNUAL FINANCIAL STATEMENTS

The preparation of the annual financial statements in accordance with IFRS requires the management to make judgements, estimates and assumptions that affect assets, liabilities, revenue, expenses, the notes to the financial statements and information on potential liabilities. Actual amounts may differ from these estimates. See note 2 for further information about this.

The accounting policies are described in more detail below.

4. CHANGES IN ACCOUNTING POLICIES

The "Regulation on the annual accounts etc. of insurance companies" allows to a large extent use of international accounting standards - IFRS. No significant changes have been made to the accounting policies in 2013. Due to the amendment to IAS 1 Presentation of financial statements the presentation of items included in the Statement of Total Comprehensive Income has been changed in 2013. The Statement specifies the items:

- items that in subsequent periods will be reclassified to the profit or loss when certain conditions are met,
- as well as items that will not subsequently be reclassified to the profit or loss.

The changes have not had any significant effect on the consolidated financial statement.

IFRS 13 Fair value measurement has been applicable in 2013 and has entailed an expanded disclosure requirement in the notes associated with accounting information on fair values. Furthermore, amendments have been made to IAS 19R Pensions for own employees which entail additional requirements for the disclosure of gross revenue and cost items.

The changes described above have not had any significant effect on the consolidated financial statements.

IASB has been working for several years on a new accounting standard for insurance contracts, which is often referred to as IFRS 4, Phase II. A new Exposure Draft (ED) was released in June 2013. A potential standard will most likely be ready in 2015. It is uncertain when this will be implemented, but 2017 and 2018 can be alternatives, since due to the considerable expected implementation work for the companies an implementation period of three years is expected (prior periods must be restated).

It is assumed that the standard will most likely require that the recognised value of insurance contracts shall consist of the following components:

- Probability weighted estimate of future contributions and payments related to the contracts
- The cash flows are discounted by an interest rate that reflects the cash flows' risk.
- A supplement is added for the risk margin
- When entering into a contract, the expected profit is also set aside as a liability, contractual residual margin, and this is recognised as income over the duration of the contract (provided that the contract is not considered to be a loss contract on the issuing date).

The introduction of a new standard for insurance contracts may have a significant impact on Storebrand's consolidated financial statements. Implementation will result in changes in the income statements, a changed result, changed value of the insurance liabilities and could impact on the equity.

Another important standard for Storebrand's consolidated financial statements will be IFRS9 Financial Instruments. Among other things, the standard deals with classification of financial instruments (use of fair value and amortised cost) and rules for writing down financial instruments. The applicable date is not set.

In 2014 the following new standards will have an effect on the consolidated financial statements: IFRS 10 Consolidated Financial Statements, and IFRS 11 Joint Arrangements. A larger share of the Group's investments is expected to be consolidated due to IFRS 10 and it is also expected that jointly-controlled companies will be recognised in accordance with the equity method instead of being recognised in accordance with the proportionate consolidation method. The incorporation of these standards is not expected to involve major changes with regard to the Group's equity or result.

Other amendments to the IFRS regulations that apply or can be applied to IFRS accounts that are prepared after 1 January 2014 are listed below. The amendments are not expected to have any significant effect on the consolidated financial statements.

- Amendments in IAS 39: Amendments in the rules for replacing the counterparty when hedge accounting
- Amendments in IAS 36: Disclosure requirements for recoverable amounts - intangible assets/goodwill
- Amendments in IAS 32: Revised offsetting rules

5. CONSOLIDATION

For the parent company, subsidiaries that are included in the group portfolio are recognised according to the equity method, while subsidiaries that are included in the company portfolio are recognised according to the cost method. For subsidiaries that prepare accounts in accordance with principles other than those that apply to the insurance company, the subsidiary's financial statements are restated to comply with the principles under which the insurance company's accounts are prepared.

The consolidated financial statements include Storebrand Livsforsikring AS and the subsidiaries in which Storebrand Livsforsikring has a controlling influence. Controlling influence is normally achieved when the Group owns, directly or indirectly, more than 50 per cent of the shares in the company, and the Group is able to exercise control over the company. Minority interests are included in the Group's equity, unless there are options or other conditions that entail that minority interests are assessed as liabilities.

CURRENCIES AND TRANSLATION OF FOREIGN COMPANIES' ACCOUNTS

The Group's presentation currency is Norwegian kroner. Foreign companies included in the Group which use a different functional currency are translated into Norwegian kroner. The income statement figures are translated using an average exchange rate for the year and the statement of financial position is translated using the exchange rate prevailing at the end of the financial year. As differences will arise between the exchange rates applied when recording items in the statement of financial position and the income statement, any translation differences are included in the total comprehensive income.

ELIMINATION OF INTERNAL TRANSACTIONS

Internal receivables and payables, internal gains and losses, interest, dividends and similar between companies in the Group are eliminated in the consolidated financial statements. Transactions between customer portfolios and the life insurance company's or other Group unit portfolios, are not eliminated in the consolidated accounts. Pursuant to the life insurance regulations, transactions with customer portfolios are based on the arm's length principle.

6. BUSINESS COMBINATIONS

The acquisition method is applied when accounting for business combinations. The acquisition cost is measured at fair value after accounting for any equity instruments plus any costs directly attributable to the acquisition. Any expenses relating to the issuance of shares are not included in the acquisition cost, and are charged to equity.

Identifiable tangible and intangible assets acquired and liabilities assumed are valued at fair value on the date of acquisition. If the acquisition costs exceed the value of the identified assets and liabilities, the difference is recognised in the financial statements as goodwill. With acquisitions of less than 100 per cent of a business, 100 per cent of the additional value and value shortfall are recognised in the statement of financial position with the exception of goodwill of which only Storebrand's share is included.

The acquisition method is applied when accounting for acquired units. Investments in associated companies (normally investments of between 20 per cent and 50 per cent of the company's equity) in which the Group exercises significant influence are consolidated in accordance with the equity method. Interests in joint ventures are consolidated in accordance with the proportionate consolidation method, which includes the share of revenues, expenses, assets and liabilities in the appropriate lines in the financial statements.

When purchasing investments, including investment properties, a decision is made as to whether the purchase is subject to IFRS 3 regulations for business combinations. When these purchases are not regarded as an acquisition of a business, the acquisition method pursuant to IFRS 3 Business combinations is not applied and therefore a determination is not made of any additional value and a provision is not allocated for deferred tax as would have occurred in a business combination.

7. INCOME RECOGNITION

PREMIUM INCOME

Net premium income includes the year's premiums written (including savings elements), premium reserves transferred and ceded reinsurance. Annual premiums are generally accrued on a straight-line basis over the coverage period. Fees for issuing Norwegian interest guarantees and profit element risk are included in the premium income.

INCOME FROM PROPERTIES AND FINANCIAL ASSETS

Income from properties and financial assets is described in Sections 10 and 11.

OTHER INCOME

Fees are recognised when the income can be reliably measured and is earned. Fixed fees are recognised as income in line with the delivery of the service, and performance fees are recognised as income once the success criteria have been met.

8. GOODWILL AND INTANGIBLE ASSETS

Additional value on the acquisition of a business that is not directly attributable to assets or liabilities on the date of the acquisition is classified as goodwill on the statement of financial position. Goodwill is valued at acquisition cost on the date of the acquisition. Goodwill arising from the acquisition of subsidiaries is classified as an intangible asset.

Goodwill is not amortised, instead it is tested for impairment. Goodwill is reviewed for impairment if there are indications that its value has become impaired. The review is conducted at least annually and determines the recoverable amount of goodwill.

If the discounted present value of the pertinent future cash flows is less than the carrying value, goodwill will be written down to its fair value. Reversal of an impairment loss for goodwill is prohibited even if information later comes to light showing that there is no longer a need for the write-down or the impairment loss has been reduced. Goodwill is allocated to the relevant cash flow generating units that are expected to benefit from the acquisition so that it can subsequently be tested for impairment. Cash flow generating units are identified according to operational segments.

Goodwill arising from the acquisition of interests in associated companies is included in investments in associated companies, and the book value is tested annually.

Intangible assets with limited useful economic lives are valued at acquisition cost less accumulated amortisation and any write downs. The useful life and amortisation method are reassessed each year. With initial recognition of intangible assets in the statement of financial position, it must be demonstrated that probable future economic benefits attributable to the asset will flow to the Group. The cost of the asset must also be measured reliably. The value of an intangible asset is tested for impairment when there are indications that its value has been impaired. In other respects intangible assets are subject to write-downs and reversals of write-downs in the same manner as described for tangible fixed assets.

9. ADEQUACY TEST FOR INSURANCE LIABILITIES AND RELATED EXCESS VALUES

When insurance contracts are purchased as part of a business combination, the insurance liabilities are recognised on the basis of the underlying company's accounting policies. Excess value linked to these liabilities, often referred to as the value of business in force (VIF), is recognised as an asset. A liability adequacy test must be conducted of the insurance liability, including VIF, pursuant to IFRS 4, every time the financial statements are presented. The test conducted in Storebrand's consolidated financial statements looks at the calculated present values of cash flows to the contract issuer, often called the embedded value. The liability adequacy test was carried out prior to the implementation of IFRS.

10. INVESTMENT PROPERTIES

Investment properties are valued at fair value Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

Investment properties primarily consist of centrally located office buildings, shopping centres and logistics buildings. Properties leased to tenants outside the Group are classified as investment properties. In the case of properties partly occupied by the Group for its own use and partly let to tenants, the identifiable tenanted.

11. FINANCIAL INSTRUMENTS

11.1 GENERAL POLICIES AND DEFINITIONS

Recognition and derecognition

Financial assets and liabilities are included in the statement of financial position from such time Storebrand becomes party to the instrument's contractual terms and conditions. Normal purchases and sales of financial instruments are recorded on the transaction date. When a financial asset or a financial liability is initially recognised in the financial statements, it is valued at fair value. Initial recognition includes transaction costs directly related to the acquisition or issue of the financial asset or the financial liability if it is not a financial asset or a financial liability at fair value in profit or loss.

Financial assets are derecognised when the contractual right to the cash flow from the financial asset expires, or when the company transfers the financial asset to another party in a transaction by which all, or virtually all, the risk and reward associated with ownership of the asset is transferred.

Financial liabilities are derecognised in the statement of financial position when they cease to exist, i.e. once the contractual liability has been fulfilled, cancelled or has expired.

Definition of amortised cost

Subsequent to initial recognition, held-to-maturity investments, loans and receivables as well as financial liabilities not at fair value in profit or loss, are measured at amortised cost using the effective interest method. The calculation of the effective interest rate involves estimating all cash flows and all contractual terms of the financial instruments (for example early repayment, call options and equivalent options). The calculation includes all fees and margins paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Definition of fair value

Refer to the definition of fair value in section 10. The fair value of financial assets listed on a stock exchange or on another regulated market in which regular trading takes place is determined as the bid price on the last trading day up to and including the reporting date.

If a market for a financial instrument is not active, fair value is determined by using valuation techniques. Such valuation techniques make use of recent arm's length market transactions between knowledgeable and independent parties where available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis, and options pricing models. If a valuation technique is in common use by participants in the market and this method has proved to provide reliable estimates of prices actually achieved in market transactions, this method is used.

In calculating the fair value of loans the current market rate on similar loans is used. Changes in credit risk are taken into account.

Impairment of financial assets

For financial assets carried at amortised cost, an assessment is made at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

If there is objective evidence that impairment has occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not occurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate calculated at initial recognition). The amount of the loss is recognised in profit or loss.

Losses expected as a result of future events, no matter how likely, are not recognised.

11.2 CLASSIFICATION AND MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES

Financial assets are classified into one of the following categories:

- Financial assets held for trading
- Financial assets at fair value through profit or loss in accordance with the fair value option (FVO)
- Financial assets, investments held to maturity
- Financial assets, loans and receivables
- Financial assets, available for sale

Held for trading

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling or repurchasing it in the near term, or on initial recognition is part of a portfolio of identified financial instruments that are managed together and has evidence of a recent actual pattern of short-term profit-taking, or
- it is a derivative that is not designated and effective as a hedging instrument.

With the exception of derivatives, only a limited proportion of Storebrand's financial assets fall into this category.

Financial assets held for trading are measured at fair value at the reporting date, with all changes in their fair value recognised in profit or loss.

At fair value through profit or loss in accordance with the fair value option (FVO)

A significant proportion of Storebrand's financial instruments are classified in the category of fair value through profit or loss because:

- such classification reduces the mismatch in the measurement or recognition that would otherwise arise as a result of the different rules for measuring assets and liabilities, or that
- the financial assets form part of a portfolio that is managed and reported on a fair value basis

The accounting treatment for trading is the same as that used for the Group (the instruments are valued at fair value and the changes in value are entered in the income statement.

Investments held to maturity

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity and that a company has the intention and ability to hold to maturity, with the exclusion of:

- assets that are designated in initial recognition as assets at fair value through profit or loss, and
- assets that are defined as loans and receivables.

Assets held to maturity are recognised at amortised costs using the effective interest method. The category is used in the Norwegian life insurance business in relation to insurance contracts with interest rate guarantees.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, with the exception of such assets that the company intends to sell immediately or in the near term that are classified as held for trading and those that the company upon initial recognition designates as at fair value through profit or loss.

Loans and receivables are carried at amortised cost using the effective interest method. The category is used in the Norwegian life insurance business in relation to insurance contracts with interest rate guarantees and in the banking business.

Loans and receivables that are designated as hedged items are subject to measurement under the hedge accounting requirements.

Available for sale

Financial assets are classified as available for sale if they are non-derivative financial assets that are designated as available for sale or are not classified as a) loans and receivables, b) investments held to maturity, or c) financial assets at fair value through profit or loss.

11.3 DERIVATIVES

Definition of a derivative

A derivative is a financial instrument or other contract within the scope of IAS 39, with all three of the following characteristics:

- its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable (sometimes called the 'underlying')
- it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors
- it is settled at a future date.

Accounting treatment of derivatives that are not hedging

Derivatives that do not meet the criteria for hedge accounting are treated as financial instruments held for trading. The fair value of such derivatives is classified as either an asset or a liability with changes in fair value through profit or loss.

The majority of the derivatives used routinely for asset management fall into this category.

Some of the Group's insurance contracts contain embedded derivatives such as interest rate guarantees. These insurance contracts do not follow the accounting standard IAS39 Financial Instruments, but follow the accounting standard IFR34 Insurance Contracts, and the embedded derivatives are not continually assessed at fair value.

11.4 HEDGE ACCOUNTING

Fair value hedging

Storebrand uses fair value hedging, where the items hedged are financial assets and financial liabilities measured at amortised cost. Derivatives are recognised at fair value through profit or loss. Changes in the value of the hedged item that relate to the hedged risk are applied to the book value of the item and are recognised through profit or loss.

Hedging of net investments

Hedging of net investments in foreign businesses is recognised in the accounts in the same way as cash flow hedging. Gains and losses on the hedging instrument that relate to the effective part of the hedging are recorded directly through OCI, while gains and losses that relate to the ineffective part are recognised immediately in the accounts in the profit and loss account.

The total loss or gain in equity is recognised in the profit and loss account when the foreign business is sold or wound up.

Storebrand Livsforsikring uses the regulations govering hedging of net investments in respect of the investment in the subsidiary SPP:

11.5 FINANCIAL LIABILITIES

Subsequent to initial recognition, all financial liabilities are measured at amortised cost using an effective interest method, or at fair value.

12. ACCOUNTING FOR THE INSURANCE BUSINESS

The accounting standard IFRS 4 Insurance Contracts addresses the accounting treatment of insurance contracts. The Storebrand Group's insurance contracts fall within the scope of this standard. IFRS 4 is meant to be a temporary standard and it allows the use of non-uniform principles for the treatment of insurance contracts in consolidated financial statements. In the consolidated accounts the technical insurance reserves in the respective subsidiaries, calculated on the basis of the individual countries' particular laws, are included. This also applies to insurance contracts acquired via business combinations. In such cases, positive excess values, cf. IFRS 4 no. 31b), are capitalised as intangible assets.

Pursuant to IFRS 4, the technical insurance reserves must be adequate. When assessing the adequacy associated with recognised acquired insurance contracts, including pertinent capitalised intangible assets, reference must also be made to IAS 37 Provisions, Contingent Liabilities and Contingent Assets, and so-called embedded value calculations.

An explanation of the accounting policies for the most important technical insurance reserves can be found below.

12.1 GENERAL – LIFE INSURANCE

Claims for own account

Claims for own account comprise claims settlements paid out, less reinsurance received, premium reserves transferred to other companies, reinsurance ceded and changes in claims reserves. Claims not settled or paid out are provided for by allocation to the claims reserve under the item, changes in insurance liabilities.

Changes in insurance liabilities

These comprise premium savings that are taken to income under premium income and that are paid under claims. This item also includes guaranteed returns on the premium reserve and the premium fund, as well as returns to customers beyond the guarantees.

Insurance liabilities

Premium reserve

Premium reserve represents the present value of the company's total insurance liabilities, including future administration costs in accordance with the individual insurance contracts, after deducting the present value of agreed future premiums. In the case of individual account policies with flexible premium payments, the total policy value is included in the premium reserve. The premium reserve is equivalent to 100 per cent of the guaranteed surrender/transfer value of insurance contracts prior to any fees for early surrender/transfer and the policies' share of the market value adjustment reserve.

The premium reserve is calculated using the same assumptions as those used to calculate premiums for the individual insurance contracts, i.e. assumptions about mortality and disability rates, interest rates and costs. Premium tariffs are based on the observed level of mortality and disability in the population with the addition of security margins that take into account, inter alia, expected future developments in this respect.

The premium reserve includes reserve amounts for future administration costs for all lines of insurance including settlement costs (administration reserve). In the case of paid-up policies, the present value of all future administration costs is allocated in full to the premium reserve. In the case of policies with future premium payments, a deduction is made for the proportion of future administration costs expected to be financed by future premium receipts.

A substantial proportion of the Norwegian insurance contracts have a 1-year interest guarantee, meaning that the guaranteed return must be achieved every year. On the other hand, a substantial proportion of the Swedish insurance contracts have a guaranteed return up to the time of the pension payments.

Insurance liabilities, special investments portfolio

The insurance reserves allocated to cover liabilities associated with the value of the special investments portfolio must always equal the value of the investments portfolio assigned to the contract. The proportion of profit in the risk result is included. The company is not exposed to investment risk on customer assets, since the customers are not guaranteed a minimum return. The only exception is in the event of death, when the beneficiaries are repaid the amount originally paid in for annuity insurance and for guaranteed account (Garantikonto).

Claims reserve

This comprises amounts reserved for claims either occurred but not yet reported or reported but not yet settled (IBNR and RBNS). The reserve only covers amounts which might have been paid in the accounting year had the claim been settled.

Transfers of premium reserves, etc. (transfers)

Transfers of premium reserves resulting from transfers of policies between insurance companies are recorded in the profit and loss account as net premiums for own account in the case of reserves received and claims for own account in the case of reserves paid out. The recognition of cost/income takes place at the date the insured risk is ceded. The premium reserve in the insurance liabilities is reduced/increased on the same date. The premium reserve transferred includes the policy's share of additional statutory reserves, the market value adjustment reserve, the conditional bonus and the year's profit. Transferred additional reserves are not shown as part of premium income, but are reported separately as changes in insurance liabilities. Transferred amounts are classified as current receivables/ liabilities until the transfer takes place.

Selling costs

Selling costs in the Norwegian life insurance business are expensed, whilst in the Swedish subsidiaries selling expenses are recorded in the statement of financial position and amortised.

12.2 LIFE INSURANCE – NORWAY

Additional statutory reserves

The company is allowed to make additional statutory allocations to the insurance reserves in order to ensure the solvency of its life insurance business. The maximum additional statutory provision is set as the difference between the premium reserve calculated on the basis of a guaranteed return on policies outstanding, and the premium reserve calculated based on the actual guaranteed return in the policies. The Financial Supervisory Authority of Norway has specified a limit for the additional statutory reserves that applies to each policy. This is defined as the premium reserve for the policy multiplied by twice the guaranteed rate for the policy.

However, the company is allowed to apply a higher multiple of the basic interest rate than that defined by the Financial Supervisory Authority of Norway. The allocation to additional statutory reserves is a conditional allocation to policyholders that is recognised in the profit and loss account as a statutory reserve and accordingly reduces net profit. Additional statutory reserves can be used to meet a shortfall in the individual customer's guaranteed return, and are shown in the profit and loss account in the item to/ from additional statutory reserves. The amount released cannot exceed the equivalent of one year's interest rate guarantee.

Premium fund, deposit reserve and pensioners' surplus fund

The premium fund contains premiums prepaid by policyholders as a result of taxation regulations for individual and group pension insurance and allocated profit shares. Credits and withdrawals are not recognised through the profit and loss account but are taken directly to the statement of financial position.

The pensioners' surplus fund comprises surplus assigned to the premium reserve in respect of pensions in group payments. The fund is applied each year as a single premium payment to secure additional benefits for pensioners.

Insurance liabilities, special investments portfolio (multi-year interest rate guarantee)

If a return guarantee is linked to a special investments portfolio, a supplementary provision is made to cover the guarantee obligation. The supplementary provision to cover the company's liability pursuant to section 11-1, fourth paragraph, of the Companies Pension Act shall equal the difference between the capitalised value of the company's liabilities vis-à-vis the insured, calculated pursuant to section 9-16 of the Insurance Act and the value of the investment portfolio.

Market value adjustment reserve

The current year's net unrealised gains/losses on financial assets at fair value in the group portfolio in Storebrand Livsforsikring AS are allocated to/reversed from the market value adjustment reserve in the statement of financial position assuming the portfolio has a net unrealised excess value. The portion of the current year's net unrealised gains/ losses on financial current assets denominated in foreign currencies that can be attributed to fluctuations in exchange rates is not transferred to the market value adjustment reserve. Similarly, the change in the value of the hedging instrument is not transferred to the market value adjustment reserve, but is charged directly to the profit and loss account. The foreign exchange fluctuations associated with investments denominated in foreign currencies are largely hedged through foreign exchange contracts on a portfolio basis. Pursuant to accounting standard for insurance contracts (IFRS 4) the market value adjustment reserve is shown as a liability.

Risk equalisation reserve

Up to 50 per cent of the risk result for group pensions and paid/up policies can be allocated in the risk equalisation fund to cover any future negative risk result. The risk equalisation reserve is not considered to be a liability according to IFRS and is included as part of the equity (undistributable equity).

Building-up reserves for long lives

Based on the expected increase in life expectancy, a new mortality basis will be introduced from and including 1. January 2014 which will significantly increase the need for reserves. An escalation period will be permitted, which should not exceed five years from the start in 2014 in the opinion of the Financial Supervisory Authority of Norway. At present, the transition rules are unclear, however it will be permitted to use customer surplus returns to cover increased reserves combined with a minimum coverage of 20 per cent from the shareholders. The details of the plans for building-up the reserves have yet to be established and these will have an effect on the pension schemes' contributions. For accounting purposes, the expected cover by the owner in the future will be considered a reduction in the expected future surplus, and no special provisions have been made for this expected cover by the owner as at 31. December 2013.

12.3 LIFE INSURANCE SWEDEN

Life insurance reserves

Since 2009, SPP has used a cash flow model for the calculation of insurance liabilities with interest rate guarantees. The model discounts cash flows by observed swap interest rates for the terms in question up to 10 years, which is the longest term for which the liquidity of the swap interest rates is considered adequate. For cash flows with a term of over 20 years, a normal interest rate is determined as the sum total of assumptions for inflation, real interest rates and maturity premium – based on assessments made by actors such as Riksbanken and the National Institute of Economic Research. For cash flows between 10 and 20 years, discount rates that are the weighted average of the observed 10-year rate and the specified 20-year rate are used.

A normal rate is fixed for other cash flows. This is the sum of the long-term inflation assumptions, real interest rate and risk premium.

Reserves for unfixed insurance cases

The reserves for incurred insurance events consist of reserves for disability pensions, established claims, unestablished claims and claims processing reserves. When assessing the reserves for disability pensions, a risk-free market interest rate is used, which takes into account future index adjustment of the payments. In addition, provisions are made for calculated claims that have been incurred but not reported (IBNR).

Conditional bonus

The conditional bonus arises when the value of customer assets is higher than the present value of the liabilities, and thus covers the portion of the insurance capital that is not guaranteed. In the case of contracts where customer assets are lower than liabilities, the owners' result is charged via deferred capital contribution allocations. The conditional bonus and deferred capital contribution are recognised on the same line in the statement of financial position.

12.4 P&C INSURANCE

Costs related to insurance claims are recognised when the claims occur. The following allocations have been made:

Reserve for unearned premium for own account concerns on-going policies that are in force at the time the financial statements were closed and is intended to cover the contracts' remaining risk period.

The claims reserve is a reserve for expected claims that have been reported, but not settled. The reserve also covers expected claims for losses that have been incurred, but have not been reported at the expiry of the accounting period. The reserve includes the full amount of claims reported, but not settled. A calculated provision is made in the reserve for claims incurred but not reported (IBNR) and claims reported but not settled (RBNS). In addition, claims reserves shall include a separate provision for future claims on losses that have not been settled.

The insurance companies in the Group are subject to their own specific legal requirements for technical insurance reserves, including security reserves etc. In Storebrand's consolidated financial statements, security reserves with high security margin are not defined as liabilities and are thus not recognised in the Group's equity. The technical insurance reserves shall be adequate pursuant to IFRS 4.

13. PENSION LIABILITIES FOR OWN EMPLOYEES

Storebrand Group has country-specific pension schemes for its employees. With effect from 1 January 2011, the Storebrand Group in Norway provides it employees with defined contribution pension schemes. Up until 31 December 2010, Storebrand had a defined benefit scheme for its Norwegian employees. The Norwegian defined benefit scheme was closed to new members with effect from 1 January 2011, and existing members could elect to transfer to the defined contribution scheme. From and including 2013, Storebrand has also been a part of the Norwegian contractual early retirement (AFP) pension scheme The Norwegian contractual early retirement pension scheme is considered to be a defined-benefit scheme, however there is insufficient adequate quantitative information for being able to estimate reliable accounting liabilities and costs.

In Sweden, SPP, has agreed, in accordance with the Finance Companies' Service Pension Plan (BTP Plan), predefined collective pension plans for its employees. A predefined pension implies that an employee is guaranteed a certain pension based on the pay scale at the time of retirement on termination of the employment.

13.1 BENEFIT SCHEME

Pension costs and pension obligations for defined benefit pension schemes are determined using a linear accrual formula and expected final salary as the basis for the entitlements, based on assumptions about the discount rate, future salary increases, pensions and National Insurance benefits, future returns on pension plan assets as well as actuarial estimates of mortality, disability and voluntary early leavers. The net pension cost for the period comprises the total of the accrued future pension entitlements during the period, the interest cost on the calculated pension liability and the expected return on pension plan assets.

Actuarial gains/losses and the effects of changes in assumptions are included in the total comprehensive income in the income statement for the period in which they occur. The effects of changes in the pension scheme are recognised on an ongoing basis, unless the changes are conditional upon accrued future pension entitlements. In which case the benefit is apportioned on a straight line basis until the entitlement has been fully earned. The employer's National Insurance contributions are included as part of the pension liability and are included in the actuarial gains/losses shown in the total comprehensive income.

From and including 31 December 2012, a discount rate derived from high quality corporate bonds has been used as the discount rate. Government bond rates were used earlier. See note 21 for further details.

The Group has insured and an uninsured pension schemes. The insured scheme in Norway is managed by the Group. Premiums relating to own employees are eliminated in the premium income in the Group result.

13.2. DEFINED CONTRIBUTION SCHEME

The defined contribution pension scheme involves the Group in paying an annual contribution to the employees' collective pension savings. The future pension will depend upon the size of the contribution and the annual return on the pension savings. The Group does not have any further work-related obligations after the annual contribution has been paid. No provisions are made for ongoing pension liabilities for these types of schemes. Defined contribution pension schemes are recognised directly in the financial statements.

14. TANGIBLE FIXED ASSETS

The Group's tangible fixed assets comprise equipment, fixtures and fittings, IT systems and properties used by the Group for its own activities.

Equipment and fixtures and fittings are valued at acquisition cost less accumulated depreciation and any write-downs.

Properties used for the Group's own activities are recorded at appreciated value less accumulated depreciation and write-downs. The fair value of these properties is tested annually in the same way as described for investment properties. The increase in value for buildings used by the Group for its own activities is recognised through other comprehensive income. Any write-down of the value of such a property is first applied to the revaluation reserve for increases in the value of the property in question. If the write-down exceeds the revaluation reserve for the property in question, the excess is expensed over the profit and loss account.

The write-downs period and method are reviewed annually to ensure that the method and period being used both correspond to the useful economic life of the asset. The disposal value is similarly reviewed. Properties are split into components if different parts have different useful economic lives. The depreciation period and method of depreciation are evaluated separately for each component.

The value of a tangible fixed asset is tested when there are indications that its value has been impaired. Any impairment losses are charged to the income statement as the difference between the carrying value and the recoverable amount. The recoverable amount is the greater of the fair value less related costs of sale and the value in use. On each reporting date a determination is made as to whether to reverse previous impairment losses on non-financial assets.

15. TAX

The tax expense in the income statement comprises current tax and change in deferred tax and is based on the accounting standard IAS 12 Income Taxes. Tax is recognised in the income statement, except to the extent that it relates to items recognised through OCI. Deferred tax and deferred tax assets are calculated on the differences between accounting and tax values of assets and liabilities.

Deferred tax is calculated on the basis of the Group's tax loss carryforwards, deductible temporary differences and taxable temporary differences. The Group's tax-increasing temporary differences also include temporary differences linked to the Group's investment properties. These properties are primarily found in the Norwegian life company's customer portfolio and in companies that are owned by Storebrand Eiendom Holding AS, which in turn is directly owned by Storebrand Livsforsikring AS. Even though these property companies are included in the customer portfolio and can be sold virtually free of tax, the tax-increasing temporary differences linked to the underlying properties which are also included in the Norwegian tax group, are included in the Group's temporary differences where provisions have been made for deferred tax. See also section 6 above which concerns business combinations.

16. LEASING

A lease is classified as a finance lease if it transfers substantially the risk and rewards incident to ownership. Other leases are classified as operating leases. Storebrand has no financial lease agreements.

17. STATEMENT OF CASH FLOWS

The statement of cash flows is prepared using the direct method and shows cash flows grouped by sources and use. Cash is defined as cash, receivables from central banks and receivables from credit institutions with no agreed period of notice.
The statement of cash flows is classified according to operating, investing and financing activities.

18. BIOLOGICAL ASSETS

Pursuant to IAS 41, investments in forestry are considered biological assets. Biological assets are assessed at fair value, which is defined based on alternative fair value estimates, or the present value of expected net cash flows. Changes in the value of biological assets are recognised in the profit and loss account. Ownership rights to biological assets are recognised at the point in time when the purchase agreement is signed. Annual income and expenses are calculated for forestry and outlying fields.

19. SHARE-BASED REMUNERATION

Storebrand Group has share-based remuneration for key personnel. The fair value of the share options is determined on the date of the allocation. Valuation is made on the basis of recognised valuation models adjusted to the characteristics of the actual options. The value determined on the date of the allocation is accrued in the income statement over the option's vesting period with a corresponding increase in equity. The amount is recognised as an expense and is adjusted to reflect the actual number of share options earned. The vesting period is the period of time from when the scheme is established until the options are fully vested.

Note 2 | Critical accounting estimates and judgements

In preparing the Group's financial statements the management are required to make judgements, estimates 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.

The Group's critical estimates and judgements that could result in material adjustment of recognised amounts are discussed below.

LIFE INSURANCE IN GENERAL

In the consolidated accounts, insurance liabilities with a guaranteed interest rate are included, but using different principles in the Norwegian and the Swedish activities. An immaterial asset (value of business in-force – VIF) linked to the insurance contracts in the Swedish activities is also included. This asset relates to Storebrand's purchase of SPP (acquisition of a business). There are several factors that may have an impact on the size of the insurance liabilities including VIF, such as biometric factors relating to higher life expectancy and invalidity, as well as the development of future costs and legal aspects, such as amendments to legislation and judgments handed down in court cases etc. In the long term, a low interest rate will represent a challenge for insurance contracts with a guaranteed interest rate and, together with a reduced customer buffer, can have an impact on the amount recorded that is linked to the insurance contracts. The Norwegian insurance contracts with guaranteed interest rates are discounted at the premium calculation rate (around 3.3 per cent on average). For the Swedish insurance liabilities with a guaranteed interest rate, the discount is based on an estimated swap yield curve, where portions of the yield curve are not liquid. The non-liquid portion of the yield curve has been estimated based on long-term expectations regarding real interest rates and inflation.

In accordance with the accounting standard IFRS 4 Insurance Contracts, the insurance liabilities that are included shall be adequate and a liability adequacy test shall be performed. The Norwegian insurance liabilities are calculated in accordance with special Norwegian rules, including the Insurance Activity Act and regulations. For the Norwegian life insurance liabilities a test is performed at a general level by conducting an analysis based on the Norwegian premium reserve principles. The established analysis is based on the assumptions that apply to the calculation of embedded value, in which the company uses the best estimates for the future basic elements based on the current experience. The test entails then that the company analyses the current margins between the assumptions used as a basis for reserves and the assumptions in the Embedded Value analysis. This test was also performed for the introduction of IFRS.

Upon the acquisition of the Swedish insurance group SPP, excess values and goodwill related to the value of the SPP Group's insurance contracts were capitalised, while the SPP Group's recognised insurance reserves were maintained in Storebrand's consolidated financial statements. These excess values (Value of business in-force) are tested for their adequacy together with the associated capitalised selling costs and insurance liabilities. The test is satisfied if the recognised liabilities in the financial statements are greater than or equal to the net liabilities valued at an estimated market value, included the expected owner's profit. In this test, the embedded value calculations and IAS 37 are taken into account. A key element of this assessment involves calculating future profit margins using embedded value calculations. Embedded value calculations will be affected by, among other things, volatility in the financial markets, interest rate expectations and the amount of buffer capital. Storebrand satisfies the adequacy tests for 2013, and they have thus no impact on the financial statements for 2013. There will be uncertainty related to the valuation of these capitalised values and the value of related technical insurance reserves.

In Storebrand's life insurance activities, a change in the estimates related to insurance reserves, financial instruments or investment properties allocated to life insurance customers will not necessarily affect the owner's result, but a change in the estimates and valuations may affect the owner's result. A key factor will be whether the assets of the life insurance customers, including the return for the year, exceed the guaranteed liabilities.

In the Norwegian life insurance activities, a significant share of the insurance contracts have a series of annual interest rate guarantees. Changes in estimates and valuations may entail a change in the return on the customer portfolios. Depending on the size of any impairment in value, such impairment may be offset by a reduction in the market value adjustment reserve and additional statutory reserves, so that the effect on the owner's result may be limited. Correspondingly, increases in values could, to a large extent, increase the size of such funds.

The Financial Supervisory Authority of Norway has decided to introduce a new mortality basis, (K2013), for group pension insurance in life insurance companies and pension funds with effect from 2014. Under certain conditions, the building-up of reserves for new tariffs during a time-limited period can be charged to the running return in the customer portfolios. However, the owner's equity will also be charged. Any deficient future return in connection with this may increase the reduction in the owner's future profit. There will be uncertainty relating to future returns and to the owner's future charge. See note 3 for further information about this.

In the Swedish activities (SPP) there are no contracts with an annual interest rate guarantee. However, there are insurance contracts with a terminal value guarantee. These contracts are discounted by a market-based interest rate. If the associated customer assets have a higher value than the recognised value of these insurance liabilities, then the difference will represent a conditional customer allocated fund – conditional bonus (buffer capital). Changes in estimates and valuations may entail a change in the return on the customer portfolios. Depending on the size of any impairment in value, such impairment may be offset by a reduction in the conditional bonus, so that the effect on the owner's result may be limited. If the value of the individual insurance contract is higher than the associated customer assets, the owner will have to cover the deficient capital.

There are also insurance contracts without an interest guarantee in the life insurance activities in which customers bear the return guarantee. Changes in estimates and valuations may entail a change in the return on the associated customer portfolios. The recognition of such value changes does not directly affect the owner's result.

INVESTMENT PROPERTIES

Investment properties are valued at fair value. The commercial real estate market in Norway is not particularly liquid, nor is it transparent. Uncertainty will be linked to the valuations, and they require exercising judgment, especially in periods with turbulent finance markets.

Key elements included in valuations that require exercising judgment are:
- Market rent and vacancy trends
- Quality and duration of rental income
- Owners' costs
- Technical standard and any need for upgrading
- Discount rates for both certain and uncertain cash flows, as well as residual value

FINANCIAL INSTRUMENTS AT FAIR VALUE

There will be some uncertainty associated with the pricing of financial instruments, particularly instruments that are not priced in an active market. This is particularly true for the types of securities priced on the basis of non-observable assumptions, and for these investments various valuation techniques are applied in order to fix fair value. These include private equity investments, investments in foreign properties, and other financial instruments where theoretical models are used in pricing. Any changes to the assumptions could affect recognised amounts. The majority of such financial instruments are included in the customer portfolio.

FINANCIAL INSTRUMENTS AT AMORTISED COST

Financial instruments valued at amortised cost are assessed on the reporting date to see whether there is any objective evidence that a financial asset or group of financial assets is impaired.

A certain degree of judgement must be used in assessing whether impairment has occurred and the amount of the impairment loss. Uncertainty grows when there is turmoil in financial markets. The assessments include credit, market and liquidity risk. Changes in assumptions for these factors will affect an assessment of whether impairment is indicated. There will thus be uncertainty concerning the recognised amounts of individual and group write-downs. This will apply to provisions relating to loans in the private and the corporate markets and to bonds that are recognised at amortised cost.

Reference is also made to note 13 in which the valuation of financial instruments at fair value is described in more detail.

INTANGIBLE ASSETS

Goodwill and intangible assets with undefined useful economic lives are tested annually for impairment. Goodwill is allocated to the Group's cash generating units. The test's valuation method involves estimating cash flows arising in the relevant cash flow generating unit, as well as applying the relevant discount rate. Tangible fixed assets and other intangible assets are assessed annually to ensure that the method and time period used correspond with economic realities.

PENSIONS FOR OWN EMPLOYEES

The present value of pension obligations depends upon the financial and demographic assumptions used in the calculation. The assumptions must be realistic, mutually consistent and up to date as they should be based on a cohesive set of estimates about future financial performance. The Group has both secured and unsecured pension schemes (direct pensions). The operating arrangements are primarily related to pensions for salaries over 12 G and early retirement pensions. The pension liability calculations are undertaken by actuaries. Any changes to these estimates including forecast salary growth, withdrawal of early retirement pension, termination of employment and the discount rate can have a substantial effect on the recognised pension liabilities relating to own employees. Estimates of future real interest rates, real salary growth, future adjustments to the National Insurance base amount and future inflation, withdrawal of pensions etc. are subject to significant uncertainty. There will also be uncertainty about whether the defined benefit scheme for the employees will exist in the future or whether the schemes will be changed.

DEFERRED TAX

The consolidated accounts contain significant temporary differences between the values of assets for accounting purposes and for tax purposes. The current Norwegian tax regulations have been applied when calculating deferred tax in the Norwegian business. The will apply, for example, in particular to investments in foreign companies assessed as partnerships and investments in property. The actual income tax expense will also depend on the form in which the underlying assets will be realised, including whether there will be future input and share transactions. There are also different tax rules between companies that are part of the Norwegian business, whereby the Norwegian tax exemption method does not apply for life insurance companies. Calculations of deferred tax and tax expenses are based on estimates. Actual figures could differ from estimates.

CONTINGENT LIABILITIES

The companies in the Storebrand Group operate an extensive business in Norway and abroad, and may become a party to litigations. Contingent liabilities are assessed in each case and will be based on legal considerations.

Note 3 | Building-up reserves for long life expectancy for Storebrand LIvsforsikring

In a letter of 8 March 2013, the Financial Supervisory Authority of Norway determined that a new lifetime tariff, K2013, would be introduced for group pension insurance in life insurance companies and pension funds effective from 2014. In its press release, the Financial Supervisory Authority of Norway stated that expected increases in life expectancy are a challenge for life insurance companies and pension funds. This requires increased premiums and higher insurance technical reserves so as to have sufficient funds to cover future liabilities.

The new lifetime tariff will significantly increase the need for reserves and an escalation period will be permitted. The escalation period shall apply from 2014 and the Financial Supervisory Authority of Norway is of the view that this should not have a duration of more than five years. This allows for customer surpluses to be used to cover the increased provision requirements, but the Financial Supervisory Authority of Norway states that "a minimum of 20 per cent of the total requirement for the building-up of reserves should be covered by pension funds."

The required build-up of reserves for group pensions is estimated to be NOK 12.7 billion or around 8 per cent of the premium reserves as of 31. December 2013. Taking into consideration contracts that have given notice of transfer as of 31. December 2013, the required reserves are NOK 12.5 billion. The company started a build-up of reserves in the accounts from and including 2011. In 2012 and 2013 Storebrand set aside as much as possible of its profits from financial and risk. It must also be expected that during the period in which reserves are built-up, all available profit will be set aside for building-up reserves. As of 31. December 2013, NOK 4.5 billion has been set aside.

It is expected that a minimum of 20 per cent or NOK 2.5 billion of the total required build-up of reserves shall be covered by the owner. It is assumed that some of this will be financed through the loss of profit for paid-up policies during the reserve build-up period with the present profit sharing model (20 per cent to the owner). The size of the owner's contribution depends on the length of the escalation plan, principles for building up the reserves, as well as the return and risk surpluses during the escalation period, and the pension scheme's portion of the build-up of reserves may thus exceed 20 per cent of the reserve requirement.

It has previously been a requirement that contracts must be fully reserved upon transition. The Ministry of Finance decided in October that the transition value shall follow the escalation plan. If more has been set aside, this shall follow with the transition.

There is yet to be clarification of the final conditions around the building-up of reserves and requirements for provisions when converting paid-up policies with guaranteed returns to paid-up policies with investment choice.

On 26 November 2013, the Financial Supervisory Authority of Norway sent a letter to Finance Norway which stated that the aim was to prepare guidelines for escalation at the start of 2014. The letter is a follow-up to the Financial Supervisory Authority of Norway's letter of 8 March 2013 to all life insurance companies and pension funds concerning a new mortality basis for group pension insurance, (K2013), which outlined assumptions that shall be used when determining the new mortality basis for group pension insurance. It is assumed that the mortality basis shall be introduced with effect no later than 1 January 2014. A more detailed description of K2013 is provided in the Insurance Risk note (note 7).

Note 4 | Generation of profit from guaranteed pensions

The profit and loss account for Storebrand includes result elements relating to both customers and owners. There is a description of the content of profit generation from guaranteed pensions in the segment note (note 5) below.

PRICE OF RETURN GUARANTEE AND PROFIT RISK (FEE INCOMES) - STOREBRAND LIFE INSURANCE

The return guarantees in group pension insurance with a return guarantee must be priced upfront. The level of the return guarantee, size of the buffer capital (additional statutory reserves and unrealised gains), and the investment risk of the portfolio in which the pensions assets are invested determines the price that the customer pays for his or her return guarantee. Return guarantees are priced on the basis of the risk to which the equity is exposed. Group pension customers can choose an investment profile with a low proportion of equities, which normally results in a lower risk of losses and lower expected return. A larger proportion of equities will normally result in a higher expected return, but also a higher price for the return guarantee. The insurance company bears all the downside risk, and must carry reserves against the policy if the buffer reserves are insufficient or unavailable.

Customers can choose long-term contracts with guarantee periods of up to 5 years. Prices for multi-year return guarantees will be lower than for an annual return guarantee over the same period. However, there is a requirement that the liabilities to the insured must at all times be covered by adequate technical insurance reserves, and that, if necessary, equity can also be used to ensure adequate reserves during the agreement period. Greater contractual freedom exists between the customer and the company in the regulations pertaining to multi-year return guarantees. For example, customers can pledge their own buffer capital as collateral for returns under the calculated interest rate applied to the insurance. Such an increase in the customer's risk also reduces the total price of the return guarantee charged to the customer. These contracts shall be phased out in 2014.

ADMINISTRATION RESULT

The administration result is the difference between the premiums paid by customers pursuant to the tariff and the company's actual operating costs. The income consists of fees based on the size of customer assets, premium volumes or numbers in the form of unit prices. Among other things, operating expenses consist of personnel costs, return fees, marketing expenses, commissions and IT costs.

Storebrand Livsforsikring
The administration result line includes all products apart from traditional individual products with profit sharing.

SPP Livförsäkring
The administration result for all insurance products is paid to or charged to the result allocated to owners.

RISK RESULT

The risk result consists of premiums the company charges to cover insurance risks less the actual costs in the form of insurance reserves and payments for insured events such as death, pensions, disability and accidents.

Storebrand Livsforsikring
In the case of group defined benefit pensions and paid-up policies, any positive risk¬ result passes to the customers, while any deficit in the risk result must, in principle, be covered by the insurance company. However, up to half of any risk profit on a particular line of insurance may be retained in a risk equalisation fund. A deficit due to risk elements can be covered by the risk equalisation fund. The risk equalisation fund can, as a maximum, amount to 150 per cent of the total annual risk premium. The risk equalisation fund is classified as equity in the balance sheet.

SPP Livförsäkring
The risk result is paid to the owners in its entirety for all insurance products

PROFIT SHARING

Storebrand Livsforsikring
A modified profit sharing regime was introduced for old and new individual policies that have left group pension insurance policies (paid-up policies), which allows the company to retain up to 20 per cent of the profit from returns after any allocations to additional statutory reserves. The modified profit sharing model means that any negative risk result can be deducted from the customers' interest profit before sharing, if it is not covered by the risk equalisation fund.

Individual endowment insurance and pensions written by the Group prior to 1 January 2008 will continue to apply the profit rules effective prior to 2008. New contracts may not be established in this portfolio. The Group can retain up to 35 per cent of the total result after allocations to additional statutory reserves.

Any negative returns on customer portfolios and returns lower than the interest guarantee that cannot be covered by additional statutory reserves must be covered by the company's equity and will be included in the net profit sharing and losses line.

SPP Livförsäkring
If the total return on assets in one calendar year for a premium determined insurance (DC portfolio) exceeds the guaranteed interest, profit sharing will be triggered. When profit sharing is triggered, 90 per cent of the total return on assets passes to the policyholder and 10 per cent on the company. The company's share of the total return on assets is included in the financial result.

In the case of defined benefit contracts (DB portfolio), the company is entitled to charge an indexing fee if the group profit allows the indexing of the insurance, up to a maximum equalling the change in the consumer price index (CPI). The indexing is based on the return from 1 October until 30 September. Half of the fee is charged if the pensions can be indexed by the entire change in the CPI. The entire fee can be charged if the paid-up policies can also be indexed by the entire change in the CPI. A 100 per cent fee equals 0.8 per cent of the insurance capital.

The guaranteed liability is continuously monitored. If the guaranteed liability is higher than the value of assets, a provision must be made in the form of a deferred capital contribution. If the assets are lower than the guaranteed liability when the insurance payments start, the company supplies capital up to the guaranteed value in the form of a realised capital contribution. Changes in the deferred capital contribution are included in the financial result.

Note 5 | Segments

During the second quarter of 2013, Storebrand changed its corporate organization to include the business areas of Savings, Insurance, Guaranteed Pensions and Other. These business areas will be the main lines for financial reporting by segment.

Savings
Consists of products that include long-term saving for retirement with no explicit interest rate guarantees. The area includes defined contribution pensions in Norway and Sweden.

Insurance
Insurance is responsible for the group's risk products. The unit provides personal risk products in the Norwegian retail market and employee- and pension-related insurances in the Norwegian corporate market.

Guaranteed pension
Guaranteed pension consists of products that include long-term saving for retirement, where customers have a guaranteed return or performance of savings funds. The area includes defined contribution pensions in Norway and Sweden, paid-up policies and individual capital and pension insurances.

Other
Under the category 'Other', the performance of the company's portfolios in Storebrand Livsforsikring and SPP are reported. Results related to operations such as BenCo and small subsidiaries are also included.

RECONCILIATION AGAINST THE OFFICIAL PROFIT AND LOSS ACCOUNT

The results in the segments are reconciled against the Group result before amortisation and write-downs of intangible assets. The corporate profit and loss account includes gross income and gross costs linked to both the insurance customers and owners. In addition, the savings elements are included in premium income and in costs related to insurance. The various segments are to a large extent followed up in the follow-up of net profit margins, including follow-up of risk and administration results. The result lines that are used in segment reporting will therefore not be identical with the result lines in the corporate profit and loss account.

The figures for previous periods have been restated.

Result per line of business 31.12

	Savings		Insurance		Guaranteed pension	
NOK million	2013	2012	2013	2012	2013	2012
Fee and administration income	1,040	849			2,115	1,861
Risk result life & pensions	7	3			288	318
Insurance premiums f.o.a.			1,982	1,770		
Claims f.o.a.			-1,466	-1,252		
Operational cost	-752	-715	-249	-309	-1,111	-1,375
Financial result			102	122		
Result before profit sharing and loan losses	**296**	**137**	**369**		**1,292**	**804**
Net profit sharing and loan losses	2	2			373	389
Group result before amortisation	**298**	**139**	**369**	**331**	**1,665**	**1,193**
Amortisation and write-downs of intangible assets						
Pre-tax profit	**298**	**139**	**369**	**331**	**1,665**	**1,193**
Assets	85,261	64,583	3,992	3,074	274,406	271,202
Liabilities	83,983	55,358	3,992	3,074	266,302	263,869

	Other		Storebrand Livsforsikring Group	
NOK million	2013	2012	2013	2012
Fee and administration income	116	130	3,271	2,840
Risk result life & pensions	3	14	298	335
Insurance premiums f.o.a.			1,982	1,770
Claims f.o.a.			-1,466	-1,252
Operational cost	-66	-74	-2,178	-2,474
Financial result	48	121	150	243
Result before profit sharing and loan losses	**100**	**191**	**2,057**	**1,463**
Net profit sharing and loan losses	-7	-8	368	383
Group result before amortisation	**94**	**183**	**2,426**	**1,846**
Amortisation and write-downs of intangible assets			-375	-357
Pre-tax profit	**94**	**183**	**2,050**	**1,489**
Assets	43,418	36,296	407,078	375,155
Liabilities	32,788	35,592	387,066	357,893

Note 6 | Risk management and internal control

Storebrand's income is dependent on external factors that are associated with uncertainty. The most important external risk factors are the development of the capital markets and changes in life expectancy in the Norwegian and Swedish populations. Certain internal operational factors can also result in losses, e.g. errors in the management of the customers' assets.

Continuous monitoring and active risk management are therefore core areas of the Group's activities and organisation. The basis for risk management is laid down in the Board's annual review of the strategy and planning process, which sets the risk appetite, risk targets and overriding risk limits for the operations. In Storebrand Group, responsibility for risk management and internal control is an integral part of management responsibility.

ORGANISATION OF RISK MANAGEMENT

The Group's organisation of risk management follows a model based on three lines of defence. The objective of the model is to safeguard the responsibility for risk management at both company and Group level.

The boards of Storebrand ASA have overall responsibility for, and will ensure that, the Storebrand Group has established an effective and suitable system for risk management and internal control.

THE FIRST LINE OF DEFENCE

As the **first line of defence**, the **Group management have ownership** of and responsibility for risk management and handling as well as compliance with regulations and internal controls.

The basis for good internal control is a good control environment represented by the attitudes, integrity, values and ethics of the board, management and employees as well as the formal and operational organisation of the business:

- Risk management and internal control must be a continual process performed by the board, management and employees and integrated into the day-to-day management and running of the company.
- Good risk management and internal control require work with objectives, strategies and action plans, identifying and evaluating risk, reporting and prioritising and implementing improvement measures.
- Good risk management and internal control are characterised by good communication and information between all levels in the organisation and adequate control measures. Examples are internal regulations, descriptions of routines, instructions and authorisations, technological protection, certifications, votes, management reporting, and business methods (contracts, insurance, currency hedging etc.).

Managers at all levels in the organisation are responsible for risks, risk management and internal control within their own area of responsibility, and shall continuously assess the implementation of risk management and internal control. The units' own risk-control functions must be organised in such a way that they can perform their duties in an objective and independent manner. It is essential to emphasise sufficient independence for the control functions in order to prevent possible conflicts of interest. Situations in which individuals are responsible for a decision-making process for which they also act as control function must be avoided.

All managers at level 2 and level 3, as well as the managing directors at lower organisational levels, must each year confirm compliance with risk management and internal control through a separate manager confirmation.

SECOND LINE OF DEFENCE - RISK AND CONTROL FUNCTIONS

As the **second line of defence**, the CRO, compliance and actuarial functions shall **support** the board and management's responsibility with processes for:

1. Identifying, measuring, controlling and reporting risks (CRO).
2. Compliance with laws, **regulations** and other relevant regulatory framework. (Compliance function)
3. Correct valuation of **insurance liabilities** (Actuarial function)

The boards of Storebrand ASA and the subsidiaries are responsible for there being second line of defence risk and control functions adapted to the types of businesses in the respective companies (consideration of proportionality). Guidelines for the functions are included in the guiding documents that are stipulated by the respective boards. The managing directors of the Group companies are responsible for establishing functions within their respective companies in cooperation with the Group CRO. The principal model is that the second line of defence risk and control functions in the subsidiaries are functionally affiliated with the Group CRO. The functions shall be able to report directly to the respective boards and may only be terminated after the approval of the board.

The Group CRO reports to the CEO, independent of the members of the Group management. The board of Storebrand ASA stipulates guidelines for the responsibility and duties of the function.

THIRD LINE OF DEFENCE - INTERNAL AUDIT

As a **third line of defence**, the internal audit shall give the boards of relevant Group companies **confirmation** of the practicality and effectiveness of the organisation's assessment and management of risk, including how the first and second lines of defence are functioning.

Further information about the management of the financial market risk in certain areas

Below follows a description of the special situation concerning risk management of life insurance linked to the relationship between customers and the owner.

Life insurance

The composition of the financial assets is determined by the company's investment strategy. The investment strategy establishes guidelines and limits for the company's risk management, credit exposure, counterparty exposure, currency risk, the use of derivatives, and requirements regarding the liquidity in the asset portfolio. The objectives of this dynamic risk management are to maintain good risk bearing capacity and to adjust the financial risk to the company's financial strength. By exercising this type of risk management, the company expects to create good returns both for individual years and over time. However, financial risks are assumed in order to achieve returns in excess of the interest rate guarantee, primarily by means of equities, corporate bonds and alternative investments. The proportion of equities in the portfolios is dynamically adjusted based on their risk bearing capacity, in order to dampen the effect of falling markets and at the same time participate in rising markets.

Given the current investment portfolio and dynamic risk management strategy, the annual return for the main product groups will normally fluctuate between 2 per cent and 6 per cent. Smaller portions of the portfolio are invested in profiles with somewhat lower and somewhat higher market risk. Dynamic risk management and hedging transactions reduce the likelihood of a low investment return. If the investment return is not sufficient to meet the guaranteed interest rate, the shortfall will be met by using risk capital built up from previous years' surpluses. Risk capital primarily consists of unrealised gains, additional statutory reserves and conditional bonuses. The owner is responsible for meeting any shortfall that cannot be covered. The share capital is invested with a low market risk. The financial risk related to contracts in the unit-link and defined contribution pension product categories is borne by the insured person himself/herself, and the insured person can also choose the risk profile himself/herself.

The investment strategy and the main pillars of risk management:

- asset allocation that results in a good return over time
- continuous implementation of risk management measures in the customer portfolio through dynamic risk management

Storebrand Livsforsikring
A significant proportion of savings products in the Norwegian life insurance business incorporate a guaranteed annual return. Financial risk relates primarily to the ability to meet the customers' guaranteed return, which for the majority of the products applies for one year at a time. Therefore, risk management in this business aims to reduce the probability of the return falling below the annual guaranteed return for the various product groups in any single year.

The company's total risk picture is monitored continuously, using tools such as the Financial Supervisory Authority of Norway's Risk-based Supervision and self-developed risk goals.

SPP Livförsäkring
In SPP, the portfolios are divided into defined benefit pensions, defined contribution pensions and unit link contracts, and both defined benefit pensions and defined contribution pensions have associated guaranteed returns. In portfolios with a guaranteed return, the differences in the investments' and the insurance liabilities' interest rate sensitivity is minimised and the short-term interest risk is therefore substantially reduced.

In traditional insurance with an interest rate guarantee, SPP bears the risk of achieving a return equal to the guaranteed interest on the policyholders' assets and that the level of the contracts' assets is greater than the present value of the insurance liabilities. Profit sharing becomes relevant in SPP if the total return exceeds the guaranteed yield. In the case of some products a certain degree of consolidation, i.e. the assets are greater than the present value of the liabilities by a certain percentage, is required in order for the owner to have earnings. If the assets in an insurance contract in the company are smaller than the market value of the liability, an equity contribution is allocated that reflects this shortfall. This is termed a deferred capital contribution (DCC) and changes in its size are recognised in the profit and loss account as they occur. The contracts' buffer capital must be intact in order for profit sharing to represent a net income for the owner. When the contracts' assets exceed the present value of the liabilities, a buffer, which is termed the conditional bonus, is established. Changes in this customer buffer are not, however, recognised in the profit and loss account.

Note 7 | Insurance risk

Insurance risk is the risk of higher than expected payments and/or unfavourable changes in the value of an insurance liability due to the actual development differing from what was expected when premiums or provisions were calculated. Traditional life and pension insurance are offered as both group and individual contracts. Contracts are also offered in which the customer has the choice of investment.

The insurance risk in Norway is largely standardised between the contracts in the same industry as a result of detailed regulation from the authorities. In Sweden, the framework conditions for insurance contracts entail major differences between the contracts within the same industry.

The risk of long life expectancy is the greatest insurance risk in the Group. There are also risk of disability and risk of mortality. The life insurance risks are:

1. *Long life expectancy* – The risk of erroneously estimating life expectancy and future pension payments. Historical developments have shown that an increasing number attain retirement age and live longer as pensioners than was previously the case. There is a great deal of uncertainty surrounding future mortality development. In the event of longer life expectancy beyond that assumed in the premium tariffs, the owner could risk higher charges on the owner's result in order to cover necessary statutory provisions.
2. *Disability* – The risk of erroneous estimation of future illness and disability. There will be uncertainty surrounding the future development of disability.
3. *Death* – The risk of erroneous estimation of mortality or erroneous estimation of payment to surviving relatives. Over the last few years, a decrease in mortality and fewer young surviving relatives have been registered, compared with earlier years.

In the Guaranteed Pensions segment, the Group has a significant insurance risk relating to long life expectancy for group and individual insurance agreements. In addition, there is an insurance risk associated with disability and pensions left to spouses and/or children. The disability coverage in Guaranteed Pensions is primarily sold together with a retirement pension. The risk of mortality is low in Guaranteed Pensions when viewed in relation to other risks.

In the Savings segment the Group has a low insurance risk.

In the Insurance segment the Group has a life insurance risk associated with disability and death. In addition, there are insurance risks associated with occupational injury, critical illness, cancer insurance, child insurance, accident insurance and health insurance. For occupational injury, the risk is first and foremost potential errors in the assessment of the level of provisions, because the number of claim years can be up to 25 years. The risk within critical illness, cancer, accident and health insurance is considered to be very low based on the volume and underlying volatility of the products. Within P&C insurance, the risk of house fire and personal injury for motor vehicle insurance constitute the main risks.

The Other segment includes the insurance risk at BenCo. BenCo offers pension products to multinational companies through Nordben and Euroben. The insurance risk at BenCo primarily relates to group life insurance, early retirement pensions and pensions for expatriate employees. These are defined-benefit pensions that can be time-limited or lifelong. Many of the agreements have short durations, typically 5 year early retirement pensions, and the insurance risk is therefore limited.

DESCRIPTION OF PRODUCTS

Group contracts

Savings

1. Group defined contribution pensions are pensions where the premium is stated as a percentage of pay, while the payments depend on the actual added return.
2. Pension capital certificates are individual contracts with accrued rights that are issued upon withdrawal from or termination of group defined contribution pension agreements.

Guaranteed pensions

3. Group defined benefit pensions are pension payments guaranteed as a percentage of the final salary from an agreed age for as long as the insured person lives. Alternatively, it can be agreed that the pension will end at a specified age. The product is offered within the private sector. Cover that can be linked includes retirement and survivor pensions. In addition, there can be a link to a group disability pension in Norway.
4. Paid-up policies are individual contracts with accrued rights that are issued upon withdrawal from or termination of group defined-benefit pension agreements.

Insurance

5. Group life consists of group contracts that are offered in Norway with lump sum payments in the event of death or disability.
6. Health and P&C insurance contracts are group contracts with lump sum payments for occupational injury insurance, critical illness, cancer insurance, child insurance or accident insurance that are offered in Norway.

Individual contracts

Savings

1. Individual unit linked insurance is endowment insurance or allocated annuity in which the customer bears the financial risk. Related coverage can be linked in the event of death.

Guaranteed pensions

2. Individual allocated annuity or pension insurance provides guaranteed payments for as long as the insured person lives. Alternatively, it can be agreed that the pension will end at a specified age. It is offered to waive premiums/payments in the event of disability. The product can be linked to disability pensions.
3. Individual endowment insurance provides lump sum payments in the event of attaining a specified age, death or disability.
4. In Sweden, disability coverage is offered with a waiver of premiums and guaranteed ongoing payments. This is most common as an addition to pension insurance.

Insurance

5. Individual P&C insurance contracts are individual contracts with lump sum payments in the event of critical illness, cancer insurance, child insurance or accident insurance.

RISK PREMIUMS AND TARIFFS

GUARANTEED PENSIONS

The development in results in recent years has revealed a need for strengthening the premium reserves as they relate to long life expectancy for Norwegian group defined benefit pensions, including paid-up policies. The need for reserves applies in general to products that involve a guaranteed benefit, but the impact varies depending on the product composition and characteristics, as well as amendments to regulations, as a result of the pension reform, for example.

A new lifetime tariff (K2013) has been developed for group insurance. The tariff is based on three elements: These are the initial mortality, safety margin and future increase in life expectancy. Initial mortality is determined based on actual mortality in the insurance portfolio in the period from 2005-2009. The safety margin will take into account the difference in mortality based on income, random variation in mortality and the company's margins. The future increase in life expectancy entails that the projected life expectancy is also dependent on the year of birth. Today's 50-year-olds are not expected to live as long as 50-year-olds in 20 years' time. This factor is referred to as dynamic improvement in life expectancy. K2013 will thus be a dynamic tariff when it is introduced.

In the case of group pension insurance in Norway, the premiums for traditional retirement and survivor coverage follow the industry tariff K2005 until and including 31. December 2013 and from 2014 will follow the new industry tariff, K2013. Premiums for disability pensions are based on the company's own experience. Expense premiums are determined annually with a view to securing full cover for the next year's expected costs.

For individual insurance, the premiums for death risk and long life expectancy risk are based on tariffs produced by insurance companies on the basis of their shared experience. This applies to both endowment and pension insurance. Disability premiums are based on the company's own experience.

The risk premium for group insurance in Sweden is calculated as an equalised premium within the insurance group, based on the group distribution of age and gender, as well as the requirement for coverage of next of kin. The risk premium for individual insurance is determined individually and is based on age and gender.

INSURANCE

Tariffs for group life insurance and certain risk insurances within group pensions also depend on the industry/occupation, in addition to age and gender. Group life insurance also applies tariffs based on claims experience. The company's standard tariff for group life insurance, both for life and disability cover, is based on the company's own experience.

For P&C insurance (occupational injury, property and motor vehicle) the tariffs are based on the company's own experiences.

MANAGEMENT OF INSURANCE RISK

Insurance risk is monitored separately for every line of insurance in the current insurance portfolio. The development of the risk results is followed throughout the year. For each type of risk, the ordinary risk result for a period represents the difference between the risk premiums the company has collected for the period and the sum of provisions and payments that must be made for insured events that occur in the period. The risk result takes into account insured events that have not yet been reported, but which the company, on the basis of experience, assumes has occurred.

When writing individual risk cover, the customer is subject to a health check. The result of the health check is reflected in the level of premium quoted. When arranging group policies with risk cover, all employees of small companies are subject to a health check, while for companies with many employees a declaration of fitness for work is required. Underwriting also takes into account the company's industrial category, sector and sickness record.

Large claims or special events constitute a major risk for all products. The largest claims will typically be in the group life, occupational injury and personal injury segments.

The company manages its insurance risk through a variety of reinsurance programmes. Through catastrophe reinsurance (excess of loss), the company covers losses (single claims and reserves provisions) where a single event causes more than 3 deaths or disability cases. This cover is also subject to an upper limit. Surplus reinsurance on life policies covers death and disability risk that exceeds the maximum risk amount for own account the company practices. The company's maximum risk amount for own account is relatively high, and the risk reinsured is therefore relatively modest.

The company also manages its insurance risk through international pooling. This implies that multinational corporate customers can equalise the results between the various units internationally. Pooling is offered for group life and risk cover within group defined benefit and defined contribution pensions.

RISK RESULT

The table below specifies the risk result in the various legal entities and also states the effect of reinsurance and pooling on the result.

Specification of risk result	**Storebrand Livsforsikring AS**		**SPP**		**BenCo**	
NOK million	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Survival	-62	-118	-147	-90	-2	4
Death	364	350	87	84	2	
Disability	242	428	277	140	3	11
Reinsurance		-51	-3	2		
Pooling	-41	-74	-5	-3		
Other	-10	-6	-57	15	-1	-1
Total risk result	**493**	**529**	**152**	**149**	**3**	**13**

The risk result for Storebrand Livsforsikring AS in the table above shows the total risk result before distribution to customers and owner. See risk result note 4 for the principles for distributing the risk result between customers and the owner.

NOTE 8 | Financial market risk

Market risk is the risk of incurring losses on open positions in financial instruments due to changes in market variables and/or market conditions within a specified time horizon. Therefore, market risk is the risk of price changes in the financial markets, including changes in interest rates, and in the currency, equity, property or commodity markets, affecting the value of the company's financial instruments. Storebrand continuously monitors market risk using a range of evaluation methods. The potential for losses in the investment portfolio on a one-year horizon is calculated and the portfolios are stress tested pursuant to the statutorily defined stress tests as well as internal models.

GUARANTEED PENSIONS

GUARANTEED RATE (DISCOUNT RATE)

Storebrand Livsforsikring

The Financial Supervisory Authority of Norway sets the highest basic interest rate permitted for new policies and for new members/new accrual of benefits in group pension insurance. The highest basic interest rate for new policies was set at 3 per cent in 1993 and subsequently reduced to 2.75 per cent for policies entered into after 1 January 2006. The highest basic interest rate for new members/new accrual of benefits in group pension insurance was reduced from 4 per cent to 3 per cent with effect from annual renewals in 2004. The basic interest rate has been set at 2.5 per cent for new contracts from 2011. The Financial Supervisory Authority of Norway proposed a reduction in the basic interest rate to 2.0 per cent from 1. January 2014, however the Ministry of Finance decided to keep the basic interest rate unchanged at 2.5 per cent. The basic interest rate is the annual guaranteed return to the customers.

The percentage distribution of the insurance reserves by the various basic annual interest rates as at 31. December 2013 is:

Interest rate guarantee in per cent	2013	2012
6%	0.3 %	0.3 %
5%	0.4 %	0.5 %
4%	50.7 %	48.4 %
3.4 %	1.7 %	3.0 %
3%	35.2 %	36.7 %
2.75%	1.5 %	1.6 %
2.50%	9.7 %	5.1 %
0%	0.5 %	4.4 %

There is no interest rate guarantee for premium funds, defined-contribution funds, pensioners' surplus funds and additional statutory reserves.

The interest rate guarantee must be fulfilled on an annual basis. If the company's investment return in any given year is lower than the guaranteed interest rate, current legislation permits the equivalent of up to one year's guaranteed return for the individual policy to be covered by transfers from the policy's additional statutory reserves.

Average interest rate guarantee in per cent	2013	2012
Individual endowment insurance	3.2 %	3.2 %
Individual pension insurance	3.8 %	3.8 %
Group pension insurance	3.0 %	3.1 %
Paid-up policy	3.5 %	3.6 %
Group life insurance	0.3 %	0.2 %
Total	**3.28%**	**3.36%**

SPP Livförsäkring

The guaranteed interest rate is determined by the insurance company. The guaranteed interest rate is used when calculating the premium and the guaranteed benefit. The guaranteed interest rate does not entail that there is an annual minimum guarantee for the return equivalent to that in Norway.

The pension funds are managed in five different profiles depending on the guaranteed interest rate:

Interest rate guarantee in per cent	2013	2012
3.0 % DB	45.5 %	44.1 %
1.25 - 2.5 % P250	17.4 %	14.2 %
2.75 - 4.0 % P300	18.6 %	20.8 %
4.5 - 5.2 % P520	18.5 %	20.8 %

In Norway, a new lifetime tariff will be introduced for defined benefit pensions and paid-up policies from 2014. For the existing reserve there is a 5 year escalation plan, and customer returns exceeding the guarantee can contribute to building up reserves. During the escalation period it gives an increase in risk that may be compared with increasing the interest rate guarantee.

To achieve adequate returns it is necessary to take an investment risk (market risk).This is primarily done by investing in shares, property and credit bonds. It is possible to reduce market risk in the short term, but then the probability of achieving the necessary level of return is reduced. The risk management must balance these considerations, including the effect on the required rate of return from the required build-up of reserves. Dynamic risk management of the equity percentage is also utilised.

Interest rate risk is in a special position because changes in interest rates also affect the value of the insurance liability. Since pension disbursements may be many years in the future, the insurance liability is particularly sensitive to changes in interest rates. Risk management shall reduce this risk by undertaking investments with a corresponding level of interest rate sensitivity. In Sweden, management of interest rate risk is based on this principle which entails that the financial result has a low interest rate risk. However, because the solvency accounts are based on a different yield curve, an interest rate risk relating to solvency then arises.

In Norway, greater interest rate sensitivity from the investments will give increased risk that the return is below the guarantee. The risk management must therefore balance the risk of the profit for the year (interest rate increase) with the reinvestment risk if interest rates fall below the guarantee in the future. Bonds at amortised cost are an important risk management tool.

Savings

For non-guaranteed pension products, the customer has the financial market risk.

The market risk for non-guaranteed pensions is primarily related to the risk that future income and costs will change. There is therefore an indirect market risk, because negative investment returns, particularly as a result of weak stock markets, will reduce future incomes.

SENSITIVITY ANALYSES

GUARANTEED PENSIONS

The stress tests were applied to the investment portfolio as at 31. December 2013 and the outcome shows the estimated effect on profits for one stress after the other for the year as a whole. The analysis was done with immediate individual stresses, i.e. a class of assets experiences a day with sharp market fluctuations, and the associated effect on the result.

Storebrand Livsforsikring has used Risk-based Supervision (RBS), the Financial Supervisory Authority of Norway's official reporting document. The stresses were as follows: shares +/- 20 per cent, interest rates +/- 150 basis points, property +/- 12 per cent, foreign currency +/- 12 per cent, spread based on rating and duration. The buffer capital for market risk consists of, additional statutory reserves that can be recognised as income in 2014, market value adjustment reserve and the unrealised gain reserve. SPP Livförsäkring has used the traffic light, the official reporting document of Finansinspectionen.

Since it is the immediate market changes that are shown in the tables below, the dynamic risk management for the Group's life insurance companies will not affect the outcome. If it is assumed that the market changes occur over a period of time, then dynamic risk management would reduce the effect of the negative outcomes and reinforce the positive to some extent.

The stresses were applied individually, but the overall market risk has used the correlations between the stresses, and thus it is less than the sum of the individual stresses. In addition to the negative result effect for the owner, the expected building up of buffer capital will, to a substantial degree, fall away in the negative stress tests. In the case of the positive stress tests, greater building up of buffer capital is also assumed, in addition to the positive result effects for the owner in the form of the market value adjustment reserve, additional statutory reserves and conditional bonuses.

The effect on the result of products without a guaranteed return, primarily defined-contribution pensions and unit linked, are not included in the analysis. For these products, the customers bear the market risk and the effect of a falling market on the owner's result will be very limited.

Changes in market risk that arise during the course of 1 year and the buffer capital's coverage of the market risks will be as presented below, based on the statement of financial position as at 31. December 2013:

STOREBRAND LIVSFORSIKRING AS

Change in market value 2013	NOK million	Percentage of buffer
Buffer for market risk from RBT	7,165	
Interest rate risk	2,206	31%
Equity price risk	4,537	63%
Property price risk	2,577	36%
Foreign exchange risk	297	4%
Spread risk	1,766	25%
Market risk (correlated)	8,430	

The stress tests were carried out in the entire company portfolio and all investment profiles with a guaranteed return and the effect of each stress changes the expected return in each profile. For the negative stress tests (equities down, interest rates up and property down) the return in some individual profiles will fall below the guarantee. The guarantee and buffer situation for each contract will then determine how much equity the company may have to use if the return stays at this level for 2014. Beyond the need for utilising equity to cover returns below the guarantee, it is changes in the profit sharing for paid-up policies and individual contracts, as well as returns and interest expenses in the company portfolio that deviate most from the expected result for 2014. The effect of negative stresses has declined since last year. The most important reason for this is the increased customer buffers in the life portfolios.

SPP LIVFÖRSÄKRING

Change in market value 2013	SEK million	Percentage of buffer
Buffer for market risk from RBT	7 676	
Interest rate risk	-95	-1%
Equity price risk	2 056	27%
Property price risk	636	8%
Foreign exchange risk	1 757	23%
Spread risk	176	2%
Market risk (correlated)	4 027	

The note that shows the effect on the result/equity shows the effect on the financial result excluding profit sharing. Not all changes in market value affect the financial result. The part of the market value change that affects the result is the part that cannot be offset against the profit already earned by the customers (conditional bonuses).

OTHER OPERATIONS

The other companies in the Storebrand Livsforsikring Group are not included in the sensitivity analyses, as there is little market risk in these areas. The equity of these companies is invested with little or no allocation to high-risk assets, and the products do not entail a direct risk for the company as a result of price fluctuations in the capital market.

Note 9 | Liquidity risk

Liquidity risk is the risk that the company will not have sufficient liquidity to meet its payment obligations when they fall due, or that the company will not be able to sell securities at acceptable prices. Storebrand Life Insurance's and SPP's insurance liabilities are long-term and are usually known long before they fall due, but a solid liquidity buffer is still important for withstanding unforeseen events.

Separate liquidity strategies have been drawn up for the subsidiaries, in line with statutory requirements. These strategies specify limits and measures for ensuring good liquidity and a minimum allocation to assets that can be sold at short notice. The strategies define limits for allocations to various asset types and mean the companies have money market investments, bonds, equities and other liquid investments that can be disposed of as required.

In addition to clear strategies and the risk management of liquidity reserves in each subsidiary, the Group's holding company has established a liquidity buffer. The development of the liquid holdings is continuously monitored at the Group level in relation to internal limits. A particular risk for Storebrand ASA is that during certain periods the financial markets can be closed for new borrowing. Measures for minimising the liquidity risk are to maintain a regular maturity structure for the loans, an adequate liquidity buffer and credit agreements with banks which the company can draw on if necessary.

STOREBRAND LIVSFORSIKRING GROUP

Undiscounted cash flows for financial liabilities

NOK million	0-6 months	6-12 months	1-3 years	3-5 years	over 5 years	Total value	Book value
Subordinated loan capital	2,079	43	1,639	1,975	3,370	9,107	6,829
Other current liabilities [1]	6,177					6,177	6,177
Uncalled residual liabilities Limited partnership	4,038					4,038	4,038
Total financial liabilities 2013	**12,294**	**43**	**1,639**	**1,975**	**3,370**	**19,322**	**17,044**
Derivatives related to funding 2013	**-180**	**113**	**-89**	**7**	**-71**	**-219**	**-362**
Total financial liabilities 2012	**15,669**	**23**	**3,073**	**180**	**1,545**	**20,490**	**13,407**

The agreed remaining term provides limited information about the company's liquidity risk since the vast majority of investment assets can be realised more quickly in the secondary market than the agreed remaining term. The cash flow from perpetual subordinated loans is calculated up to the first call.

[1] Of which the minority interests in Storebrand Eiendomsfond KS amount to NOK 2,342 million. From 1. January 2014 participants can present a demand for redemption. Redemption is conditional on a total demand of NOK 100 million. The redemption sum is set at 98.75 per cent of VEK. Also see note 40.

Specification of subordinated loan capital and hybrid tier 1 capital

NOK million	Nominal value	Currency	Interest rate	Call date	Book value
Issuer					
Hybrid tier 1 capital					
Storebrand Livsforsikring AS	1,500	NOK	Variable	2018	1,502
Perpetual subordinated loan capital					
Storebrand Livsforsikring AS	1,000	NOK	Fixed	2015	1,086
Storebrand Livsforsikring AS	1,700	NOK	Variable	2014	1,701
Dated subordinated loan capital					
Storebrand Livsforsikring AS	300	EUR	Fixed	2023	2,540
Total subordinated loan capital and hybrid tier 1 capital 2013					**6,829**
Total subordinated loan capital and hybrid tier 1 capital 2012					**6,643**

STOREBRAND LIVSFORSIKRING AS

Undiscounted cash flows for financial liabilities

NOK million	0-6 months	6-12 months	1-3 years	3-5 years	over 5 years	Total value	Book value
Subordinated loan capital	2,079	43	1,639	1,975	3,370	9,107	6,829
Other current liabilities	2,325					2,325	2,325
Uncalled residual liabilities Limited partnership	3,022					3,022	
Total financial liabilities 2013	**7,426**	**43**	**1,639**	**1,975**	**3,370**	**14,453**	**9,154**
Derivatives related to funding 2013	**-180**	**113**	**-89**	**7**	**-71**	**-219**	**-323**
Total financial liabilities 2012	**11,958**	**23**	**3,073**	**180**	**1,545**	**16,779**	**11,298**

The agreed remaining term provides limited information about the company's liquidity risk since the vast majority of investment assets can be realised more quickly in the secondary market than the agreed remaining term. The cash flow from perpetual subordinated loans is calculated up to the first call.

Note 10 | Credit risk

Credit risk is the risk of incurring losses due to a counterparty's unwillingness or inability to meet its obligations. Maximum limits for credit exposure to individual debtors and for overall credit exposure to rating categories are set by the boards of the individual companies in the Group. Particular attention is paid to ensuring diversification of credit exposure in order to avoid concentrating credit exposure on any particular debtors or sectors. Changes in the credit standing of debtors are monitored and followed up. Thus far, the Group has used published credit ratings wherever possible, supplemented by the company's own credit evaluation when there are no published ratings. The Group has entered into framework agreements with all counterparties to reduce the risk inherent in outstanding derivative transactions. These regulate, inter alia, how collateral is to be pledged against changes in market values which are calculated on a daily basis.

Bonds and derivatives are presented below by rating and lending by customer groups.

STOREBRAND LIVSFORSIKRING GROUP

Credit risk by counterparty

BONDS AND OTHER FIXED-INCOME SECURITIES AT FAIR VALUE

Category of issuer or guarantor

NOK million	AAA Fair value	AA Fair value	A Fair value	BBB Fair value	NIG Fair value	Total Fair value
Government and government guaranteed bonds	55,816	7,368	161	246	720	64,311
Credit bonds	218	3,757	20,675	15,490	4,900	45,040
Mortgage and asset backed bonds	34,768	5,717	1,638	3,507	637	46,267
Supranational and agency	4,154	313	2,349	2,238	349	9,403
Total interest bearing securities stated by credit rating	**94,955**	**17,156**	**24,823**	**21,481**	**6,606**	**165,021**
Bond fund not managed by Storebrand						14,819
Non interest bearing securities in bond fund managed by Storebrand						2,670
Total 2013	**94,955**	**17,156**	**24,823**	**21,481**	**6,606**	**182,511**
Total 2012	**104,063**	**20,171**	**24,950**	**15,494**	**3,666**	**179,924**

BONDS AT AMORTISED COST

Category by issuer or guarantor

NOK million	AAA Fair value	AA Fair value	A Fair value	BBB Fair value	NIG Fair value	Total Fair value
Government and government guaranteed bonds	16,599	10,267		1,018	1,825	29,708
Credit bonds	391	4,367	13,384	5,963	576	24,681
Mortgage and asset backed bonds	25,706	4,707	907			31,320
Total 2013	**42,696**	**19,341**	**14,291**	**6,980**	**2,401**	**85,709**
Total 2012	**42,761**	**16,274**	**9,101**	**2,351**	**1,169**	**71,656**

COUNTERPARTIES

NOK million	AAA Fair value	AA Fair value	A Fair value	BBB Fair value	NIG Fair value	Tot Fair value
Derivatives		755	933			1,687
Of which derivatives in bond fund managed by Storebrand		17	177			194
Total derivatives excluding derivatives in bond fund 2013		**737**	**755**			**1,493**
Total derivatives excluding derivatives in bond fund 2012	**1,975**	**360**	**660**	**6**		**3,000**
Bank deposits	16	5,776	1,996	483	24	8,295
Of which bank deposits in bond fund managed by Storebrand		853				853
Total bank deposits excluding bank deposits in bond fund 2013	**16**	**4,922**	**1,996**	**483**	**24**	**7,442**
Total bank deposits excluding bank deposits in bond fund 2012	**26**	**5,137**	**1,153**	**540**	**68**	**6,923**

Rating classes are based on Standard & Poor's ratings.
NIG = Non-investment grade

LENDING
Commitments by customer groups

NOK million	Lending to and receivables from customers	Unused credit line	Total commitments
Development of building projects	3,508		3,508
Wage-earners	3		3
Total 2013	**3,512**		**3,512**
Total 2012	**3,846**	**1,068**	**4,915**

Storebrand Livsforsikring AS have a syndicate agreement with Storebrand Bank. The loans that are syndicated to Storebrand Livsforsikring have first priority within 60 per cent.

STOREBRAND LIVSFORSIKRING AS

Credit risk by counterparty

BONDS AND OTHER FIXED-INCOME SECURITIES AT FAIR VALUE
Category of issuer or guarantor

NOK million	AAA Fair value	AA Fair value	A Fair value	BBB Fair value	NIG Fair value	Total Fair value
Government and government guaranteed bonds	23,735	725	119	188	720	25,487
Credit bonds	52	1,954	13,179	12,902	4,119	32,206
Mortgage and asset backed bonds	8,088	1,643		3,431	619	13,780
Supranational and agency	1	1	1,784	1,586	349	3,721
Total interest bearing securities stated by credit rating	**31,877**	**4,323**	**15,083**	**18,106**	**5,807**	**75,195**
Bond fund not managed by Storebrand						1,094
Non interest bearing securities in bond fund managed by Storebrand						2,640
Total 2013	**31,877**	**4,323**	**15,083**	**18,106**	**5,807**	**78,930**
Total 2012	**41,610**	**8,524**	**16,974**	**12,983**	**3,029**	**86,649**

BONDS AT AMORTISED COST

Category by issuer or guarantor

NOK million	AAA Fair value	AA Fair value	A Fair value	BBB Fair value	NIG Fair value	Total Fair value
Government and government guaranteed bonds	16,599	10,267		1,018	1,825	29,708
Credit bonds	391	4,367	13,384	5,963	576	24,681
Mortgage and asset backed bonds	25,706	4,707	907			31,320
Total 2013	**42,696**	**19,341**	**14,291**	**6,980**	**2,401**	**85,709**
Total 2012	**42,761**	**16,274**	**9,101**	**2,351**	**1,169**	**71,656**

COUNTERPARTS

NOK million	AA Fair value	A Fair value	BBB Fair value	NIG Fair value	Total Fair value
Derivatives	410	388			798
Of which derivatives in bond fund managed by Storebrand	17	177			194
Total derivatives excluding derivatives in bond fund 2013	**393**	**211**			**604**
Total derivatives excluding derivatives in bond fund 2012	**343**	**637**			**980**
Bank deposits	4,365			24	4,389
Of which bank deposits in bond fund managed by Storebrand	853				853
Total bank deposits excluding bank deposits in bond fund 2013	**3,512**			**24**	**3,536**
Total bank deposits excluding bank deposits in bond fund 2012	**3,219**		**43**	**65**	**3,328**

Rating classes are based on Standard & Poor's ratings.
NIG = Non-investment grade

LENDING
Commitments by customer groups

NOK million	Lending to and receivables from customers	Unused credit line	Total commitments
Development of building projects	3,508		3,508
Wage-earners	3		3
Total 2013	**3,512**		**3,512**
Total 2012	**3,846**	**1,068**	**3,846**

Storebrand Livsforsikring AS have a syndicate agreement with Storebrand Bank. The loans that are syndicated to Storebrand Livsforsikring have first priority within 60 per cent.

Note 11 | Concentrations of risk

Most of the risk for the Storebrand Livsforsikring Group relates to the guaranteed life insurance businesses. These risks are consolidated in the Storebrand Livsforsikring Group which includes the Norwegian life insurance business (Storebrand Livsforsikring AS), the Swedish life insurance businesses (SPP Livförsäkring AB and SPP Liv Fondförsäkring AB) and the business in Ireland and Guernsey (BenCo). In the life insurance businesses, most of the risk is taken on behalf of the customers. The total risk must therefore be viewed in connection with the extent to which a negative outcome affects the owner. For other companies, the entire risk will affect the owner.

For the life insurance businesses, the greatest risks are largely the same for Norway and Sweden. The market risk will depend significantly on global circumstances that influence the investment portfolios in all businesses. The insurance risk may be different for the various companies, and long life in particular can be influenced by universal trends.

The financial market and investment risks are largely related to the customer portfolios in the life insurance business. The risk associated with a negative outcome in the financial market is described and quantified in note 8 - financial market risk.

In the short term, an interest rate increase will negatively impact on the returns for the life insurance companies.

Note 12 | Regulatory matters

SOLVENCY II

Solvency II is a set of rules covering solvency that will apply to all ¬insurance companies in the EU and the EEC area. It is expected that final adoption in the EU Parliament could occur in early 2014, and that the regulations will be introduced from1 January 2016. The plan is for transitional rules of up to16 years for the phasing-in of Solvency II valuation of the insurance liability. This also allows for a supplement on the discount interest rate.

The European supervisory authority (EIOPA) has introduced formal requirements for preparations for Solvency II with effect from 1 January 2014. This involves the requirements in Solvency II for business management and controls (pillar 2) being phased in, including requirements for self-assessment of risk and solvency (ORSA), and that parts of the reporting requirements to the supervisory authorities (pillar 3) be introduced as at 31. December 2014. The capital requirements (pillar 1) and the reporting requirements for the market will not apply before formal Solvency II implementation in 2016.

THE OCCUPATIONAL PENSION REGULATIONS

NEW GROUP OCCUPATIONAL PENSION

Occupational pension statutes in Norway are undergoing a series of changes in order to adapt them to National Insurance reforms. The Occupational Pensions Act will enter into force from 2014. The new Act allows for a defined contribution-based hybrid product with the possibility of premiums of up to 7 per cent of loans up to 7.1 G and 25.1 percent of salaries between 7.1 and 12 G. The product shall have mortality inheritance and gender-differentiated premiums will be used as a basis. The pension payments can be lifelong or time-limited for at least 10 years and until a minimum age of 80. The company can choose whether the occupational pension is to include wage adjustment, zero guarantee or individual investment choices . The product's management of the life expectancy risk and interest rate risk are well adapted to Solvency II.

EXISTING GROUP OCCUPATIONAL PENSION

The maximum contribution rates for defined contribution pensions have been increased/harmonised to the same level as in the Act relating to occupational pensions.

In the hearing for the Banking Law Commission's proposed amendments to the regulations for guaranteed benefits (referred to in NOU 2013:3), measures were proposed for better adaptation to Solvency II. The Ministry of Finance did not follow this up in its bill Prop. 199L 2012-2013.

In the draft legislation the Ministry of Finance writes that the Banking Law Commission is given a mandate to study whether it is desirable and possible to establish a form of defined benefit-based group retirement pension, adapted to the new age accrual in the National Insurance scheme. In connection with this work, the Ministry will assess whether there is a need for additional rules for the transition between the pension schemes.

PAID-UP POLICIES WITH INVESTMENT OPTIONS

The Act relating to paid-up policies with investment options was approved by the Storting on 10 December 2012, however will enter into force during 2014. The Ministry of Finance submitted for consultation a proposal that conversion can first take place in accordance with the escalation to mortality basis K2013 and more detailed rules pertaining to information and advisory requirements for paid-up policies with investment options. The deadline for submissions was set for 17 January 2014. The Ministry of Finance then asked the Financial Supervisory Authority of Norway to assess and propose more detailed rules regarding disbursement profiles. These will also be submitted for consultation.

GROUP RISK COVER (DISABILITY PENSIONS)

On 4 December 2013 the Banking Law Commission delivered NOU 2013:12 "Disability pension in private occupational pension schemes". The proposal is an adaptation to the National Insurance scheme where disability benefits are amended from 2015. The new disability product will give the right to a disability pension regardless of earnings after the period of service. Upon resignation and termination of employment, the right to a paid-up policy will be cancelled unless this is agreed.

National Insurance disability benefit constitutes 66 % of income up to 6 G. The Banking Law Commission proposes that disability pension may constitute up to 10 per cent of earned income up to 12 G. In addition, the company may insure up to 66 % of income between 6 and 12 G. As in the National Insurance scheme it introduces curtailment for earned income over 0.4 G. In addition, it is planned that prior accrued rights, both from the public sector and the private sector, will be coordinated with the new disability pension.

Note 13 | Valuation of financial instruments and properties

VALUATION OF FINANCIAL INSTRUMENTS AND PROPERTIES AT FAIR VALUE

The Group conducts a comprehensive process to ensure that financial instruments are valued as closely as possible to their market value. Publicly listed financial instruments are valued on the basis of the official closing price on stock exchanges, supplied by Reuters and Bloomberg. Fund units are generally valued at the updated official NAV prices when such prices exist. Bonds are generally valued based on prices obtained from Reuters and Bloomberg. Bonds that are not regularly quoted will normally be valued using recognised theoretical models. The latter is particularly applicable to bonds denominated in Norwegian kroner. Discount rates composed of the swap rates plus a credit premium are used as a basis for these types of valuations. The credit premium will often be specific to the issuer, and will normally be based on a consensus of credit spreads quoted by a selected brokerage firm.

Unlisted derivatives, including primarily interest rate and foreign exchange instruments, are also valued theoretically. Money market rates, swap rates, exchange rates and volatilities that form the basis for valuations are supplied by Reuters and Bloomberg.

The Group carries out continual checks to safeguard the quality of market data that has been collected from external sources. These types of checks will generally involve comparing multiple sources as well as controlling and assessing the likelihood of unusual changes.

The Group categorises financial instruments valued at fair value on three different levels, which are described in more detail below. The levels express the differing degrees of liquidity and different measurement methods used. The company has established valuation models to gather information from a wide range of well-informed sources with a view to minimising the uncertainty of valuations.

STOREBRAND LIVSFORSIKRING GROUP

NOK million	Quoted prices (level 1)	Observable assump-tions (level 2)	Non-observable assumptions (level 3)	2013	2012
Assets					
Equities and units					
- Equities	12,969	469	3,268	16,706	12,765
- Fund units	167	66,899	1,327	68,393	51,968
- Private Equity fund investments		241	6,132	6,373	6,090
- Real estate fund			1,217	1,217	1,387
Total equities and units	**13,135**	**67,609**	**11,945**	**92,689**	
Total equities and units 2012	**9,305**	**51,652**	**11,253**		**72,211**
Bonds and other fixed income securities					
- Government and government guaranteed bonds	26,274	35,328		61,602	50,731
- Credit bonds	20	22,549	1,669	24,238	25,046
- Mortgage and asset backed bonds		42,296		42,296	41,020
- Supranational and agency	159	7,008		7,167	3,647
- Bond funds	717	46,492		47,209	59,479
Total bonds and other fixed income securities	**27,170**	**153,672**	**1,669**	**182,511**	
Total bonds and other fixed income securities 2012	**24,614**	**154,077**	**1,233**		**179,924**
Derivatives:					
- Interest rate derivatives		-664		-664	1,650
- Currency derivatives		35		35	594
Total derivatives		**-629**		**-629**	
- derivatives with a positive market value		1,493		1,493	
- derivatives with a negative market value		-2,122		-2,122	
Total derivatives 2012		**2,245**			**2,245**
Real estate:					
- real estate at fair value			24,175	24,175	
- real estate for own use			2,491	2,491	
Total real estate			**26,666**	**26,666**	
Total real estate 2012			**30,954**		**30,954**

Movements between quoted prices and observable assumptions

NOK million	From quoted prices to observable assumptions	From observable assumptions to quoted prices
Equities and units	52	65

Movements from level 1 to level 2 reflect reduced sales value in the relevant equities in the last measuring period.
On the other hand, movements from level 2 to level 1 indicate increased sales value in the relevant equities in the last measuring period.

Specification of papers pursuant to valuation techniques (non-observable assumptions)

NOK million	Equities	Fund units	Private Equity fund investments	Real estate fund	Credit bonds	Real estate	Real estate for own use
Book value 01.01	2,958	1,695	5,406	1,372	1,233	28,723	2,231
Net profit/loss	170	504	1,076	-2,490	573	3	88
Supply/disposal	533	902	391	2,598	156	538	85
Sales/overdue/settlement	-537	-1,492	-816	-278	-420	-5,202	
To quoted prices and observable assumptions		-382	11	15	80		
Translation differences	145	100	64		47	113	88
Book value 31.12.13	**3,269**	**1,327**	**6,132**	**1,217**	**1,669**	**24,175**	**2,491**

STOREBRAND LIVSFORSIKRING AS

NOK million	Quoted prices (level 1)	Observable assumptions (level 2)	Non-bbservable assumptions (level 3)	2013	2012
Assets					
Equities and units					
- Equities	4,246	136	1,705	6,086	2,828
- Fund units		25,048	791	25,840	18,685
- Private Equity fund investments		241	5,185	5,426	5,419
- Real estate fund			1,217	1,217	
Total equities and units	**4,246**	**25,425**	**8,898**	**38,569**	
Total equities and units 2012	**1,255**	**18,704**	**6,973**		**26,932**
Bonds and other fixed income securities					
- Government and government guaranteed bonds	14,818	8,088		22,906	8,552
- Credit bonds		10,387	1,058	11,446	14,284
- Mortgage and asset backed bonds		10,080		10,080	12,617
- Supranational and agency		1,511		1,511	722
- Bond funds		32,987		32,987	50,474
Total bonds and other fixed income securities	**14,818**	**63,053**	**1,058**	**78,930**	
Total bonds and other fixed income securities 2012	**8,550**	**77,314**	**784**		**86,649**
Derivatives:					
- Interest rate derivatives		324		324	388
- Currency derivatives		-158		-158	386
Total derivatives		**166**		**166**	
- derivatives with a positive market value		604		604	
- derivatives with a negative market value		-438		-438	
Total derivatives 2012		**774**			**774**

Movements between quoted prices and observable assumptions

NOK million	From quoted prices to observable assumptions	From observable assumptions to quoted prices
Equities and units		42

Movements from level 1 to level 2 reflect reduced sales value in the relevant equities in the last measuring period.
On the other hand, movements from level 2 to level 1 indicate increased sales value in the relevant equities in the last measuring period.

Specification of papers pursuant to valuation techniques (non-observable assumptions)

NOK million	Equities	Fund units	Private Equity fund investments	Real estate fund	Credit bonds
Book value 01.01	1 499	740	4 734	1 372	784
Net profit/loss	84	42	798	-2 490	87
Supply/disposal	252	758	391	2 598	156
Sales/overdue/settlement	-130	-749	-750	-278	-9
To quoted prices and observable assumptions			11	15	40
Book value 31.12.13	**1 705**	**791**	**5 185**	**1 217**	**1 058**

LEVEL 1: FINANCIAL INSTRUMENTS VALUED ON THE BASIS OF QUOTED PRICES FOR IDENTICAL ASSETS IN ACTIVE MARKETS

This category encompasses listed equities that over the previous three months have experienced average daily trading equivalent to approximately NOK 15 million or more. Based on this, the equities are regarded as sufficiently liquid to be included at this level. Bonds, certificates or equivalent instruments issued by national governments are generally classified as level 1. When it comes to derivatives, standardised stock index futures and interest rate futures will also be included at this level.

LEVEL 2: FINANCIAL INSTRUMENTS VALUED ON THE BASIS OF OBSERVABLE MARKET INFORMATION NOT COVERED BY LEVEL 1

This category encompasses financial instruments that are valued on the basis of market information that can be directly observable or indirectly observable. Market information that is indirectly observable means that the prices can be derived from observable related markets. Level 2 includes shares or equivalent equity instruments for which market prices are available, but where the volume of transactions is too limited to fulfil the criteria in level 1. Shares in this level will normally have been traded during the last month. Bonds and equivalent instruments are generally classified in this level. Moreover, interest rate and foreign exchange swaps, non-standardised interest rate and foreign exchange derivatives are classified as level 2. Fund investments, with the exception of private equity funds, are generally classified as level 2, and encompass equity, interest rate, and hedge funds.

LEVEL 3: FINANCIAL INSTRUMENTS VALUED ON THE BASIS OF INFORMATION THAT IS NOT OBSERVABLE IN ACCORDANCE WITH LEVEL 2

Equities classified as level 3 encompass investments in primarily unlisted/private companies. These include investments in forestry, real estate and infrastructure. Private equity is generally classified as level 3 through direct investments or investments in funds.

The types of mutual funds classified as level 3 are discussed in more detail below with a reference to the type of mutual fund and the valuation method. Storebrand is of the opinion that the valuation method used represents a best estimate of the mutual fund's market value.

UNLISTED EQUITIES – INCLUDING FORESTRY

The external valuations are based on models that include non-observable assumptions. Besides the external valuations that have been conducted as of 31 December 2013, the equity investments are stated on the basis of value adjusted equity reported by external sources. Comprehensive external valuations were carried out for the largest forestry investments as of 31 December 2013 and these form the basis for the valuation of the company's investments.

PRIVATE EQUITY

The majority of Storebrand's private equity investments are investments in private equity funds. The Group also has a number of direct investments. Private equity investments are considered long-term investments where Storebrand expects to benefit by its involvement through the duration of the projects.

The investments in private equity funds are stated on the basis of the values reported by the funds. Most private equity funds report on a quarterly basis, while a few report less often. For investments where Storebrand has not received an updated valuation by the time the annual financial statements are closed, the last valuation received will be used and adjusted for cash flows and any market effects during the period from the last valuation up to the reporting date. These market effects are estimated on the basis of the type of valuations made of the companies in the underlying funds; the financial performance of relevant indexes, adjusted for estimated correlation between the relevant company and the relevant index.

In the case of direct private equity investments, the valuation is based on either recently conducted transactions or a model in which a company that is in continuous operation is assessed by comparing the key figures with equivalent listed companies or groups of equivalent listed companies. In some cases, the value is reduced by a liquidity discount, which can vary from investment to investment. Companies that are in a start-up phase, have undergone previous expansions, or which are undergoing structural changes for some other reasons that make them harder to price in relation to a reference group will be stated at the lowest of cost or estimated value.

In the case of investments in which Storebrand participates as a co-investor together with a leading investor that conducts a valuation, and no recent transactions exist, Storebrand will use this value after it has been quality assured. In the case of investments for which Storebrand has not received an up-to-date valuation as of 31 December from a leading investor by the time the annual financial statements are closed, the previous valuation is used and adjusted for any market effects during the period from the last valuation up to the reporting date. In those cases where no valuation is available from a leading investor in the syndicate, a separate valuation will be made, as described above.

REAL ESTATE FUND

Indirect real estate investments are primarily investments in funds with underlying real estate investments where Storebrand's intention is to own the investments throughout the fund's lifetime. Real estate funds are valued on the basis of information received from the individual fund manager.

Most managers' report on a quarterly basis and the most common method used by the individual fund managers is an external quarterly valuation of the fund's assets. This involves the manager calculating a net asset value (NAV). Funds often report NAV with a quarter's delay in relation to the preparation of Storebrand's financial statements. In order to take account of the changes in value in the last quarter, internal estimates are made of the changes in value based on developments in the market and by conferring with the respective managers.

INVESTMENT PROPERTIES

The investment properties primarily consist of office buildings located in Oslo and Stockholm and shopping centres in Southern Norway.

Office buildings in Norway:

When calculating fair value, Storebrand uses an internal cash flow model. Net cash flows for the individual property are discounted by an individual required rate of return. A future income and expense picture for the first 10 years has been estimated for the office properties and a final value has been calculated for the end of the 10th year based on market rent and normal operating costs for the property. In the net income stream, consideration has been made to existing and future loss of income due to vacancy, necessary investments and an assessment of the future development in the market rent. Storebrand has an average occupancy rate in the office property portfolio of 92-99 per cent. The majority of contracts have a duration of five or ten years. The cash flows from these lease agreements (contractual rent) are included in the valuations. To estimate the long-term, future non-contractual rental incomes, a forecasting model has been developed. The model is based on historical observations in Dagens Næringsliv's property index (adjusted by CPI) and market estimates. A long-term, time-weighted average of the annual observations is calculated in which the oldest observations are weighted with the lowest importance. For non-contractual rent in the short-term, the current rental prices and market situation are used.

An individual required rate of return is determined for each property. The required rate of return is viewed in connection with the related cash flow for the property. The knowledge available about the market's required rate of return, including transactions and appraisals, is used when determining the cash flow.

The required rate of return is divided into the following elements:
Risk-free interest
Risk premium, adjusted for:

- Type of property
- Location
- Structural standard
- Environmental standard
- Duration of contract
- Quality of tenant
- Other factors such as transactions and perception in the market, vacancy and general knowledge about the market and the individual property.

Shopping centres in Norway:
For the shopping centres, the value of the properties is calculated based on a market-related yield. In instances in which there is knowledge of significant changes in the expected cash flow in future years, this is taken into consideration in the valuation.

External appraisals:
A methodical approach is taken to a selection of properties that are to be appraised each quarter so that all properties are appraised at least every three years. In 2013, appraisals corresponding to about 70 per cent of Storebrand's property portfolio in Norway were obtained.

In SPP appraisals are obtained for all of the wholly owned property investments.

SENSITIVITY ASSESSMENTS

Forestry investments
Forestry investments are characterised by, among other things, very long cash flow periods. There can be some uncertainty associated with future cash flows due to future income and costs growth, even though these assumptions are based on recognised sources. Nonetheless, valuations of forestry investments will be particularly sensitive to the discount rate used in the estimate. The company bases its valuation on external valuations. These utilise an estimated market-related required rate of return. As a reasonable alternative assumption with regard to the required rate of return used, a change in the discount rate of 0.25 per cent would result in an estimated change of around 4.6 per cent in value, depending on the maturity of the forest and other factors.

	Change in value at change in discount rate	
	Increase *+25bp*	Decrease *-25bp*
Increase/decrease in fair value per 31.12.13	NOK Million -151,4	NOK Million 155,9

Private equity investments
Large portions of the portfolio are priced using comparable listed companies, while smaller portions of the portfolio are listed. The valuation of the private equity portfolio will thus be sensitive to fluctuations in global equity markets. Storebrand's private equity portfolio has an estimated Beta relative to the MSCI World (Net – currency hedged to NOK) of around 0.5.

	Change MSCI World	
	Increase *+10%*	Decrease *-10%*
Increase/decrease in fair value per 31.12.13	NOK Million 340,6	NOK Million -340,6

Indirect real estate investments
The valuation of indirect property investments will be sensitive to a change in the required rate of return and the expected future cash flow. The indirect property investments are leveraged structures. The portfolio is leveraged 54 per cent on average.

	Verdiendring underliggende eiendommer	
	Increase *+10%*	Decrease *-10%*
Increase/decrease in fair value per 31.12.13	MNOK 307,2	MNOK -289,6

Investment properties
The valuation of property is particularly sensitive to a change in the required rate of return and the expected future cash flow. A change of 0.25 per cent in the required rate of return when everything else remains unchanged will result in a change in the value of Storebrand's property portfolio of approximately 4.5 per cent. About 25 per cent of the property's cash flow is linked to lease contracts that have been entered into. This entails that the changes in the uncertain parts of the cash flow of 1 per cent will mean a change in value of 0.75 per cent.

VALUATION OF FINANCIAL INSTRUMENTS AT AMORTISED COST

	Level 1	Level 2	Level 3				
NOK million	Quoted prices	Observable assumptions	Non-observable assumptions	Fair value 2013	Fair value 2012	Book value 2013	Book value 2012
Financial assets							
Lending to customers		3,489		3,489	3,804	3,512	3,846
Bonds held to maturity		15,942		15,942	11,689	15,121	10,718
Bonds classified as loans and receivables	1,141	68,626		69,767	59,968	65,429	55,713
Total fair value 2012	**1,156**	**74,305**					
Financial liabilities							
Subordinated loan capital		7,368		7,368	6,667	6,829	6,643
Total value 2012		**3,131**	**3,537**				

BONDS AT AMORTISED COST:

As a main rule, the fair value for the bonds is based on the prices obtained from Reuters and Bloomberg. Bonds that are not regularly quoted will normally be valued using recognised theoretical models. The latter is particularly applicable to bonds denominated in Norwegian kroner. Discount rates composed of the swap rates plus a credit premium are used as a basis for these types of valuations. The credit premium will often be specific to the issuer, and will normally be based on a consensus of credit spreads quoted by a selected brokerage firm. The write-down test that was carried out has not resulted in the need for any write-downs in 2013.

SUBORDINATED LOAN CAPITAL:

The fair value of subordinated loan capital is valued based on registered trades of the bonds and prices quoted by brokers.

NOTE 14 | Profit and Loss account by class of business

NOK million	Group pension private insurance	Group pension public insurance	Group life insurance	Endow-ment insurance	Annuity/ pension insurance	Non-life insurance	Storebrand Livsforsik-ring AS	Security reserves classified as equity in IFRS	BenCo	SPP	Storebrand Livsforsik-ring Group
1. Premium income	13,903	2,208	614	1,449	402	331	18,906		473	8,604	27,982
2. Net income from financial assets – collective portfolio	6,129	744	54	248	754	32	7,962		388	1,197	9,546
3. Net income from financial assets with investment choice	3,530	18		384	513		4,445		57	6,663	11,167
4. Other insurance related income	150	4	1	33	29		217		143	1,033	1,394
5. Claims	-6,362	-7,588	-452	-3,189	-1,684	-91	-19,367		-924	-9,081	-29,372
– Of which agreements terminated/ withdrawals from endowment policies	-109	-413		-2,584	-54		-3,160			-63	-3,223
6. Changes in insurance obligations recognised in the Profit and Loss account - contractual obligations	-8,200	4,934	-10	1,057	683	-75	-1,610	6	-340	4,242	2,365
7. Changes in insurance obligations recognised in the Profit and Loss account - with investment choice	-7,450	-38		441	-547		-7,593		350	-10,970	-18,212
8. Funds allocated to insurance contracts - contractual obligations				-60	-25		-85		-5		-90
9. Insurance related operating costs	-709	-87	-48	-168	-104	-56	-1,173		-103	-978	-2,305
10. Other insurance related costs	-154	-16	-25	-6	-3	-1	-204			-58	-262
11. Technical result 2013	**838**	**179**	**134**	**189**	**18**	**140**	**1,498**	**6**	**39**	**652**	**2,213**
Technical result 2012	**501**	**107**	**82**	**159**	**9**	**62**	**920**	**23**	**41**	**605**	**1,590**

Analysis by profit-sharing model

ENDOWMENT INSURANCE *NOK million*	Profit allocation	Not eligible for profit allocation	Investment choice	2013	2012
1. Premium income	277	369	803	1,449	2,052
2. Net income from financial assets - collective portfolio	194	55		248	365
3. Net income from financial assets with investment choice			384	384	195
4. Other insurance related income	1		32	33	32
5. Claims	-1,457	-126	-1,606	-3,189	-3,513
6. Changes in insurance obligations recognised in the Profit and Loss account - contractual obligations	1,143	-87		1,057	1,409
7. Changes in insurance obligations recognised in the Profit and Loss account - with investment choice			441	441	-152
8. Funds allocated to insurance contracts - contractual obligations	-60			-60	-3
9. Insurance related operating costs	-66	-68	-34	-168	-222
10. Other insurance related costs	-5	-1		-6	-4
11. Technical result	**28**	**142**	**20**	**189**	**159**

ANNUITY/PENSION INSURANCE *NOK million*	Profit allocation	Investment choice	2013	2012
1. Premium income	33	369	402	270
2. Net income from financial assets - collective portfolio	754		754	875
3. Net income from financial assets with investment choice		513	513	175
4. Other insurance related income	2	26	29	26
5. Claims	-1,369	-315	-1,684	-1,660
6. Changes in insurance obligations recognised in the Profit and Loss account - contractual obligations	683		683	564
7. Changes in insurance obligations recognised in the Profit and Loss account - with investment choice		-547	-547	-85
8. Funds allocated to insurance contracts - contractual obligations	-25		-25	
9. Insurance related operating costs	-79	-26	-104	-155
10. Other insurance related costs	-3		-3	-1
11. Technical result	**-3**	**21**	**18**	**9**

GROUP PENSION PRIVATE INSURANCE *NOK million*	Defined benefit with-out investment choice	Defined benefit with investment choice	Paid-up policies	Defined con-tribution with investment choice	Not eligible for profit allocation	2013	2012
1. Premium income	7,958	301	125	4,843	675	13,903	13,820
2. Net income from financial assets - collective portfolio	3,053		3,019		57	6,129	7,605
3. Net income from financial assets with investment choice		275		3,256		3,530	1,965
4. Other insurance related income	19	1	14	116		150	114
5. Claims	-2,387	-171	-2,921	-891	8	-6,362	-6,646
6. Changes in insurance obligations recognised in the Profit and Loss account - contractual obligations	-7,528		28		-700	-8,200	-9,273
7. Changes in insurance obligations recognised in the Profit and Loss account - with investment choice		-365		-7,085		-7,450	-5,985
8. Funds allocated to insurance contracts - contractual obligations							-108
9. Insurance related operating costs	-227	-10	-244	-151	-76	-709	-895
10. Other insurance related costs	-112		-2	-20	-20	-154	-95
11. Technical result	**777**	**30**	**19**	**67**	**-55**	**837**	**501**

GROUP PENSION PUBLIC INSURANCE *NOK million*	**Defined benefit without investment choice**	**Defined benefit with investment choice**	**2013**	**2012**
1. Premium income	2,160	47	2,208	2,749
2. Net income from financial assets - collective portfolio	744		744	1,260
3. Net income from financial assets with investment choice		18	18	161
4. Other insurance related income	4		4	4
5. Claims	-7,572	-16	-7,588	-2,378
6. Changes in insurance obligations recognised in the Profit and Loss account - contractual obligations	4,934		4,934	-1,152
7. Changes in insurance obligations recognised in the Profit and Loss account - with investment choice		-38	-38	-306
8. Funds allocated to insurance contracts - contractual obligations				-47
9. Insurance related operating costs	-79	-9	-87	-176
10. Other insurance related costs	-16		-16	-8
11. Technical result	**176**	**3**	**179**	**107**

NOTE 15 | Profit analysis by class of insurance

							Storebrand Livsforsikring AS		Security reserves classified as equity in IFRS		BenCo	SPP	Storebrand Livsforsikring Group	
NOK million	Group pension private insurance	Group pension public insurance	Group life insurance	Endowment insurance	Annuity/ pension insurance	Non-life insurance	2013	2012	2013	2012	2013	2013	2013	2012
Financial income [1]	7,076	657	30	602	1,192	20	9,577	11,630			303	1,664	11,544	15,613
Guaranteed yield	-7,863	-508	-2	-540	-1,009		-9,923	-7,704			-280	-1,704	-11,906	-11,711
- of which transferred to premium fund	-19	-5					-23	78					-23	-2,321
Investment result before drawing on buffer capital	-787	149	29	62	182	20	-345	3,926			23	-40	-362	3,902
To/from additional statutory reserves and buffer capital	1,088			-15	-141		932	-368					932	-368
Investment result after drawing on additional statutory reserves and buffer reserves	**300**	**149**	**29**	**47**	**41**	**20**	**587**	**3,558**			**23**	**-40**	**571**	**3,534**
Risk premium	199	9	547	514	-88	273	1,455	1,710			5	445	1,905	2,173
Risk addition	-166	96	-438	-319	74	-170	-922	-1,056			-3	-283	-1,208	-1,360
Net reinsurance etc. [1]	-19		-37	3		12	-41	-125				-3	-44	-123
Risk result	**15**	**106**	**72**	**198**	**-14**	**115**	**493**	**528**			**1**	**159**	**653**	**690**
Administration premium	1,003	110	81	174	120	61	1,550	1,475			51	962	2,563	2,452
Operating expenses	-709	-87	-48	-168	-104	-56	-1,173	-1,591			-38	-430	-1,641	-2,059
Administration result	**294**	**23**	**34**	**6**	**15**	**5**	**377**	**-116**			**14**	**532**	**923**	**393**
Other results [2]	**-239**	**-212**		**-2**			**-454**	**-3,413**	**6**	**23**			**-430**	**-3,390**
Premium for guaranteed interest	**442**	**71**					**513**	**358**					**513**	**358**
Risk profit	**168**	**33**					**201**	**186**					**201**	**186**
Gross result for sector	**981**	**169**	**134**	**249**	**43**	**140**	**1,716**	**1,103**	**6**	**23**	**39**	**652**	**2,431**	**1,772**
Investment result and risk result to policyholders	-143	11		-60	-25		-218	-182					-218	-182
Profit for the year	**838**	**179**	**134**	**189**	**18**	**140**	**1,498**	**920**	**6**	**23**	**39**	**652**	**2,213**	**1,590**

[1] The items other insurance-related income (in note 14) and other insurance-related costs (in note 14) are allocated in accordance with their purpose.

[2] The item consists of a provision for long life, additional statutory reserves and security reserves

ENDOWMENT INSURANCE	Profit allocation		Not eligible for profit allocation		Investment choice		2013		2012	
NOK million	Policy-holders	Owner	Policy-holders	Owner	Policy-holders	Owner	Policy-holders	Owner	Policy-holders	Owner
Administration result	2			-14		17	2	4	-17	-9
Investment result	42			20			42	20	109	32
Risk result	61			135		3	61	138	-9	138
Profit allocation	-28	28					-28	28	3	-3
To/from additional statutory reserves and buffer capital	-15						-15		-78	
Other	-2						-2		-4	
Technical result	**60**	**28**		**142**		**20**	**60**	**189**	**3**	**159**

ANNUITY/PENSION INSURANCE	Profit allocation		Investment choice		2013		2012	
NOK million	Policy-holders	Owner	Policy-holders	Owner	Policy-holders	Owner	Policy-holders	Owner
Administration result	-5			20	-5	20	-44	9
Investment result	182				182		294	
Risk result	-15			1	-15	1	54	-1
Profit allocation	4	-4			4	-4		
To/from additional statutory reserves and buffer capital	-141				-141		-131	
Other							-173	
Technical result	**25**	**-4**		**21**	**25**	**18**	**0**	**9**

GROUP PENSION PRIVATE INSURANCE	Defined benefit without invest-ment choice		Defined benefit with invest-ment choice		Paid-up policies		Defined con-tribution with investment choice		Not eligible for profit allocation		2013		2012	
NOK million	Policy-holders	Owner	Policy-holders	Owner	Policy-holders	Owner	Policy-holders	Owner	Policy-holders	Owner	Policy-holders	Owner	Policy-holders	Owner
Administration result		162		2		20		70		40		294		23
Investment result	76		143		-1,037			-1		31	-817	30	2,786	11
Risk result	71	71	8	8	16	4		-2		-160	95	-79	108	46
Premium for guaranteed interest and risk profit		557		20						34		610		426
Profit allocation					-12	12					-12	12	5	-5
To/from additional statutory reserves and buffer capital	62				1,026						1 088		-153	
Other	-209	-13	-8		7	-16					-210	-30	-2,620	
Technical result	**0**	**777**	**143**	**30**	**0**	**19**		**67**		**-55**	**143**	**838**	**126**	**501**

GROUP PENSION PUBLIC INSURANCE	Defined benefit without investment choice		Defined benefit with investment choice		2013		2012	
NOK million	Policy-holders	Owner	Policy-holders	Owner	Policy-holders	Owner	Policy-holders	Owner
Administration result		30		-7		23		-70
Investment result	159		-11		149		617	
Risk result	44	44	8	8	53	53	59	59
Premium for guaranteed interest and risk profit		102		1		104		119
Profit allocation								
To/from additional statutory reserves and buffer capital							-7	
Other	-204		-8		-212		-616	
Technical result	**0**	**176**	**-11**	**3**	**-11**	**179**	**53**	**107**

Note 16 | Sales of insurance (new business)

NOK million	Group pension private insurance	Group pension public insurance	Group life insurance	Endowment insurance	Annuity/ pension insurance	Non-life insurance	Storebrand Livsforsikring Group
2013	**172**		**3**	**693**	**5**	**11**	**885**
2012	156	1	10	1,291	4	63	1,525

Sales consist of new and additional sales, with deductions for policies where the first premium has not been paid.
Premium reserves transferred to the company (note 17) are not included in these figures.

Note 17 | Transfers of insurance reserves

					Storebrand Livsforsikring AS	
NOK million	Group pension private insurance	Group pension public insurance	Endowment insurance	Annuity/ pension insurance	2013	2012
Funds received						
Premium reserve	2,643	34	1	332	**3,010**	**3,138**
Additional statutory reserves	104	1			**106**	**152**
Transfers of premium reserve etc.	**2,747**	**35**	**1**	**332**	**3,116**	**3,289**
Premium funds	33				**33**	**17**
Number of policies/customers	755	3	19	414	**1,191**	**3,549**
Funds transferred out						
Premium reserve	-946	-6,279	-50	-154	**-7,429**	**-2,700**
Additional statutory reserves	-7	-143		-5	**-155**	**-64**
Value adjustment fund						**-1**
Transfers of premium reserve etc.	**-953**	**-6,422**	**-50**	**-158**	**-7,584**	**-2,765**
Premium funds	-134				**-134**	**-253**
Number of policies/customers	1,202	26	242	817	**2,287**	**4,202**

Note 18 | Net financial income

	Storebrand Livsforsikring Group		Storebrand Livsforsikring AS	
NOK million	**2013**	**2012**	**2013**	**2012**
Interest lending	158	97	566	529
Interest bank	188	97	38	41
Interest bonds and other fixed-income securities at fair value	3,345	6,131	1,172	3,645
Interest bonds amortised cost	3,500	3,472	3,500	3,472
Interest derivatives	385	195	39	-7
Interest income other	-115	-29	-96	-59
Equity dividends	897	1,844	179	397
Total interest income and equity dividends etc. financial assets	**8,360**	**11,806**	**5,398**	**8,018**
Revaluation of real estate	4	-700		
Revaluation of equities	12,843	4,585	5,318	2,063
Revaluation bonds and other fixed-income securities at fair value		615	878	-161
Revaluation derivatives	-2,085	-1,851	-101	381
Total revaluation on investments	**10,761**	**2,649**	**6,095**	**2,283**
Profit on real estate	-330	-26		
Profit on equities	2,250	1,332	1,791	845
Profit on bonds and other fixed-income securities at fair value	-224	3,600	-425	401
Profits on derivatives	-2,690	-2,733	-2,688	-2,732
Profit on bonds at amortised cost	1	576	1	576
Currency gains, equities	789	-1,280	1,050	-714
Currency gains, bonds and other fixed-income securities at fair value	169	-437	712	-438
Currency gains, derivatives	838	5,163	75	4,822
Currency gains, bonds at amortised cost	85	-257	85	-262
Currency gains, other	-94	97	-1	40
Total gains and losses on financial assets	**795**	**6,035**	**600**	**2,538**
Interest costs subordinated loans	468	491	468	491
Total interest costs	**468**	**491**	**468**	**491**

Note 19 | Net income from real estate

	Storebrand Livsforsikring Group	
NOK million	**2013**	**2012**
Rent income from real estate [1]	1,723	1,940
Operating costs (including maintenance and repairs) relating to real estate that have provided rent income [2]	-318	-386
Profit minority defined as liabilities	-130	-117
Net operating income from real estate	**1,274**	**1,438**
Realised gains/losses	-330	-26
Change in fair value of real estate	4	-700
Total income from real estate	**948**	**712**
[1] Real estate for own use	141	74
[2] Real estate for own use	-24	-4

NOTE 20 | Sales cost

NOK million	Storebrand Livsforsikring Group 2013	Storebrand Livsforsikring Group 2012	Storebrand Livsforsikring AS 2013	Storebrand Livsforsikring AS 2012
Salaries and personnel costs own sales resources	-240	-235	-131	-154
Other sales costs own resources	-232	-170	-149	-100
Commissions to external distributors	-117	-116	-70	-51
Total sales costs	**-589**	**-521**	**-351**	**-306**
Change in pre-paid direct selling expenses	19	45		

NOTE 21 | Pensions costs and pension liabilities

STOREBRAND LIVSFORSIKRING GROUP

Storebrand Group has country-specific pension schemes.
Storebrand's employees in Norway have both a defined contribution pension scheme and a defined benefit pension scheme that have been established in Storebrand Livsforsikring AS. From 1 January 2011 the defined benefit scheme was closed to new members. At the same date a defined contribution pension scheme was established. The contribution based scheme applies to all new employees from 1 January 2011 and to those who chose to transfer from a defined benefit to a defined contribution pension arrangement. In the case of the defined contribution scheme, the cost is equal to the period's contribution to the employees' pension savings, which amounts to 5 per cent of the contribution basis between 1G and 6G (G = National Insurance Scheme basic amount as at 31 December 2013, amounting to NOK 85,245), plus 8 per cent of the contribution basis between 6G and 12G, as well as the defined-contribution scheme that is funded from operations that annually comprises 20 per cent of the contribution basis for salaries over 12G. The contributions are deposited in the employees' pension accounts each month. The future pension depends upon the amount of the contributions and the return on pension savings.

The employees who are members of the defined benefit pension scheme have the right to 70 percent of the pensionable salary on the date of retirement when calculated benefits from the National Insurance are included. Full pension entitlement is reached after 30 years of membership in the pension scheme. The cost for the period shows the employees' accrued future pension entitlements during the financial year.

From 1 January 2013 Storebrand has been included in the AFP contractual pension scheme. The private AFP contractual pension scheme shall be accounted for as a defined-benefit multi-purpose scheme and is financed through annual premiums that are determined to be one per cent of salary between 1 and 7.1 G. There is no information available for recognising the new liability in the statement of financial position. Storebrand employees in Norway also have an existing right to retire at 65 years of age and receive a pension directly from the company until they reach 67 years of age. A provision is made in the accounts relating to direct pensions.

The pension for employees aged between 65 and 67 years old and pensions linked to salaries over 12 G are paid out directly from the companies and apply to both members of the defined contribution scheme and the defined benefit scheme. A guarantee has been granted for earned pensions on salaries over 12 G for employees retiring before the age of 65. The pension conditions are determined by the pension regulations. Storebrand is obliged to have an occupational pension scheme pursuant to the Act relating to mandatory occupational pensions. The company's pension scheme satisfies the requirements of the Act.

All the members of the pension schemes have an associated survivor's and disability cover.

SPP in Sweden
The pension plan for employees in SPP follows the plan for bank employees in Sweden. The ordinary retirement age is 65 in accordance with the pension agreement between the Employer's Association of the Swedish Banking Institutions (BAO) and the trade unions that are part of BTP. The amount is 10 per cent of the annual salary up to 7.5 times the basic income amount, which was SEK 56,600 in 2013 and will be SEK 56,900 in 2014, 65 per cent of the annual salary in the interval from 7.5 to 20, and 32.5 per cent in the interval from 20 to 30. No retirement pension is paid for the portion of salary in excess of 30 times the "basic income amount". Full pension entitlement is reached after 30 years of membership in the pension scheme. In addition to the defined benefit part, the BTP plan has a smaller defined contribution part. As to this part, the employees can decide themselves how assets are to be invested (traditional insurance or unit linked insurance). The defined contribution part is 2 per cent of the annual salary.

The retirement age for SPP's CEO is 62 years. The CEO is also covered by a defined contribution pension plan, which implies that the company pays 35 per cent of the CEO's fixed salary in pension premiums. In addition, he has a predefined pension plan that implies a lifetime pension of 16.25 per cent of the fixed salary in the interval from 30 to 50 times the "basic income amount". The retirement pension from age 62 to 65 amounts to 65 per cent of the fixed salary, limited to a maximum of SEK 4,045,000. The pension terms comply otherwise with the pension agreement between BAO and Union of Financial Sector Employees or SACO, respectively (BTP plan). The company secures its pension liabilities through the payment of insurance premiums during the employment period.

The pension for the employees of Nordben Life and Pension Insurance Company LTD and Euroben Life and Pension LTD is covered by a defined contribution scheme. In addition, the employees of Nordben are covered by a lump sum upon death during their period of service.

Reconciliation of pension assets and liabilities in the statement of financial position

NOK million	2013	2012
Present value of insured pension liabilities	1,821	1,882
Fair value of pension assets	-1,620	-1,418
Net pension liabilities/assets insured scheme	**201**	**464**
Present value of unsecured liabilities	374	375
Net pension liabilities recognised in statement of financial position	**575**	**839**

Includes employer contributions on net under-financed liabilities in the gross liabilities

Booked in statement of financial position

NOK million	2013	2012
Pension liabilities	575	839

Estimate deviations recognised against equity

NOK million	2013	2012
Year's change in estimate deviation included in equity	-22	-137
Accumulated estimate deviations included in equity	-175	-198

Changes in the net defined benefit pension liabilities in the period

NOK million	2013	2012
Net pension liabilities 01.01	2,258	2,398
Pensions earned in the period	114	158
Pension cost recognised in period	90	76
Estimate deviations	-59	-268
Gain/loss on insurance reductions	-60	-48
Pensions paid	-229	
Pension liabilities additions/disposals and currency adjustments	102	-42
Employer's NI contributions reversed	-21	-16
Net pension liabilities 31.12	**2,195**	**2,258**

Changes in the fair value of pension assets

NOK million	2013	2012
Pension assets at fair value 01.01	1,418	1,178
Expected return	56	56
Estimate deviation	-49	-31
Gain/loss on insurance reductions		-5
Premiums paid	145	148
Pensions paid	-39	-31
Changes to pension scheme	90	6
Pension liabilities additions/disposals and currency adjustments	-1	
Net pension assets 31.12	**1,620**	**1,321**

Expected premium payments (pension assets) in 2014	**152**
Expected premium payments (defined contribution) in 2014	**72**
Expected AFP early retirement scheme payments in 2014	**12**
Expected payments from operations (uninsured scheme) in 2014	**25**

Pension assets are based on the financial assets held by Storebrand Livsforsikring/SPP composed at 31.12:

	Storebrand Livsforsikring AS		SPP Livförsäkring AB	
	2013	2012	2013	2012
Real estate	12%	17%	6%	4%
Bonds at amortised cost	48%	35%		
Mortgage loans and other loans	2%	2%		
Equities and units	16%	14%	11%	10%
Bonds	20%	18%	83%	79%
Certificates	2%	14%		
Other short-term financial assets				7%
Total	**100%**	**100%**	**100%**	**100%**
Realised return on assets	3.3 %	5.8 %	1.4 %	6.3 %

The table shows the percentage asset allocation of pension assets at year-end managed by Storebrand Livsforsikring and SPP.
Financial instruments are measured at three different levels. Allocation of the different classes of financial instruments at levels are shown in note 13.

Net pension cost booked to profit and loss account, specified as follows

NOK million	**2013**	**2012**
Current service cost	114	158
Net interest cost/expected return	33	18
Changes to pension scheme	-229	
Gain/loss on insurance reductions	1	
Total for defined benefit schemes	**-80**	**176**
The period's payment to contribution scheme	80	43
Net pension cost recognised in profit and loss account in the period	**-1**	**220**

Other Comprehensive Income (OCI) in the period

NOK million	**2013**
Actuarial loss (gain) - change in discount rate	-62
Actuarial loss (gain) - change in other financial assumptions	-23
Actuarial loss (gain) - change in mortality table	111
Actuarial loss (gain) - change in other demographic assumptions	-90
Actuarial loss (gain) - experience DBO	40
Loss (gain) - experience Assets	12
Investment management cost	3
Remeasurements loss (gain) in the period	-10

Main assumptions used when calculating net pension liability 31.12

	Storebrand Livsforsikring AS		**SPP Livförsäkring AB**	
	2013	**2012**	**2013**	**2012**
Discount rate	4.0 %	4.0 %	4.0 %	3.5 %
Expected return on pension fund assets in the period	4.0 %	4.0 %	4.0 %	5.0 %
Expected earnings growth	3.3 %	3.3 %	3.5 %	3.5 %
Expected annual increase in social security pensions	3.5 %	3.3 %	3.0 %	3.0 %
Expected annual increase in pensions in payment	0.1 %	1.5 %	2.0 %	2.0 %
Disability table	KU	KU		
Mortality table	K2013BE	K2005	DUS06	DUS06

FINANCIAL ASSUMPTIONS

The financial assumptions have been determined on the basis of the regulations in IAS 19. Long term assumptions such as future inflation, real interest rates, real wage growth and adjustment of the basic amount are particularly subject to a high degree of uncertainty.

IAS 19.78 states that high quality corporate bond rates shall be used as the discount rate. In countries where there is no deep market for such bonds, the government bond rates shall be used.

Storebrand has applied the covered bond rate as of 31 December 2013 as the discount rate. Based on the market and volume development observed, the Norwegian covered bond market must be perceived as a deep market in relation to the provisions in IAS 19 in the opinion of Storebrand. This conclusion is based on the regular activity that takes place in both the primary and secondary markets, as well as the transparency that exists due to the fact that the trades observed on the exchange are close to the indicative levels quoted by the banks. Broad participation by all of the largest bond brokers in the reporting system of the Norwegian Mutual Fund Association (VFF) supports the reliability of the available data. Reference is also made to the advice from the Norwegian Accounting Standards Board in in January 2014 in which use of the covered bond rate as the discount rate was discussed.

In 2013 Storebrand (Norway) has amended the pension rules in the collective schemes for employees and former employees of the company. The change entails that pensions in payment are no longer annually adjusted by a minimum of 80 per cent of the change in the consumer price index. This entails that pensions will only be increased if there is a sufficient profit in the premium reserve for the pensioners in accordance with the principal rule in the Act relating to Company Pension Schemes. This gives a positive non-recurring effect in the profit or loss in 2013 which is shown in the pension costs as a change to the scheme.

Specific company conditions including expected direct wage growth are taken into account when determining the financial assumptions.

ACTUARIAL ASSUMPTIONS:

In Norway, there are standardised assumptions for mortality/disability trends, and other demographic factors, that have been prepared by Finance Norway. In a letter of 8 March, the Financial Supervisory Authority of Norway determined that a new mortality basis K2013 would be introduced for group pension insurance in life insurance companies and pension funds effective from 2014. Based on the expected increase in life expectancy, the new mortality basis will entail an increase in the pension liabilities in accordance with IAS 19. The pension funds will not increase correspondingly due to the escalation period the life insurance companies have received. Storebrand has used the mortality table K2013BE in the actuary calculations as of 31 December 2013, while K2005 was used for the previous year. The effect of the increased pension liabilities in accordance with K2013E is included in the actuarial gains/losses that are charged to the total comprehensive income.

The average employee turnover rate is 2-3 per cent for the entire work force as a whole, and falling turnover with increasing age is assumed.

The actuarial assumptions in Sweden follow the industry's mutual mortality table DUS06 adjusted for corporate differences. The average employee turnover rate is estimated to be 4 per cent p.a.

Sensitivity analysis pension calculations

The following estimates are based on facts and circumstances as of 31 December 2013 and are calculated for each individual when all other assumptions are kept constant.

	Discount rate		Expected earnings growth/ G-growth		Expected annual increase in pensions	Morality - change in expected life expectancy	
	1.0%	-1.0%	1.0%	-1.0%	1.0%	+1 year	-1 year
Percentage change in pension							
Norway							
Pension liabilities	-16%	21%	10%	-8%		4-5%	-4-5%
The period's net pension costs	-22%	30%	16%	-13%		4-5%	-4-5%
Sweden							
Pension liabilities	-19%	25%	5%	-5%	25%	5%	-5%
The period's net pension costs	-18%	24%	9%	-6%	28%	5%	-4%

Storebrand's risk associated with the pension scheme relates to the changes in the financial and actuarial assumptions that must be used in the calculations and the actual return on the pension funds. The pension liabilities are particularly sensitive to changes in the discount rate.
A reduction in the discount rate will, in isolation, entail an increase in the pension liabilities.

STOREBRAND LIVSFORSIKRING AS

Storebrand Group has country-specific pension schemes.
Storebrand's employees in Norway have both a defined contribution pension scheme and a defined benefit pension scheme that have been established in Storebrand Livsforsikring AS. From 1 January 2011 the defined benefit scheme was closed to new members. At the same date a defined contribution pension scheme was established. The contribution based scheme applies to all new employees from 1 January 2011 and to those who chose to transfer from a defined benefit to a defined contribution pension arrangement. In the case of the defined contribution scheme, the cost is equal to the period's contribution to the employees' pension savings, which amounts to 5 per cent of the contribution basis between 1G and 6G (G = National Insurance Scheme basic amount as at 31 December 2013, amounting to NOK 85,245), plus 8 per cent of the contribution basis between 6G and 12G, as well as the defined-contribution scheme that is funded from operations that annually comprises 20 per cent of the contribution basis for salaries over 12G. The contributions are deposited in the employees' pension accounts each month. The future pension depends upon the amount of the contributions and the return on pension savings.

The employees who are members of the defined benefit pension scheme have the right to 70 percent of the pensionable salary on the date of retirement when calculated benefits from the National Insurance are included. Full pension entitlement is reached after 30 years of membership in the pension scheme. The cost for the period shows the employees' accrued future pension entitlements during the financial year.

From 1 January 2013 Storebrand has been included in the AFP contractual pension scheme. The private AFP contractual pension scheme shall be accounted for as a defined-benefit multi-purpose scheme and is financed through annual premiums that are determined to be one per cent of salary between 1 and 7.1 G. There is no information available for recognising the new liability in the statement of financial position. Storebrand employees in Norway also have an existing right to retire at 65 years of age and receive a pension directly from the company until they reach 67 years of age. A provision is made in the accounts relating to direct pensions.

The pension for employees aged between 65 and 67 years old and pensions linked to salaries over 12 G are paid out directly from the companies and apply to both members of the defined contribution scheme and the defined benefit scheme. A guarantee has been granted for earned pensions on salaries over 12 G for employees retiring before the age of 65. The pension conditions are determined by the pension regulations. Storebrand is obliged to have an occupational pension scheme pursuant to the Act relating to mandatory occupational pensions. The company's pension scheme satisfies the requirements of the Act.
All the members of the pension schemes have an associated survivor's and disability cover.

Reconciliation of pension assets and liabilities in the statement of financial position

NOK million	2013	2012
Present value of insured pension liabilities	984	1,069
Fair value of pension assets	-898	-840
Net pension liabilities/assets insured scheme	**86**	**229**
Present value of unsecured liabilities	346	342
Net pension liabilities recognised in statement of financial position	**432**	**571**

Includes employer contributions on net under-financed liabilities in the gross liabilities

Booked in statement of financial position

NOK million	2013	2012
Pension liabilities	432	571

Estimate deviations recognised against equity

NOK million	2013	2012
Year's change in estimate deviation included in equity	39	-190
Accumulated estimate deviations included in equity	-148	-109

Changes in the net defined benefit pension liabilities in the period

NOK million	2013	2012
Net pension liabilities 01.01	1,412	1,598
Pensions earned in the period	77	119
Pension cost recognised in period	56	48
Estimate deviations	17	-307
Pensions paid	-42	-32
Pension liabilities additions/disposals and currency adjustments	-178	
Employer's NI contributions reversed	-12	-13
Net pension liabilities 31.12	**1,330**	**1,412**

Changes in the fair value of pension assets

NOK million	2013	2012
Pension assets at fair value 01.01	840	778
Expected return	33	31
Estimate deviation	-34	-44
Premiums paid	82	96
Pensions paid	-23	-21
Net pension assets 31.12	**898**	**840**

Expected premium payments (pension assets) in 2014	**91**
Expected premium payments (defined contribution) in 2014	**12**
Expected AFP early retirement scheme payments in 2014	**10**
Expected payments from operations (uninsured scheme) in 2014	**12**

Pension assets are based on the financial assets held by Storebrand Livsforsikring composed at 31.12:

	Storebrand Livsforsikring AS	
	2013	2012
Real estate	12%	17%
Bonds at amortised cost	48%	35%
Mortgage loans and other loans	2%	2%
Equities and units	16%	14%
Bonds	20%	18%
Certificates	2%	14%
Total	**100%**	**100%**
Realised return on assets	3.3 %	5.8 %

The table shows the percentage asset allocation of pension assets at year-end managed by Storebrand Livsforsikring and SPP.
Financial instruments are measured at three different levels. Allocation of the different classes of financial instruments at levels are shown in note 13.

Net pension cost booked to profit and loss account, specified as follows

NOK million	2013	2012
Current service cost	77	119
Net interest cost/expected return	22	17
Changes to pension scheme	-178	
Total for defined benefit schemes	**-78**	**135**
The period's payment to contribution scheme	13	4
Net pension cost recognised in profit and loss account in the period	**-65**	**139**

Other Comprehensive Income (OCI) in the period

NOK million	2013
Actuarial loss (gain) - change in other financial assumptions	-21
Actuarial loss (gain) - change in mortality table	97
Actuarial loss (gain) - experience DBO	-58
Loss (gain) - experience Assets	24
Investment management cost	10
Remeasurements loss (gain) in the period	**51**

Main assumptions used when calculating net pension liability 31.12

	Storebrand Livsforsikring AS	
	2013	2012
Discount rate	4.0 %	4.0 %
Expected return on pension fund assets in the period	4.0 %	4.0 %
Expected earnings growth	3.3 %	3.3 %
Expected annual increase in social security pensions	3.5 %	3.3 %
Expected annual increase in pensions in payment	0.1 %	1.5 %
Disability table	KU	KU
Mortality table	K2013BE	K2005

FINANCIAL ASSUMPTIONS:

The financial assumptions have been determined on the basis of the regulations in IAS 19. Long term assumptions such as future inflation, real interest rates, real wage growth and adjustment of the basic amount are particularly subject to a high degree of uncertainty.

IAS 19.78 states that high quality corporate bond rates shall be used as the discount rate. In countries where there is no deep market for such bonds, the government bond rates shall be used.

Storebrand has applied the covered bond rate as of 31 December 2013 as the discount rate. Based on the market and volume development observed, the Norwegian covered bond market must be perceived as a deep market in relation to the provisions in IAS 19 in the opinion of Storebrand. This conclusion is based on the regular activity that takes place in both the primary and secondary markets, as well as the transparency that exists due to the fact that the trades observed on the exchange are close to the indicative levels quoted by the banks. Broad participation by all of the largest bond brokers in the reporting system of the Norwegian Mutual Fund Association (VFF) supports the reliability of the available data. Reference is also made to the advice from the Norwegian Accounting Standards Board in in January 2014 in which use of the covered bond rate as the discount rate was discussed.

In 2013 Storebrand (Norway) has amended the pension rules in the collective schemes for employees and former employees of the company. The change entails that pensions in payment are no longer annually adjusted by a minimum of 80 per cent of the change in the consumer price index. This entails that pensions will only be increased if there is a sufficient profit in the premium reserve for the pensioners in accordance with the principal rule in the Act relating to Company Pension Schemes. This gives a positive non-recurring effect in the profit or loss in 2013 which is shown in the pension costs as a change to the scheme.

Specific company conditions including expected direct wage growth are taken into account when determining the financial assumptions.

ACTUARIAL ASSUMPTIONS:

In Norway, there are standardised assumptions for mortality/disability trends, and other demographic factors, that have been prepared by Finance Norway. In a letter of 8 March, the Financial Supervisory Authority of Norway determined that a new mortality basis K2013 would be introduced for group pension insurance in life insurance companies and pension funds effective from 2014. Based on the expected increase in life expectancy, the new mortality basis will entail an increase in the pension liabilities in accordance with IAS 19. The pension funds will not increase correspondingly due to the escalation period the life insurance companies have received. Storebrand has used the mortality table K2013BE in the actuary calculations as of 31 December 2013, while K2005 was used for the previous year. The effect of the increased pension liabilities in accordance with K2013E is included in the actuarial gains/losses that are charged to the total comprehensive income.

The average employee turnover rate is 2-3 per cent for the entire work force as a whole, and falling turnover with increasing age is assumed.

Sensitivity analysis pension calculations

The following estimates are based on facts and circumstances as of 31 December 2013 and are calculated for each individual when all other assumptions are kept constant.

	Discount rate		Expected earnings growth/G-growth		Morality - change in expected life expectancy	
	1.0%	-1.0%	1.0%	-1.0%	+1 year	-1 year
Percentage change in pension						
Norway						
Pension liabilities	-16%	21%	10%	-8%	4-5%	-4-5%
The period's net pension costs	-22%	30%	16%	-13%	4-5%	-4-5%

Storebrand's risk associated with the pension scheme relates to the changes in the financial and actuarial assumptions that must be used in the calculations and the actual return on the pension funds. The pension liabilities are particularly sensitive to changes in the discount rate.
A reduction in the discount rate will, in isolation, entail an increase in the pension liabilities.

NOTE 22 | Remuneration of senior employees and elected officers of the company

Geir Holmgren is CEO of Storebrand Livsforsikring AS. He has a guaranteed salary for 12 months after the ordinary period of notice. All work-related income including consulting assignments will be deducted. He has an agreement on a performance-related bonus which is linked to the Group's value-based management system (see item 3 below).

The company has no obligations towards the Chairman of the Board in the event of resignation or change of succession. The company pays management liability insurance for its board members.

Storebrand has set up a bonus scheme for employees. The bonus scheme is linked to the company's value creation as well as individual performances.

NOK thousand	**Ordinary salary**	**Bonus paid**	**Other benefits [1)]**	**Post termination salary (months)**	**Pension accrued for the year**	**Present value of pension [2)]**	**Loan**	**Interest rate at 31.12.13**	**Repayment period**
Geir Holmgren	2,146	203	175	12	424	6,817			
Lars Aa. Løddesøl [5)]	3,875		182	18	1,187	14,457	10,352	2.25-4.85%	2014-2041
Heidi Skaaret [5)]	2,533	105	167	12	591	163	7,206	2.25-3.8%	2022-2042
Hege Hodnesdal	1,575	200	148	12	519	4,856	6,000	2.25%	2042
Robin Kamark	3,660		167	18	903	200	4,574	2.25-3.75%	2015-2043
Arne Hove	1,486		135		396	1,237	2,693	2.25%	2040-2041
Sarah McPhee [5)]	3,927	483	64	18	3,907	6,771			
Total 2013	**19,202**	**990**	**1,037**		**7,926**	**34,501**	**30,826**		
Total 2012	19,537	1,068	942		7,627	52,097	28,697		

NOK thousand	**Number of shares owned [3)]**	**Bonus earned in 2013 [4)]**	**Bonus to be paid in 2014**	**Bonus transferred to share bank in 2014**
Geir Holmgren	6,097	1,086	543	843
Lars Aa. Løddesøl	39,708			
Heidi Skaaret	1,637	1,086	543	647
Hege Hodnesdal	10,633	422	300	338
Robin Kamark	11,637	1,568	784	784
Arne Hove [7)]				
Sarah McPhee [6)]	43,360	1,894	1,650	2,360
Total 2013	**113,072**	**6,056**	**3,820**	**4,972**
Total 2012	255,872	3,863	1,817	4,075

NOK thousand	Remuneration	Number of equities held [3]	Lending	Interest rate at 31.12.2013	Repayment period
Board of Directors					
Odd Arild Grefstad	3,975,	55,406	3,500	2.25%	2036
Else-Lill Grønli	174	94	2,670	2.25-4.75%	2016-2016
Inger Johanne Bergstøl	198				
Jan Otto Risebrobakken		4,059	3,993	2.25-4.20%	2017-2041
Tove Margrete Storrødvann	198				
Peik Norenberg	198				
Erik Haug Hansen	174	6,206	5,875	2.25-3.75%	2036-2042
Total 2013	**4,917**	**65,765**	**16,039**		
Total 2012	978	65,711	18,289		
Control Committee [8]					
Elisabeth Wille	328	163			
Harald Moen	236	595			
Ole Klette	236				
Tone Margrethe Reierselmoen	236	1,734	415	4.40%	2021
Finn Myhre	277		3,696	3.94%	2025-2029
Anne Grete Steinkjer	236	1,800			
Total 2013	**1,549**	**4,292**	**4,111**		
Total 2012	1,520	4,292	5,864		

[1] Comprises of company car, telephone, insurance, concessionary interest rate, other contractual benefits
[2] Assumes employment at Storebrand when they reach retirement age. The amount is not reduced with pension funds secured in the scheme. See the assumptions for wage growth and other assumptions that are used in the calculations in note 24.
[3] The summary shows the number of equities owned by the individual, as well as his or her close family and companies where the individual exercises significant influence (cf. Accounting Act § 7-26).
[4] Earned bonus at 31. December 2013. Senior executives are contractually entitled to performance related bonuses . 50 per cent of the earned bonus is paid in cash. The remaining amount is converted to synthetic shares based on the market price. These are registered in a share bank with a lock-in period of three years. At the end of the three year period, the value of the synthetic share is calculated at a new market price. Half of the amount paid from the share bank shall, after tax, be used to purchase shares in Storebrand ASA at market price, with a new three-year lock -in period.
[5] Payments to Lars Aa. Løddesøl and Heidi Skaaret are distributed proportionately between the companies in the Group.
[6] The retirement age for SPP Liv Fondförsäkrings's CEO is 62 years. SPP Liv Fondförsäkrings's CEO is covered by a defined contribution based scheme in addition to a defined benefits scheme.
[7] For positions with specific responsibilities, 70 per cent of the bonus allocated is paid in cash. The remaining 30 per cent is used to purchase shares in Storebrand ASA at the market price and with a three-year lock-in period.
[8] Control Committee covers all the Norwegian companies in the group which are required to have a control committee.

Note 23 | Remuneration paid to auditors

Remuneration paid to Deloitte AS and related companies:

	Storebrand Livsforsikring Group		Storebrand Livsforsikring AS	
NOK million	**2013**	**2012**	**2013**	**2012**
Statutory audit	6.9	8.4	1.3	1.6
Other reporting duties	1.0	0.8		0.2
Taxation advice	1.5	1.8	0.5	0.7
Other non-audit services	0.3	0.5	0.2	0.3
Total	**9.7**	**11.5**	**2.0**	**2.8**

The amounts above is excluding vat.

NOTE 24 | Tax

	Storebrand Livsforsikring Group		Storebrand Livsforsikring AS	
NOK million	**2013**	**2012**	**2013**	**2012**
Tax payable	-2	-1		
Deferred tax	-68	-371	-57	-376
Total tax charge	**-70**	**-372**	**-57**	**-376**

Reconciliation of expected and actual tax cost

	Storebrand Livsforsikring Group		Storebrand Livsforsikring AS	
NOK million	**2013**	**2012**	**2013**	**2012**
Ordinary pre-tax profit	2,050	1,466	2,001	1,545
Expected tax on income at nominal rate	-574	-410	-560	-432
Tax effect of:				
realised/unrealised equities	10	-39	2	-27
share dividends received			66	
associated companies			86	
permanent differences	346	-15	218	-3
recognition/write-down of deferred tax assets	13	-62		-62
change in tax rules	46		46	
Changes for previous years	89	153	86	147
Total tax charge	**-70**	**-372**	**-57**	**-377**
Effective tax rate [1]	3%	25%	3%	24%

[1] The effective tax rate for 2013 is affected by certain factors that are not related to the result for 2013.

During the year, property shares were sold (covered by the exemption method) which resulted in a reduction in tax-increasing temporary differences and related allocations for deferred tax being reversed.

The tax cost is also influenced by tax effects relating to previous years.

Calculation of deferred tax assets and deferred tax on temporary differences and losses carried forward

	Storebrand Livsforsikring Group		Storebrand Livsforsikring AS	
NOK million	**2013**	**2012**	**2013**	**2012**
Tax-increasing temporary differences				
Securities	9,743	3,433	9,743	3,433
Real estate	8,030	8,176	7,595	7,877
Operating assets	7	84		2
Pre-paid pensions	3	3		
Other	802	756		
Total tax-increasing temporary differences	**18,584**	**12,452**	**17,339**	**11,312**

Tax-reducing temporary differences

	Storebrand Livsforsikring Group		Storebrand Livsforsikring AS	
NOK million	**2013**	**2012**	**2013**	**2012**
Securities	-233	-677	-233	-677
Operating assets	-13	-6	-7	
Provisions	-4,409	-1,140	-4,371	-1,140
Accrued pension liabilities	-479	-651	-432	-571
Gains/losses account	-14	-17	-13	-17
Other	-41	-278	-39	-104
Total tax-reducing temporary differences	**-5,189**	**-2,769**	**-5,095**	**-2,508**
Carry forward losses	-8,301	-4,887	-7,836	-4,713
Benefits carried forward		-218		-218
Total losses and assets carried forward	**-8,301**	**-5,106**	**-7,836**	**-4,931**
Basis for net deferred tax/tax assets	**5,094**	**4,577**	**4,408**	**3,873**
Write-down of basis for deferred tax assets	242	302		218
Net basis for deferred tax/tax assets	**5,336**	**4,879**	**4,408**	**4,091**
Net deferred tax and tax assets	**1,441**	**1,366**	**1,190**	**1,146**
Booked in the statement of financial position				
Tax assets		38		
Tax liabilities	1,441	1,377	1,190	1,146

In December 2013, the Storting agreed to reduce the company tax rate from 28 to 27 per cent with effect from 1 January 2014. Therefore, 27 per cent is used when recognising deferred tax/tax assets. The effect of the reduction in the tax rate entails a reduced tax expense for 2013 equivalent to NOK 46 million.

The Group's tax-increasing temporary differences also include temporary differences linked to the Group's investment properties. These properties are for the most part recorded in the Norwegian life insurance company's customer portfolios and recorded in the accounts of Storebrand Eiendom Holding AS (SEH), which is owned by Storebrand Livsforsikring AS. If these companies were to be sold, they could be disposed of practically tax-free. The tax-increasing temporary differences related to the difference between the fair value and taxable value of investment properties that have arisen during the period of ownership (around NOK 7.6 billion), are included in the Group's temporary differences, on which deferred tax is calculated at a nominal tax rate of 27 per cent. In accordance with IAS 12, no provisions have been set aside for deferred tax related to temporary differences that existed when companies were acquired and the transaction was not defined as a business transfer (basis of around NOK 2.2 billion).

The equity includes a risk equalisation reserve that can only be used to cover a negative risk result. Tax deductions related to the build-up of this reserve are treated as a permanent difference between the financial and tax accounts. See "Reconciliation of the Group's equity" for more details concerning this.

NOTE 25 | Intangible assets and goodwill

STOREBRAND LIVSFORSIKRING GROUP

NOK million	Intangible assets: Brand names	IT- systems	Customer lists	VIF	Other intangible assets	Goodwill	2013	2012
Acquisition cost 01.01	171	186	498	8 469	9	724	10 057	10 211
Additions in the period:								
Developed internally		75					75	48
Disposals in the period		-7					-8	-28
Currency differences	18	1	52	882	1	73	1 027	-166
Other changes							-8	-8
Acquisition cost 31.12	**189**	**254**	**550**	**9 352**	**10**	**797**	**11 152**	**10 057**
Accumulated depreciation & write-downs 01.01	-86	-78	-249	-4 159	-7		-4 579	-4 285
Amortisation in the period	-18	-31	-52	-303	-2		-407	-378
Disposals in the period							9	9
Translation differences	-10	-1	-28	-448	-1		-487	75
Accumulated depreciation & write-downs 31.12	**-113**	**-110**	**-330**	**-4 910**	**-9**		**-5 472**	**-4 579**
Book value 31.12	**76**	**144**	**220**	**4 442**		**797**	**5 679**	**5 478**

Specification of intangible assets

NOK million	Useful economic life	Depreciation rate	Depreciation method	Book value 2013	Book value 2012
Brand name SPP	10 years	10%	Linear	76	86
Customer lists SPP	10 years	10%	Linear	220	249
Value of business in force SPP	20 years	5%	Linear	4,442	4,310
Rights to withdraw fees from SPP Fonder	10 years	10%	Linear		2
IT systems	5 years	20%	Linear	144	108

Goodwill distributed by business acquisition

NOK million	Acquisition cost 01.01	Book value 01.01	Translation differences	Book value 31.12
SPP	724	724	73	797
Total	**724**	**724**	**73**	**797**

Goodwill is tested annually for impairment.

STOREBRAND LIVSFORSIKRING AS

NOK million	IT-systems	2013	2012
Acquisition cost 01.01	180	180	152
Additions in the period:			
Developed in-house	75	75	48
Disposals in the period	-7	-7	-20
Acquisition cost 31.12	**247**	**247**	**180**
Accumulated depreciation & write-downs 01.01	-72	-72	-60
Amortisation in the period	-31	-31	-21
Disposals in the period			9
Accumulated depreciation & write-downs 31.12	**-103**	**-103**	**-72**
Book value 31.12	**144**	**144**	**108**

NOK million	Lifetime	Depreciation rate	Depreciation method	Book value 31.12
IT-systems	5 years	20%	Linear	144

INTANGIBLE ASSETS LINKED TO ACQUISITION OF SPP

Storebrand Livsforsikring AS acquired SPP Livförsäkring AB and its subsidiaries in 2007. The majority of the intangible assets associated with SPP comprise the value of in-force business (VIF), for which a separate liability adequacy test has been performed in accordance with the requirements of IFRS 4. In order to determine whether goodwill and other intangible assets associated with SPP have suffered an impairment in value, estimates are made of the recoverable amount for the relevant cash-flow generating units. Recoverable amounts are established by calculating the enterprise's utility value. The development of future administration results, risk results and financial results for SPP will affect its utility value. In calculating the utility value, the management have made use of budgets and forecasts approved by the Board for the next three years.

The forecast for the various result elements are based on the development in recent years, effects of measures during the forecast period, as well as assumptions regarding the normalised development of the financial markets based on the current financial strategy and applicable market interest rates. The administration result is expected to show a positive development as the result of greater cost effectiveness, and growth in the sales of products and services that are cost-effective to manage and require less capital. The primary drives of improved results will be the return on total assets, underlying inflation and wage growth in the market. The utility value is calculated using a required rate of return after tax of 8 per cent. The required rate of return is calculated based on the risk-free interest rate and added to a premium that reflects the risk of the business.

Note 26 | Classification of financial assets and liabilities

STOREBRAND LIVSFORSIKRING GROUP

NOK million	Loans and receivables	Bonds held to maturity	Fair value, trading	Fair value	Liabilities at amortised cost	Total
Financial assets						
Bank deposits	7,441					7,441
Equities and units				92,689		92,689
Bonds and other fixed-income securities	65,429	15,120		182,510		263,060
Lending to customers	3,512					3,512
Customer receivables and other short-term receivables	4,860					4,860
Derivatives			1,493			1,493
Total financial assets 2013	**81,243**	**15,120**	**1,493**	**275,200**		**373,056**
Total financial assets 2012	**70,800**	**10,718**	**3,000**	**252,134**		**336,652**
Financial liabilities						
Subordinated loan capital					6,829	6,829
Derivatives			2,122			2,122
Other current liabilities					6,177	6,177
Total financial assets 2013			**2,122**		**13,006**	**15,128**
Total financial assets 2012			**755**		**13,407**	**14,162**

STOREBRAND LIVSFORSIKRING AS

NOK million	Loans and receivables	Bonds held to maturity	Fair value, trading	Fair value	Liabilities at amortised cost	Total
Financial assets						
Bank deposits	3,536					3,536
Equities and units				38,569		38,569
Bonds and other fixed-income securities	65,429	15,120		78,930		159,479
Lending to customers	3,512					3,512
Customer receivables and other short-term receivables	3,436					3,436
Derivatives			604			604
Total financial assets 2013	**75,913**	**15,120**	**604**	**117,499**		**209,136**
Total financial assets 2012	**65,397**	**10,718**	**980**	**113,581**		**190,675**
Financial liabilities						
Subordinated loan capital					6,829	6,829
Derivatives			438			438
Other current liabilities					2,262	2,262
Total financial assets 2013			**438**		**9,091**	**9,529**
Total financial assets 2012			**206**		**11,298**	**11,504**

Note 27 | Real estates

Type of real estate			2013			
NOK million	**2013**	**2012**	**Required rate of return % 2)**	**Average duration of lease (year) 4)**	**m²**	**Leased amount in % 1)**
Office buildings (including parking and storage):						
Oslo-Vika/Filipstad Brygge	6,196	6,205	7.6-8.7	4.1	140,900	90%
Rest of Greater Oslo	6,886	8,168	8.5-10.3	7.0	494,925	94%
Rest of Norway	2,477	2,459	8.1-9.5	7.1	122,168	98%
Office buildings in Sweden	985	729		6.0	40,861	99%
Shopping centres (including parking and storage)						
Rest of Greater Oslo	1,176	1,151	8.1-8.4	3.2	66,519	93%
Rest of Norway	5,234	8,952	7.7-9.6	3.3	183,120	91%
Multi-storey car parks in Oslo	671	650	7.9	2.9	27,393	100%
Other:						
Cultural/conference centres in Sweden 3)	390	359		16.0	18,757	100%
Real estate Sweden 3)	109			15.0	3,369	100%
Real estate Norway	50	50				
Total investment real estate	**24,175**	**28,723**	**7.9**		**1,098,012**	
Real estate for own use	2,491	2,231		8	70,640	100%
Total real estate	**26,666**	**30,954**	**7.9**		**1,168,652**	

1) The leased amount is calculated in relation to floor space.
2) The real estate are valued on the basis of the following effective required rate of return (including 2.5 per cent inflation):
3) All real estates in Sweden are valued externally. The assessment is based on the rate of return available in the market.
4) Average lease duration is calculated proportionally based on the value of the individual properties

TRANSACTIONS:

Purchases: It is agreed further SEK 278 million in real estate purchases in SPP in addition to the figure that has been finalised and included in the financial statements as at 31 December 2013.

Sales: There has not been agreed further sales in Storebrand/SPP NOK 343 in addition to the figure that has been finalised and included in the financial statements as at 31 December 2013.

Real estate for own use

NOK million	**2013**	**2012**
Book value 01.01	2,231	1,460
Additions	85	461
Revaluation booked in balance sheet	88	
Depreciation	-66	-50
Write-ups due to depreciation in the period	66	50
Write-ups/ write-downs in the period		-86
Translation differences	88	-3
Other changes		399
Book value 31.12	**2,491**	**2,231**

Depreciation method:	Straight line
Depreciation plan and financial lifetime:	50 years

Note 28 | Investments in subsidiaries and associates

Associated companies Storebrand Livsforsikring Group

NOK million	**Interest in %**	**Acquisition cost**	**Book value 01.01**	**Addition/ disposal**	**Share of profit**	**Share of other income and expenses**	**Book value 31.12**
Norsk Pensjon AS	25%		4				4
Inntre Holding AS	34%	2	41	-1	7		48
Formuesforvaltning AS	21 %	147	76	67	10		153
Handelsboderna i Sverige Fastighets AB	50%	7	23		-1	12	35
NREP Logisitics AB			92	-89	-3		
Visit Karlstad AB	16%	2		1		-1	
Associated companies Storebrand Livsforsikring Group		**159**	**236**	**-22**	**14**	**12**	**240**

Receivables for associated companies

NOK million	**2013**	**2012**
Formuesforvaltning AS		69
Handelsboderna i Sverige Fastighets AB	186	168
NREP Logistics ab (publ)		428
Total	**186**	**665**

Income from associated companies

NOK million	**2013**	**2012**
Share of profit	14	32
Interest income	20	42
Realised change in value	57	-1
Unrealised change in value	12	-29
Total	**102**	**45**

All transactions with associates are made on normal commercial terms.

Investments in subsidiaries and associates Storebrand Livsforsikring AS

			Book value 31.12	
NOK million	**Interest in %**	**Voting interest in %**	**2013**	**2012**
Company				
Aktuar Systemer AS, Professor Kohts vei 9, 1327 Lysaker	100	100	6	6
Storebrand Pensjonstjenester AS, Professor Kohts vei 9, 1327 Lysaker	100	100	7	7
AS Værdalsbruket, 7660 Vuku	74.9	74.9	54	54
Storebrand Eiendom AS, Professor Kohts vei 9, 1327 Lysaker	100	100	12	12
Storebrand Holding AB, Stockholm	100	100	8,337	8,337
Storebrand Finansiell Rådgivning AS, Professor Kohts vei 9, 1327 Lysaker	100	100	90	194
Storebrand Eiendom Holding AS, Professor Kohts vei 9, 1327 Lysaker [1]	100	100	22,265	30 216
Storebrand Eiendom Indirekte AS, Professor Kohts vei 9, 1327 Lysaker [1]				2,639
Storebrand Realinvesteringer AS, Professor Kohts vei 9, 1327 Lysaker	100	100	1	1
Benco Insurance Holding BV, Netherlands	90	90	825	825
Foran Real Estate, Latvia [2]	67.8	67.8	637	541
Subsidiaries			**32,233**	**42,832**
Norsk Pensjon AS, Hansteensgate 2, 0253 Oslo	25	25	4	4
Formuesforvaltning AS, Henrik Ibsens gate 53, 0255 Oslo	21.3	21.3	130	
Associated companies Storebrand Livsforsikring AS			**133**	**4**
Total investment in subsidiaries and associated companies			**32,367**	**42,836**
Subsidiaries classified as equities at fair value in the collective portfolio				
SBL Direct Investments 2006-2008 Ltd - Class B-1 [1]	100	100	141	158
SBL Vintage 1999 Ltd - Class B-1 [1]	100	100	39	67
SBL Vintage 2001 Ltd - Class B-1 [1]	100	100	19	16

[1] Including group contributions

[2] SPP Livförsäkring AB owns 29.3 percent of the shares in Foran Real Estate. Storebrand Livsforsikring Group owns a total of 97.1 percent in Foran Real Estate.

Loans to and securities issued by subsidiaries and associated companies Storebrand Livsforsikring AS

NOK million	**2013**	**2012**
Formuesforvaltning AS		69
Storebrand Holding AB -subordinated loan	7,351	6,679
Total	**7,351**	**6,748**

Note 29 | Bonds at amortised cost

Loans and receivables

	2013				**2012**	
NOK million	**Nominal value**	**Acquisition cost**	**Book value**	**Fair value**	**Book value**	**Fair value**
Government and government guaranteed bonds	14,921	15,064	15,297	16,084	16,213	17,091
Credit bonds	15,647	16,037	16,451	17,246	10,444	11,145
Mortgage and asset backed bonds	18,450	18,484	18,983	20,716	19,491	21,417
Supranational and agency	14,230	14,307	14,698	15,722	9,566	10,316
Total bonds classified as loans and receivables	**63,248**	**63,892**	**65,429**	**69,767**	**55,713**	**59,968**
Modified duration (interest rate sensitivity)				6.0		5.1
Average effective yield			4.8 %	3.7 %	5.7 %	4.5 %

Bonds held to maturity

NOK million	2013 Nominal value	2013 Acquisition cost	2013 Book value	2013 Fair value	2012 Book value	2012 Fair value
Credit bonds						
Mortgage and asset backed bonds	9,634	9,631	9,814	10,605	9,309	10,218
Supranational and agency	1,000	998	1,029	1,028	363	387
Total bonds held to maturity	**14,845**	**14,844**	**15,120**	**15,942**	**10,718**	**11,688**
Modified duration (interest rate sensitivity)				7.3		7.6
Average effective yield			4.6 %	3.9 %	4.8 %	3.7 %

The effective yield for each security is calculated using the carrying amount and the observed market price (fair value) The effective yield of securities without observed market prices is calculated on the basis of the fixed interest rate period and classification of the individual security with respect to liquidity and credit risk. Calculated effective yields are weighted to give an average effective yield on the basis of each security's share of the total interest rate sensitivity.

Note 30 | Equities and other units

NOK million	Storebrand Livsforsikring Group Acquisition cost	Storebrand Livsforsikring Group Fair value	Storebrand Livsforsikring AS Acquisition cost	Storebrand Livsforsikring AS Fair value
NORWEGIAN FINANCE INDUSTRY				
ABG Sundal Collier	1	2	1	2
Convexa Capital IV - -B-aksjer	3	3	3	3
Convexa Capital IV - -C-aksjer	3		3	
Convexa Capital IV - D-aksjer	3		3	
DnB	96	126	95	124
Gjensidige Forsikring ASA	22	28	22	28
NMI AS under stiftelse	10	10	10	10
NMI Frontier Fund KS	18	17	18	17
NMI FUND III KS	4	4	4	4
NMI GLOBAL FUND KS	33	35	33	35
Norstat Holding AS	25			
Norstat Holding AS - klasse B	33	38		
Norstat AS A-aksjer	3	1		
Sparebanken Midt-Norge G	5	6	5	6
Total	**260**	**270**	**198**	**228**
OTHER NORWEGIAN EQUITIES				
Glava	35	126	35	126
Green Resources	78	42		
Marine Harvest	21	28	21	28
Nordic Capital Partner II	44	43	44	43
Norsk Hydro	54	55	52	54
Norsk Tillitsmann	30	30	30	30
Orkla	41	40	40	39
Raufoss Næringspark	165	182		
Schibsted	25	42	25	42
Statoil ASA	206	211	198	204
Storebrand Privat Investor ASA	169	160	169	160
Telenor	123	149	121	146
Yara International	62	60	60	59
Total	**1,052**	**1,169**	**795**	**932**
Other Norwegian equities not specified	**384**	**368**	**271**	**309**
Total Norwegian Equities	**1,636**	**1,807**	**1,264**	**1,469**
Of which listed Norwegian equities	889	1,021	873	1,005

NOK million	Storebrand Livsforsikring Group Acquisition cost	Storebrand Livsforsikring Group Fair value	Storebrand Livsforsikring AS Acquisition cost	Storebrand Livsforsikring AS Fair value
AUSTRALIA				
BHP Billiton AUD	32	31	12	13
Commonwealth Bank of Australia	25	32	13	13
BERMUDA				
SeaDrill Ltd	47	52	43	48
CAYMAN ISLANDS				
SBL Direct Investments 2006-2008 Ltd - Class B-1			136	141
SBL Vintage 1999 Ltd - Class B-1			20	39
SBL Vintage 2001 Ltd - Class B-1			29	19
CURACAO				
Schlumberger	24	32	10	13
DENMARK				
NordEnergie Renewables AS	60	62	60	62
FRANCE				
Sanofi	29	35	13	14
IRELAND				
LGT Crown European Buyout Opportunities II	206	222		
LIBERIA				
Royal Caribbean Cruises NOK	26	38	25	37
LUXEMBOURG				
Millicom Intl. Cellular SDR	46	44		
Subsea 7 S A	46	41	45	41
NEW ZEALAND				
Taumata Plantations Ltd.	638	725	638	725
GREAT BRITAIN				
Astrazeneca SEK	54	68		
BP Plc	43	40	13	15
GlaxoSmithkline	31	36	12	13
HSBC Holdings GB	56	55	20	21
Royal Dutch Shell A London	35	38	11	13
Vodafone Group	38	54	16	22
SWITZERLAND				
ABB SE	77	91		
Nestle	49	64	20	21
Novartis	37	49	16	18
Roche Holding Genuss	39	54	19	22
SWEDEN				
Alfa Laval	30	53	3	3
Assa Abloy B	42	106		
Atlas Copco A	71	125	4	4
Atlas Copco B	28	49		
Bergvik Skog AB	273	1,043		

NOK million	Storebrand Livsforsikring Group Acquisition cost	Fair value	Storebrand Livsforsikring AS Acquisition cost	Fair value
Electrolux B	32	42		
Elekta B	15	35		
Ericsson LM-B SHS	206	225	5	5
Getinge Industrier B	33	49		
Hennes & Mauritz B	219	322	4	5
Hexagon B SEK	36	49		
Industrivaerden A	25	36		
Investor AB-A	27	45		
Investor AB-B	49	81		
Kinnevik Investment B	26	67		
Nordea Bank AB	170	224	4	4
Sandvik	86	95	3	3
Scania B	29	35		
Skandinaviska Enskilda Banken A	78	141	2	2
Skanska B	49	62	5	5
Skf Svenska Kullager Fabrikker B	44	63	2	3
Svenska Celloulosa B	54	109		
Svenska Handelsbanken A	85	146	1	1
Swedbank AB A-shares	66	159	3	3
Tele2 B	40	52		
Volvo A	61	73		
Volvo B	80	85	3	3
GERMANY				
Bayer AG Namens-Actien O.N	22	35	12	16
Siemens	26	34	11	14
USA				
Apple Inc	74	135	41	54
AT&T Inc	45	48	19	19
Autoliv	25	40	4	5
Bank of America Corp	47	44	14	18
Berkshire Hathaway B	25	34	11	13
Chevron Corp	48	62	22	24
Citigroup	40	41	15	17
Coca-Cola	36	45	17	18
Exxon Mobil	93	115	38	44
General Electric	59	78	26	32
Gilead Sciences Inc	16	32	10	14
Google Class A	49	82	25	35
Hancock Timberland VIII Inc	288	258	288	258
Home Depot	19	33	11	14
Intel	28	34	11	14
International Business Machine (IBM))	44	52	20	20
J.P Morgan Chase and Co	46	58	19	23
Johnsen & Johnsen	56	69	24	27
Merck & Co	33	41	14	16
Microsoft	64	79	26	32
Oracle Corporation	28	39	13	15
Pepsico Inc	30	34		
Pfizer	40	54	20	22
Procter & Gamble	50	59	21	22
Qualcomm	27	37	12	14
Verizon Communications	31	38	15	15

NOK million	Storebrand Livsforsikring Group Acquisition cost	Storebrand Livsforsikring Group Fair value	Storebrand Livsforsikring AS Acquisition cost	Storebrand Livsforsikring AS Fair value
Visa Inc - Class A shares	16	31	9	12
Walt Disney	20	35	11	14
Wells Fargo	46	61	19	24
Other foreign equities not specified	**6,153**	**7,630**	**2,087**	**2,402**
Total foreign equities	**11,211**	**14,900**	**4,091**	**4,618**
Total foreign equities	8,736	11,410	2,865	3,371
Total equities	**12,848**	**16,707**	**5,355**	**6,086**
UNITS				
Aberdeen Dynamic European Property FOF II	405	117	405	117
Aberdeen European Shopping Property Fund	302	146		
AEW European Property Investors	64	36	64	36
AIPP Asia	220	178		
Allianz Europe Small Cap AT EUR	41	47		
AXA Alternative Property Income Venture	156	174	156	174
AXA European Office Income Venture	120	41	120	41
AXA European Retail Income Venture	202	77	202	77
Bain Capital Fund VII P581&P985	26	28	26	28
BlackRock Asia Property Fund III (MGPA)	125	136	125	136
Blackrock Global Allocation	40	45		
Blackrock Global Small Cap	47	51		
Blackrock World Mining Fund	64	44		
Carlyle Europe Real Estate Partners L.P. III	254	269	254	269
Catella Hedge	56	58		
CS Infra SICAR	744	359		
Delphi Emerging	106	104	106	104
Delphi Europe	246	299	166	210
Delphi Global	1,204	1,651	1,045	1,479
Delphi Nordic	255	353	173	241
Delphi Norge	293	406	293	406
DNB Sweden Micro Cap	53	64		
East Capital Eastern Europe	189	195	12	13
East Capital Russian Fund	165	166	16	18
EISER Infrastructure Capital Equity Partners 1-B	376	318	376	318
Enter Sverige	579	724		
EQT IV ISS Co-Investment LP	40	65	40	65
Fidelity Asian Special Situations	321	371		
Fidelity China Focus Fund	117	122		
Fidelity Emerging Europe Mid East & Africa	36	42		
Franklin Templeton Investment Funds	142	148	15	17
Frogmore Real Estate Partners L.P.	157	50	157	50
Heitman European Property Partners III	134	58	134	58
Henderson PFI	142	173	142	173
Invesco Global Real Estate USD	30	30	3	3
Invesco GT PRC (Kina)	48	60	48	60
ISHARES MSCI EUROPE	57	77		
J.W. Childs III L.P.	21	37	21	37
JP Morgan Global Focus Fund	426	464		
JP Morgan Investment Fund - Japan 50 Equity Fund	36	36	24	24
JPMorgan Emerging Markets Small Cap Fund	87	88		
Lannebo Mixfond	141	158		

	Storebrand Livsforsikring Group		Storebrand Livsforsikring AS	
NOK million	**Acquisition cost**	**Fair value**	**Acquisition cost**	**Fair value**
Lannebo Småbolag	477	608		2
Lynx Dynamic	86	91		
Macquarie European Infrastructure Fund II - Eqfund	360	418	360	418
Mobilis Aktiv	54	58		
Navigera Aktie 1	438	522		
Navigera Balans 1	280	307		
Navigera Dynamica 90	58	60		
Navigera Tillväxt 1	484	529		
Odin Europa SMB	24	28	24	28
Parvest Global Environment	35	46		
Rockspring TransEuro Property Ltd. Partnership III	69	31	69	31
Schroder US Small & Mid-Cap Equity	94	101		
SHB Amerikafond	87	117		
SHB Europa Selektiv	115	134		
SHB IT-fond	33	40		
SHB Latinamerikafond	193	206		
SHB Norden Aggressiv	35	47		
SHB Nordiska småbolagsfond	223	319		
SHB Tillväxtmarknadsfond	227	281		
Skagen Global Fund	1,170	1,525	582	831
Skagen Kon-Tiki	1,402	1,613	924	1,094
SPDR MSCI ACWI ETF	76	80		
SPP Aktiefond Europa	932	1,031		
SPP Aktiefond Global	68	133		
SPP Aktiefond Global Sustainability	446	507		
SPP Aktiefond Japan	170	183		
SPP Aktiefond Stabil	259	278	258	276
SPP Aktiefond Sverige	1,872	2,527	3	3
SPP Aktiefond USA	818	1,046	2	2
SPP Emerging Markets SRI	1,398	1,428	1,325	1,356
SPP Bygga	1,356	1,617		
SPP Emerging Markets SRI	1,132	1,004		
SPP Generation 40-tal	583	736		
SPP Generation 50-tal	4,298	5,711		
SPP Generation 60-tal	6,157	8,225		
SPP Generation 70-tal	2,496	3,342		
SPP Generation 80-tal	243	305		
SPP Global Topp 100	269	327		
SPP Leva	101	105		
SPP Mix	822	926		
Storebrand Aksje Innland	1,409	1,754	1,409	1,754
Storebrand Asia Pacific Indeks I	321	443	321	443
Storebrand Blend Stategies	1,064	1,360	1,064	1,360
Storebrand Emerging Private Equity Markets 2007 B3	293	340	293	340
Storebrand Emerging Private Equity Markets B3	150	249	150	249
Storebrand Europa I	743	908	743	908
Storebrand Global Indeks I	5,364	7,388	5,336	7,353
Storebrand Global Verdi	234	306	234	306
Storebrand Horizon C3	45	48		
Storebrand Indeks Alle Markeder	416	559	416	559
Storebrand Indeks Nye Markeder	81	86	81	86
Storebrand International Private Equity 13 - B-4	49	47	47	44
Storebrand International Private Equity IV - B2	136	276	115	255

NOK milion	Storebrand Livsforsikring Group Acquisition cost	Storebrand Livsforsikring Group Fair value	Storebrand Livsforsikring AS Acquisition cost	Storebrand Livsforsikring AS Fair value
Storebrand International Private Equity IX - B3	168	259	26	37
Storebrand International Private Equity V Ltd - B3	372	597	352	577
Storebrand International Private Equity VI Ltd -B3	493	799	468	774
Storebrand International Private Equity VII Ltd-B3	885	1 263	587	821
Storebrand International Private Equity VII Ltd-B1	37	40	7	10
Storebrand International Private Equity VIII LtdB3	302	484	302	484
Storebrand International Private Equity X - B-3	325	356	225	253
Storebrand International Private Equity X - B-3	383	400	225	253
Storebrand International Private Equity XI - B-3	201	242	309	329
Storebrand International Private Equity XII - B-4	160	178	160	196
Storebrand Multi Strategy Limited - class C-5	538	632		
Storebrand Multi Strategy Limited - XXL	224	405	224	405
Storebrand Nord Amerika I	1,219	1,936	1,219	1,936
Storebrand Nordic Private Equity III Ltd.	116	160	95	132
Storebrand Norge	82	103	82	103
Storebrand Norge I	1,282	1,577	1,282	1,577
Storebrand Norge Institusjon	600	770	600	770
Storebrand Norwegian Private Equity 2006 Ltd. - B3	144	226	144	226
Storebrand Norwegian Private Equity 2007 Ltd. - B3	98	141	98	141
Storebrand Optima Norge	33	44	33	44
Storebrand Selecta Limited - Class C-0	23	30	23	30
Storebrand Selecta Limited - Class C-3	295	487	295	487
Storebrand Selecta Limited - Class C-6	69	81		
Storebrand Selecta Limited - Class C-7	300	382		
Storebrand Special Opportunities II Ltd. - B3	87	117	87	117
Storebrand Special Opportunities Ltd. - C3	137	110	137	110
Storebrand Trippel Smart	193	260	193	260
Storebrand Vekst	70	88	70	88
Storebrand Verdi	156	198	136	172
T. Rowe Price US Large Cap Value Equity	85	87		
T.Rowe Price Asian ex-Japan Equity	34	45	34	45
T.Rowe Price-US LG CP VAL-A	29	35	29	35
Trygghet 75	1,528	1,758		
Trygghet 80	1,301	1,480		
Trygghet 85	289	320		
Trygghet 90	81	87		
Wand Partners	64	59	64	59
Wellington Global Health Care Equity Portfolio	223	252	66	73
Total	**60,586**	**74,851**	**25,450**	**32,395**
Other units not specified	**1,776**	**1 132**	**693**	**88**
Total units	**62,362**	**75,983**	**26,143**	**32,483**
Total equities and other units	**75,209**	**92,689**	**31,498**	**38,569**

Note 31 | Bonds and other fixed income securities at fair value

STOREBRAND LIVSFORSIKRING GROUP

	2013		2012
NOK million	**Acquisition cost**	**Fair value**	**Fair value**
Government and government guaranteed bonds	61,110	61,602	50,432
Credit bonds	23,912	24,238	25,062
Mortgage and asset backed bonds	42,068	42,296	41,020
Supranational and agency	7,128	7,167	3,647
Bond funds	44,158	47,208	59,762
Total bonds and other fixed income securities	**178,376**	**182,510**	**179,924**

	Storebrand Livsforsikring AS	SPP Livförsäkring AB	Euroben Life and Pension
Modified duration (interest rate sensitivity)	2.11	1.88	3.30
Average effective yield	2.7 %	1.9 %	1.9 %

The effective yield for each security is calculated using the observed market price. Calculated effective yields are weighted to give an average effective yield on the basis of each security's share of the total interest rate sensitivity.

STOREBRAND LIVSFORSIKRING AS

	2013		2012
NOK million	**Acquisition cost**	**Fair value**	**Fair value**
Government and government guaranteed bonds	22,609	22,906	8,552
Credit bonds	11,312	11,446	14,284
Mortgage and asset backed bonds	10,004	10,080	12,617
Supranational and agency	1,504	1,511	722
Bond funds	32,088	32,987	50,474
Total bonds and other fixed income securities	**77,518**	**78,930**	**86,649**

Note 32 | Derivates

Storebrand Livsforsikring makes active use of financial derivatives. Derivative contracts are used in particular to make effective use of exposure to investment risk in order to create the potential for a sound long-term risk-adjusted investment return. Derivatives often provide a quicker, simpler and cheaper way to increase or reduce exposure to specific risks, and can also be used to protect the investment portfolio against adverse developments. The individual share and bond portfolios use financial derivatives to manage the overall risk exposure within the limits applied. Definitions of the various derivatives contracts used can be found in the "Terms and expressions" section.

NOMINAL VOLUME

Financial derivatives are related to underlying amounts which are not recognised in the statement of financial position. In order to quantify the scope of the derivatives, reference is made to amounts described as the underlying nominal principal, nominal volume, etc. Nominal volume is arrived at differently for different classes of derivatives, and provides some indication of the size of the position and risk the derivative presents.

Gross nominal volume principally indicates the size of the exposure, whilst net nominal volume provides some indication of the risk exposure. However , nominal volume is not a measure which necessarily provides a comparison of the risk represented by different types of derivatives. Unlike gross nominal volume, the calculation of net nominal volume also takes into account which direction of market risk exposure the instrument represents by differentiating between long (asset) positions and short (liability) positions.

A long position in an equity derivative produces a gain in value if the share price increases. For interest rate derivatives, a long position produces a gain if interest rates fall, as is the case for bonds. For currency derivatives, a long position results in a positive change in value if the relevant exchange rate strengthens against the NOK. Average gross nominal volume are based on daily calculations of gross nominal volume.

STOREBRAND LIVSFORSIKRING GROUP

NOK million	Gross nominal volume [1]	Gros book value financial assets	Gros book value financial liabilities	Net book value financial assets/ liabilities	Amounts that can, but are not presented net in the balance sheet		Net amount
					Financial assets	Fianancial liabilities	
Interest derivatives	51,354	1,065	1,729		91	1,019,	-664
Currency derivatives	45,418	428	393		437	382	35,
Total derivatives 2013		**1,493**	**2,122**	**0**	**528**	**1,401**	**-629**
Total derivatives 2012		3,000	755				2,245

[1] Values 31.12.

The above tabel includes net positions in indirect investments.

Investments subjects to netting agreements/CSA

NOK million	Book value financial liabilities	Net book value financial assets/ liabilities	Net book value financial assets/ liabilities	Collateral		Net exposure
				Cash (+/-)	Securities (+/-)	
Barclays Bank Plc	169	154	15	27		-11
Credit Suisse International	19	7	13	17		-4
Danske Bank A/S	145	214	-69		-113	44
Deutsche Bank AG	191	253	-63		-156	93
DNB Bank ASA	47	94	-47		-145	98
J.P. Morgan Securities Plc	12	4	8			8
Nordea Bank Finland Plc	688	1,003	-315	205	-612	92
Skandinaviska Enskilda Banken AB	145	280	-135		-136	1
Svenska Handelsbanken AB	23	35	-12		-28	15
Swedbank AB	7	3	4	5		-1
The Royal Bank Of Scotland PLC	29	34	-5	15	-9	-11
Other	18	41	-23			-23
Total counterparties	**1,493**	**2,122**	**-629**	**269**	**-1,198**	**301**

STOREBRAND LIVSFORSIKRING AS

NOK million	Gross nominal volume [1]	Gros book value financial assets	Gros book value financial liabilities	Net book value financial assets/ liabilities	Amounts that can, but are not presented net in the balance sheet		Net amount
					Financial assets	Fianancial liabilities	
Interest derivatives	5 142	377	54		31	39	324
Currency derivatives	37 294	227	385		38	196	-158
Total derivatives 2013		**604**	**438**	**0**	**70**	**235**	**166**
Total derivatives 2012		980	206				774

[1] Values 31.12.

The above tabel includes net positions in indirect investments.

Investments subjects to netting agreements/CSA

NOK million	Book value financial liabilities	Net book value financial assets/ liabilities	Net book value financial assets/ liabilities	Collateral		Net exposure
				Cash (+/-)	Securities (+/-)	
Barclays Bank Plc	2		2			2
Danske Bank A/S	54	24	29		-5	35
Deutsche Bank AG	29	71	-42		-83	41
DNB Bank ASA	47	94	-47		-145	98
J.P. Morgan Securities Plc	12	4	8			8
Nordea Bank Finland Plc	380	134	246	205		41
Skandinaviska Enskilda Banken AB	72	110	-38		-59	20
The Royal Bank Of Scotland PLC	9		9	15		-6
Total counterparties	**604**	**438**	**166**	**220**	**-292**	**237**

Note 33 | Currency exposure

Financial assets and liabilities in foreign currencies

NOK million	Storebrand Livsforsikring Group				Storebrand Livsforsikring AS			
	Balance sheet items excl. currency derivatives	Forward contracts	Net position		Balance sheet items excl. currency derivatives	Forward contracts	Net position	
	Net on statement of financial position	Net sales	in currency	in NOK	Net on statement of financial position	Net sales	in currency	in NOK
AUD	49	-97	-48	-260	21	-75	-54	-292
CAD	61	-144	-84	-478	25	-114	-89	-510
CHF	71	-88	-18	-119	19	-69	-51	-347
DKK	1,650	-79	1,571	1,771	16	-79	-63	-71
EUR	1,119	-978	141	1,185	706	-793	-87	-727
GBP	119	-188	-69	-688	54	-152	-98	-977
HKD	120	-469	-349	-273	39	-255	-216	-169
ILS	4		4	7	4		4	7
ITL	42		42		42		42	
JPY	13,412	-26,419	-13,007	-751	5,436	-20,962	-15,526	-896
NZD	146	-148	-2	-12	145	-148	-3	-14
SEK [1]	151,251	767	152,018	143,599	2,039	-7,209	-5,170	-4,883
SGD	11	-15	-4	-19	5	-15	-10	-49
USD	2,110	-3,194	-1,084	-6,560	988	-2,448	-1,460	-8,855
NOK [2]	34,289		34,289	34,289	34,289		34,289	34,289
Insurance liabilities in SPP and BenCo in foreign currency				-152,176				
Total net currency position 2013				**19,514**				**16,506**
Total net currency position 2012				14,443				9,897

[1] 3,0 NOK billion related to SPP and BenCo

[2] Equity and bond funds denominated in NOK with foreign currency exposure, including in EUR and USD, amount to NOK 34 billion.

STOREBRAND LIVSFORSIKRING

The company hedges most of the foreign exchange risk in the customer portfolios on an ongoing basis. Foreign exchange risk exists primarily as a result of investments in international securities, as well as subordinated loans in a foreign currency to a certain extent. Hedging is performed by means of forward foreign exchange contracts at the portfolio level, and the currency positions are monitored continuously against a total limit. Negative currency positions are closed out no later than the day after they arose. In addition, separate limits have been defined so that active currency positions can be taken. These positions are included in the note under short-term positions. Storebrand employs a currency hedging principle called block hedging, which makes the execution of currency hedging more efficient.

SPP

SPP uses currency hedging for its investments to a certain degree. Currency exposure may be between 0 and 30 per cent in accordance with the investment strategy.

Note 34 | Other financial assets

	Storebrand Livsforsikring Group		Storebrand Livsforsikring AS	
NOK million	**2013**	**2012**	**2013**	**2012**
Bank deposits in company portfolio	305	126	259	109
Bank deposits collective customer portfolio	3,357	3,462	1,769	1,454
Bank deposits investment choice customer portfolio	262	397	227	357
Other financial assets	**3,924**	**3,985**	**2,255**	**1,920**

Note 35 | Tangible fixed assets

STOREBRAND LIVSFORSIKRING GROUP

NOK million	**Equipment**	**Vehicles**	**Fixtures & fittings**	**Real estate**	**2013**	**2012**
Book value 01.01	**40**	**1**	**45**	**303**	**388**	**366**
Additions	3	1	10	7	21	55
Disposals			1	-6	-5	-2
Revaluation booked in balance sheet				6	6	20
Depreciation	-23		-14		-37	-37
Write-ups due to write-downs in the period						4
Write-ups/ write-downs in the period				2	2	
Currency differences from converting foreign units			2	41	43	-16
Other changes						-2
Book value 31.12	**20**	**1**	**44**	**354**	**419**	**388**
Acquisition cost opening balance	118	3	78	303	502	504
Acquisition cost closing balance	121	3	90	354	568	502
Accumulated depreciation and write-downs opening balance	-78	-2	-33		-113	-138
Accumulated depreciation and write-downs closing balance	-101	-2	-46		-149	-114

Depreciation plan and financial lifetime:	
Equipment	4 years
Vehicles	6 years
Fixtures & fittings	4 years
Real estate	50 years

STOREBRAND LIVSFORSIKRING AS

NOK million	**Equipment**	**Vehicles**	**Fixtures & fittings**	**2013**	**2012**
Book value 01.01	**33**	**1**	**24**	**58**	**60**
Additions	2			2	26
Depreciation	-19		-5	-24	-28
Book value 31.12	**16**	**0**	**19**	**35**	**58**
Acquisition cost opening balance	97	1	42	140	146
Acquisition cost closing balance	99	1	42	142	140
Accumulated depreciation and write-downs opening balance	-64	-1	-18	-83	-86
Accumulated depreciation and write-downs closing balance	-83	-1	-23	-107	-83

Depreciation plan and financial lifetime:	
Equipment	4 years
Vehicles	6 years
Fixtures & fittings	4 years

Note 36 | Tangible fixed assets – operational leasing

STOREBRAND LIVSFORSIKRING GROUP

Minimum future payments on operational leases for fixed assets are as follows:

NOK million	**Minimum lease payment < 1 year**	**Minimum lease payment 1-5 year**	**Minimum lease payment > 5 year**
Leases less than 1 year	2		
Leases 1 - 5 years	14	22	
Leases for over 5 years	125	489	242
Total	**141**	**511**	**242**

Amount through profit and loss account

NOK million	**2013**	**2012**
Lease payments through profit and loss account	137	124

This primarily concerns lease of office buildings at Lysaker and in Stockholm, as well as some movables.
The lease regarding office buildings durate from 2013 until 2019 for buildings in Norway and from 2013 to 2023 for buildings in Sweden, both with an optional renewal.

STOREBRAND LIVSFORSIKRING AS

Minimum future payments on operational leases for fixed assets are as follows:

NOK million	**Minimum lease payment < 1 year**	**Minimum lease payment 1-5 year**	**Minimum lease payment > 5 year**
Leases less than 1 year	1		
Leases 1 - 5 years	1	3	
Leases for over 5 years	70	279	58
Total	**72**	**282**	**58**

Amount through profit and loss account

NOK million	**2013**	**2012**
Lease payments through profit and loss account	72	69

This primarily concerns the lease for Storebrand's head office in Lysaker, and the rental of operating equipment.

Note 37 | Other assets - biological assets

NOK million	**2013**	**2012**
Book value 01.01	**599**	**616**
Additions due to purchases/new planting (forest)	7	6
Disposals	-3	
Translation difference	74	-30
Change in fair value less sales expenses	13	6
Book value 31.12	**690**	**599**

Other assets booked in the balance sheet consist of forests in the subsidiaries AS Værdalsbruket and Foran Real Estate SIA in Latvia.

Note 38 | Insurance liabilities by class of business

NOK million	Group pension private insurance	Group pension public insurance	Group life insurance	Endowment insurance	Annuity/ pension insurance	Non-life insurance	Storebrand Livsforsikring AS		Sikkerhetsavsetning klassifisert som egenkapital i IFRS		BenCo		SPP		Storebrand Livsforsikring Group	
							2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Premium reserve	163,225	17,299	554	7,088	16,407		204,573	196,972			13,465	12,441	124,416	108,672	342,454	318,084
- of which RBNS	243	6	98	49	7		403	573							403	573
- of which IBNR	463	26	280	49	12		831	538							831	538
- of which premium income received in advance	1,542	142	111	59	5		1,859	956							1,859	956
Additional statutory reserves	3,151	499		189	619		4,458	5,746							4,458	5,746
Market value adjustment reserve	3,476	150	31	42	108	16	3,823	1,027							3,823	1,027
Premium fund	2,624	536					3,159	3,532							3,159	3,532
Deposit fund	350						350	326							350	326
Pensioners' surplus fund	4						4	22							4	22
Claims reserve	53	2	377	325	7		763	760			49	2	79	75	892	837
- of which RBNS	39	2	291	162	3		497	498							497	498
- of which IBNR	14		85	163	4		266	262							266	262
Conditional bonus											3,157	2,638	11,010	8,626	14,167	11,264
Other technical reserves						786	786	731	-171	-170					616	561
Total insurance liabilities	172,883	18,485	961	7,644	17,141	802	217,917	209,116	-171	-170	16,671	15,081	135,505	117,373	369,923	341,400

Endowment insurance

NOK million	Profit allocation	Not eligible for profit allocation	Investment choice	2013	2012
Premium reserve	2,825	935	3,328	7,088	8,469
Additional statutory reserves	189			189	251
Market value adjustment reserve	35	7		42	20
Claims reserve	219	106		325	315
Total insurance liabilities	**3,268**	**1,048**	**3,328**	**7,644**	**9,055**

Annuity/pension insurance

NOK million	Profit allocation	Investment choice	2013	2012
Premium reserve	13,015	3,392	16,407	16,656
Additional statutory reserves	619		619	553
Market value adjustment reserve	108		108	31
Claims reserve	6	1	7	8
Total insurance liabilities	**13,749**	**3,393**	**17,141**	**17,248**

Group pension private insurance

NOK million	Defined benefit without investment choice	Defined benefit with investment choice	Paid-up policies	Defined contribution with investment choice	Not eligible for profit allocation	2013	2012
Premium reserve	53,366	4,204	77,403	27,383	869	163,225	149,166
Additional statutory reserves	1,713	169	1,270			3,151	4,297
Market value adjustment reserve	1,819		1,637		20	3,476	835
Premium fund	1,796	328	18		482	2,624	2,669
Deposit fund	350					350	326
Pensioners' surplus fund	4					4	22
Claims reserve	21		19		12	53	60
Total insurance liabilities	**59,069**	**4,700**	**80,348**	**27,383**	**1,383**	**172,883**	**157,375**

Group pension public insurance

NOK million	Defined benefit without investment choice	Defined benefit with investment choice	2013	2012
Premium reserve	16,905	394	17,299	22,114
Additional statutory reserves	489	10	499	645
Market value adjustment reserve	150		150	134
Premium fund	534	1	536	863
Claims reserve	2		2	3
Total insurance liabilities	**18,080**	**406**	**18,485**	**23,759**

The table below shows the anticipated compensation payments (excl. repurchase and payment). The residual balance after 5 years is equal to the obligations

Trend in claims and benefits disbursed

NOK billion	Storebrand Livsforsikring AS	BenCo	SPP
0-1 years	-12	-7	-2
1-5 years	-22	-14	-3
More than 5 years	-175	-108	-11
Total	**-210**	**-129**	**-16**

Non-life insurance

	Storebrand Livsforsikring AS	
NOK million	2013	2012
Reinsurance share of technical insurance reserves	142	144
Total assets	**142**	**144**
Premium reserve	44	37
Claims reserve	572	524
- of which RBNS		76
- of which IBNR		449
Security reserve	171	170
Total assets	**786**	**731**
Market value adjustment reserve	16	2
Total insurance liabilities	**802**	**733**

Market value adjustment reserve

NOK million	2013	2012	Change 2013
Equities and units	2,869	701	2,168
Bond and other fixed income securities	954	325	628
Total	**3,823**	**1,027**	**2,796**

NOTE 39 | Change in insurance liabilities in life insurance

Insurance obligations in life insurance - contractual obligations

NOK million	Premium-reserve	Additional statutory reserves	Market value adjustment reserve	Claims allocation	Premium-, deposit-, and pension surplus fund	Other technical reserves non-life insurance	Total Storebrand Livsforsikring AS 2013	Total Storebrand Livsforsikring AS 2012
Book value 01.01	**162,268**	**5,489**	**1,027**	**760**	**3,394**	**731**	**17,669**	**165,142**
Changes in insurance obligations recognised in the Profit and Loss account								
2.1 Net realised reserves	-120	-1,047	2,796	3	23	63	1,719	8,865
2.2 Profit on the return								155
2.3 The risk profit allocated to the insurance agreements								
2.4 Other allocation of profit	85						85	3
2.5 Changes in insurance obligations from comprehensive income								
2.6 Re-statement differences								
Total changes in insurance obligations recognised in the Profit and Loss account	**-35**	**-1,047**	**2,796**	**3**	**23**	**63**	**1,804**	**9,023**
Non-realised changes in insurance liabilities								
3.1 Transfers between funds	3,482		-164		216		3,534	-24
3.2 Transfers to/from the company	157				-449	-8	-300	-473
Total non-realised changes in insurance liabilities	**3,639**		**-164**		**-233**	**-8**	**3,235**	**-497**
Book value 31.12	**165,873**	**4,443**	**3,659**	**763**	**3,184**	**786**	**178,708**	**173,669**

Insurance obligations in life insurance - investment choice portfolio separately

NOK million	Premium-reserve	Additional statutory reserves	Claims allocation	Premium-, deposit-, and pension surplus fund	Total Storebrand Livsforsikring AS 2013	Of which with multiannual guarantee return	Total Storebrand Livsforsikring AS 2012
Book value 01.01	**34,703**	**257**	**1**	**487**	**35,447**		**28,730**
Changes in insurance obligations recognised in the Profit and Loss account							
2.1 Net realised reserves	7,459			1	7,460		6,503
2.2 Profit on the return				133	133	6,482	25
2.3 The risk profit allocated to the insurance agreements							
2.4 Other allocation of profit							
2.5 Re-statement differences							
Total changes in insurance obligations recognised in the Profit and Loss account	**7,459**			**133**	**7,593**	**6,482**	**6,528**
Non-realised changes in insurance liabilities							
3.1 Transfers between funds	-3,461	-78		5	-3,534		24
3.2 Transfers to/from the company				-295	-295	804	166
Total non-realised changes in insurance liabilities	**-3,461**	**-78**		**-290**	**-3,830**	**804**	**190**
Book value 31.12	**38,701**	**179**	**1**	**330**	**39,210**	**7,287**	**35,447**

NOTE 40 | Other liabilities

NOK million	Storebrand Livsforsikring Group 2013	Storebrand Livsforsikring Group 2012	Storebrand Livsforsikring AS 2013	Storebrand Livsforsikring AS 2012
Other liabilities	121	174	42	83
Minority Storebrand Eiendomsfond KS [1]	2,342	2,022		
Received collateral	269	1,717	220	468
Debt broker	450	248	403	248
Other liabilities	1,052	789	495	66
Total	**4,233**	**4,951**	**1,160**	**866**

[1] From January 2014 participants can present a demand for redemption every year. Redemption is conditional on a total demand of NOK 100 million. The redemption sum is set at 98.75 per cent of VEK. Also see note 9.

NOTE 41 | Hedge accounting

STOREBRAND LIVSFORSIKRING GROUP

FAIR VALUE HEDGING OF INTEREST RISK

Storebrand Livsforsikring uses fair value hedging for interest risk. The hedged items are financial assets and financial liabilities measured at amortised cost. Derivatives are recognised at fair value over the income statement (FVO). Changes in the value of the hedged item that relate to the hedged risk are applied to the carrying amount of the item and are recognised in the profit and loss account. Hedge effectiveness is monitored at an individual security level. Each portfolio consists of swaps and hedging items that mature within the same half-year period.

Hedging instrument/items hedged – fair value hedging

	2013				2012			
		Book value [1]				Book value [1]		
NOK million	Contract/ nominal value	Assets	Liabilities	Recognised in profit/ loss	Contract/ nominal value	Assets	Liabilities	Recognised in profit/ loss
Interest rate swaps	3,273	363		166	3,366	253		-42
Subordinated loan capital	-3,273		-3,626	-140	-3,366		-4,040	41

[1] Book value at 31.12.

CURRENCY HEDGING OF NET INVESTMENT IN SPP

In 2013, Storebrand utilised cash flow hedging for the currency risk linked to Storebrand's net investment in SPP. 3 month rolling currency derivatives were used, in which the spot element in these is used as the hedging instrument. The effective share of hedging instruments are recognised in comprehensive income. There will be a partial hedge of net investment in SPP and it is therefore expected that the hedging effectiveness going forward will be about 100 per cent.

Hedging instrument/items hedged – cash flow hedging

	2013			2012		
		Book value [1]			Book value [1]	
NOK million	Contract/ nominal value	Assets	Liabilities	Contract/ nominal value	Assets	Liabilities
Currency derivatives	-7,203		-145	-6,582		-6
Underlying items		7,351			6,748	

[1] Book value at 31.12.

STOREBRAND LIVSFORSIKRING AS

FAIR VALUE HEDGING OF INTEREST RISK

Storebrand Livsforsikring uses fair value hedging for interest risk. The hedged items are financial assets and financial liabilities measured at amortised cost. Derivatives are recognised at fair value over the income statement (FVO). Changes in the value of the hedged item that relate to the hedged risk are applied to the carrying amount of the item and are recognised in the profit and loss account. Hedge effectiveness is monitored at an individual security level. Each portfolio consists of swaps and hedging items that mature within the same half-year period.

Hedging instrument/items hedged – fair value hedging

	2013				2012			
		Book value [1]				Book value [1]		
NOK million	Contract/ nominal value	Assets	Liabilities	Recognised in profit/ loss	Contract/ nominal value	Assets	Liabilities	Recognised in profit/ loss
Interest rate swaps	3,273	363		166	3,366	253		-42
Subordinated loan capital	-3,273		-3,626	-140	-3,366		-4,040	41

[1] Book value at 31.12.

Note 42 | Collateral

	Storebrand Livsforsikring Group		Storebrand Livsforsikring AS	
NOK million	2013	2012	2013	2012
Collateral pledged in connection with derivatives trading	5,373	2,209	938	914
Collateral received in connection with derivatives trading	-477	-1,717	-220	-468
Total collateral	**4,896**	**492**	**718**	**447**

Collateral pledged in connection with futures and options are regulated on daily basis in the daily margin clearing on individual contracts.

Note 43 | Contingent liabilities

	Storebrand Livsforsikring Group		Storebrand Livsforsikring AS	
NOK million	2013	2012	2013	2012
Undrawn amounts of committed lending facilities		1,068		1,068
Uncalled residual liabilities concerning limited partnership	4,038	5,317	3,022	3,715
Total contingent liabilities	**4,038**	**6,385**	**3,022**	**4,783**

Storebrand Group companies are engaged in extensive activities in Norway and abroad and may become a party in legal disputes.

Note 44 | Transactions with connected parties

Companies in the Storebrand Livsforsikring Group have transactions with other companies in the Storebrand Group, senior employees and shareholders in Storebrand ASA. These are transactions that are a part of the products and services offered by the companies in the group to their customers. The transactions are entered into on commercial terms and include occupational pensions, private pensions savings, leasing of premises, and lending.

Internal transactions between group companies are eliminated in the consolidated financial statements, with the exception of transactions between the customer portfolio in Storebrand Livsforsikring AS and other units in the group. See further description in Note 1 Accounting Principles.

Also see note 22 Remuneration of senior employees and elected officers and note 28 Parent company's holding of equities in subsidiaries and associated companies.

	2013	
NOK million	**Sale/Purchase of services**	**Receivables/liabilities [1]**
Group companies:		
Storebrand ASA	69	-6
Storebrand Bank ASA	87	6
Storebrand Asset Management AS	-178	-2
Storebrand Forsikring AS	80	17
Storebrand Baltic NUF	1	
Other		
Liability minority real estate fund		2,342

[1] See Note 40 for discussion on minorities in real estate fund.

NOTE 45 | Capital adequacy

	Storebrand Livsforsikring Group		Storebrand Livsforsikring AS	
NOK million	**2013**	**2012**	**2013**	**2012**
Share capital	3,540	3,540	3,540	3,540
Other equity	16,471	13,722	16,556	14,652
Equity	**20,011**	**17,262**	**20,096**	**18,192**
Hybrid tier 1 capital	1,500	1,500	1,500	1,500
Goodwill and other intangible assets	-5,807	-5,589	-144	-108
Risk equalisation fund	-776	-640	-776	-640
Capital adequacy reserve	-96	-141		
Deduction for investments in other financial institutions	-1	-2	-1	-18
Interest adjustment insurance reserves	-1,081	-1,454		
Security reserve	-150	-143		
Other	-71	-31	-68	-30
Core (tier 1) capital	**13,530**	**10,762**	**20,607**	**18,896**
Hybrid tier 1 capital	2,700	4,901	2,700	4,901
Perpetual subordinated loan capital	2,238		2,238	
Capital adequacy reserve	-96	-141		
Deduction for investments in other financial institutions	-1	-2	-1	-18
Tier 2 capital	**4,841**	**4,758**	**4,937**	**4,883**
Net primary capital	**18,371**	**15,520**	**25,544**	**23,779**
Calculation base by class of risk weighting	**406,605**	**373,981**	**251,409**	**242,830**
Risk weight 0%	70,093	87,558	41,920	50,907
Risk weight 10%	66,222	66,598	36,770	40,773
Risk weight 20%	79,261	54,768	50,445	33,705
Risk weight 50%	10,170	7,957	6,983	5,797
Risk weight 100%	87,567	88,583	78,073	83,190
Risk weight 150%	6,509	5,271	5,391	4,785
Assets held in respect of life insurance contracts with investment choice	86,781	63,246	31,826	23,673
Weighted assets in the statement of financial position	**133,403**	**122,142**	**104,342**	**103,224**
Weighted interest rate and FX contracts	4,494	6,162	3,213	3,977
Cross holding deduction for shares in other financial institutions	-195	-287	-2	-36
Unrealised gains on financial current assets	-3,073	-772	-3,073	-772
Risk weighted calculation base	**134,630**	**127,245**	**104,481**	**106,393**
Capital adequacy ratio	**13.6 %**	**12.2 %**	**24.4 %**	**22.4 %**
Core (tier 1) capital ratio	**10.0 %**	**8.5 %**	**19.7 %**	**17.8 %**

Note 46 | Solvency margin

NOK million	Storebrand Livsforsikring Group 2013	Storebrand Livsforsikring Group 2012	Storebrand Livsforsikring AS 2013	Storebrand Livsforsikring AS 2012
Solvency margin requirements	11,974	11,595	7,634	7,538
Solvency margin capital	21,055	18,775	27,107	25,905
Solvency margin	**175.8 %**	**161.9 %**	**355.1 %**	**343.6 %**

Specification of solvency margin capital

NOK million	Storebrand Livsforsikring Group 2013	Storebrand Livsforsikring Group 2012	Storebrand Livsforsikring AS 2013	Storebrand Livsforsikring AS 2012
Net primary capital	18,371	15,520	25,544	23,779
50% of additional statutory reserves	2,229	2,873	2,229	2,873
50% of risk equalisation fund	388	320	388	320
Counting security reserve	67	65	67	65
Reduction in Tier 2 capital eligible for inclusion in solvency capital			-1,121	-1,132
Solvency capital	**21,055**	**18,777**	**27,107**	**25,905**

Note 47 | Return on capital

STOREBRAND LIVSFORSIKRING AS

	2013		2012		2011		2010		2009	
	Booked return	Market return	Booked return	Market return	Booked return	Market return	Booked return	Market return	Booked return	Market return
Contractual obligations total	3.0 %	4.6 %	5.6 %	6.2 %	4.6 %	3.4 %	4.9 %	6.1 %	4.6 %	4.6 %
As portfolio:										
Group defined benefit extra cautious									4.2 %	4.9 %
Group defined benefit low	3.8 %	4.2 %	5.9 %	6.1 %	6.4 %	4.5 %	4.5 %	5.5 %	4.2 %	4.6 %
Group defined benefit standard	3.3 %	5.3 %	5.8 %	6.8 %	4.5 %	2.8 %	4.6 %	6.5 %	5.0 %	4.8 %
Group defined benefit high			5.7 %	7.1 %	4.7 %	2.2 %	4.9 %	7.4 %	5.3 %	5.4 %
Swedish branch	3.7 %	5.1 %	4.9 %	5.6 %	5.9 %	4.8 %	3.8 %	4.9 %		
Paid-up policies	2.2 %	4.0 %	5.4 %	5.7 %	4.7 %	3.8 %	4.9 %	6.0 %	4.6 %	4.5 %
Individual	4.9 %	5.4 %	5.7 %	6.0 %	3.6 %	3.2 %	6.0 %	6.0 %	4.0 %	4.3 %

	2013	2012	2011	2010	2009
Return on capital company portfolio	4.2 %	5.4 %	5.1 %	5.8 %	5.2 %

Note 48 | Number of employees

	Storebrand Livsforsikring Group 2013	Storebrand Livsforsikring Group 2012	Storebrand Livsforsikring AS 2013	Storebrand Livsforsikring AS 2012
Number of employees 31.12	1,532	1,667	829	918
Average number of employees	1,594	1,636	867	923
Fulltime equivalent positions 31.12	1,506	1,638	816	902
Average number of fulltime equivalents	1,567	1,603	853	905

The chief actuary´s report

Storebrand Livsforsikring AS

INSURANCE FUND AND RISK EQUALISATION FUND

With reference to the annual report for 2013 I confirm that the entered “Premium reserve”, “Additional statutory reserves” and “Insurance obligations in life insurance” in the Statement of financial position have all been calculated in accordance with the Act on Insurance Activity and satisfy the requirements of the Financial Services Authority of Norway. This is also valid for the “Risk equalisation fund”. From these calculations the corresponding allocations have been made in the Profit and Loss Account. The proposed allocations are in accordance with the Act on Insurance Activity.

Lysaker, 11 February 2014

Translation - not to be signed

Arne Kristian Hove
Chief Actuary

Declaration by the Members of the Board and the CEO

Storebrand Livsforsikring AS and Storebrand Livsforsikring Group - **Declaration by the Members of the Board and the CEO**

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 2013 financial year and as per 31 December 2013.

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 annual financial statements and consolidated financial statements for 2013 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 per 31 December 2013. 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 annual financial statements and consolidated financial statements. 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 overview.

Lysaker, 11 February 2014
The Board of Directors of Storebrand Livsforsikring AS

Translation – not to be signed

Odd Arild Grefstad
Chairman of the Board

Peik Norenberg

Tove Margrete Storrødvann

Else-Lill Grønli

Erik Haug Hansen

Inger Johanne Bergstøl

Jan Otto Risebrobakken

Geir Holmgren
Chief Executive Officer

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Translation from the original Norwegian version

To the Annual Shareholders' Meeting of Storebrand Livsforsikring AS

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Storebrand Livsforsikring AS, which comprise the financial statements of the parent company and the financial statements of the group. The financial statements of the parent company comprise the balance sheet as at December 31, 2013, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements of the group comprise the statement of financial position as at December 31, 2013, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian accounting act and accounting standards and practices generally accepted in Norway for the company accounts and in accordance with International Financial Reporting Standards as adopted by EU for the group accounts, and for such internal control as The Board of Directors and the Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Deloitte.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the financial statements for the parent company
In our opinion, the financial statements of the parent company are prepared in accordance with the law and regulations and give a true and fair view of the financial position of Storebrand Livsforsikring AS as at December 31, 2013, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian accounting act and accounting standards and practices generally accepted in Norway.

Opinion on the financial statements for the group
In our opinion, the financial statements of the group are prepared in accordance with the law and regulations and give a true and fair view of the financial position of the group Storebrand Livsforsikring AS as at December 31, 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report and the statements on Corporate Governance and Corporate Social Responsibility
Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report concerning the financial statements and in the statements on Corporate Governance and Corporate Social Responsibility, the going concern assumption and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation
Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, February 11, 2014
Deloitte AS

Ingebret G. Hisdal
State Authorised Public Accountant (Norway)

[Translation has been made for information purposes only]

Control Committee´s Statement

Storebrand Livsforsikring AS

Control Committee’s Statement – 2013

At its meeting on 25 February 2014, the Control Committee of Storebrand Livsforsikring AS has reviewed the Board of Director’s proposed Annual Report and Accounts for 2013 of Storebrand Livsforsikring AS.

With references to the auditor’s report of 11 February 2014 the Control Committee recommends that the Annual Reports and Accounts proposed be adopted as the Annual Report and Accounts of Storebrand Livsforsikring AS for 2013.

Lysaker, 25 February 2014

Translation - not to be signed

Elisabeth Wille
Chairman of the Control Committee

Board of Representatives´ Statement

Storebrand Livsforsikring AS

Board of Representatives’ Statement – 2013

The Board of Directors’ proposal for the Annual Report and Accounts, together with the Auditor’s report and the Control Committee’s statement have, in the manner required by law, been presented to the Board of Representatives, at its meeting on 6 March 2014.

The Board of Representatives recommends that the Annual General Meeting approve the Board of Directors proposal for the Annual Report and Accounts of Storebrand Livsforsikring AS and Storebrand Livsforsikring Group.

The Board of Representatives has no observations regarding the Board’s proposed allocation of Storebrand Livsforsikring AS’ profit for the year.

Lysaker, 6 March 2014
Translation - not to be signed

Terje Venold
Chairman of the Board of Representatives

Terms and expressions

GENERAL

SUBORDINATED LOAN CAPITAL
Subordinated loan capital is loan capital that ranks after all other debt. Subordinated loan capital forms part of the tier 2 capital for capital adequacy calculations.

DURATION
Average remaining term to maturity of the cash flow from interest-bearing securities. The modified duration is calculated based on the duration and expresses the sensitivity to the underlying interest rate changes.

EQUITY
Equity consists of paid-in capital, retained earnings and minority interests. Paid-in capital includes share capital, share premium reserve and other paid-in capital. Retained earnings include other equity and reserves.

CAPITAL ADEQUACY

PRIMARY CAPITAL
Primary capital is capital eligible to satisfy the capital requirements under the authorities' regulations. Primary capital may consist of core (tier 1) capital and tier 2 capital.

CAPITAL REQUIREMENTS
The individual asset items and off-balance-sheet items are a assigned a risk weight based on the estimated risk they represent. The capital requirement is 8 per cent.

CAPITAL ADEQUACY RATIO
Primary capital must at least equal the calculated capital requirement. The capital adequacy ratio is calculated by measuring the total primary capital in relation to the capital requirement of 8 per cent.

CORE (TIER 1) CAPITAL
Core (tier 1) capital is part of the primary capital and consists of the equity less the minimum requirement for reinsurance provisions in P&C insurance, goodwill, other intangible assets, net prepaid pensions, 50 per cent of any capital adequacy reserve, and cross-ownership deductions in other financial institutions. The core (tier 1) capital will be adjusted for the valuations that are used as the basis for credit calculations at a national level for foreign companies. For Storebrand Holding AB this will entail an adjustment of SPP AB's estimated insurance liabilities for which a different yield curve is used for credit assessment than is used in the financial accounts. Issued hybrid tier 1 capital may account for 15 per cent of the core (tier 1) capital, while any amount exceeding 15 per cent may be included in the tier 2 capital.

TIER 2 CAPITAL
Tier 2 capital is part of the primary capital and consists of subordinated loan capital and the portion of the hybrid tier 1 capital that is not counted as core (tier 1) capital. There is a 50 per cent deduction for any capital adequacy reserve and deduction for cross-ownership in other financial institutions. In order to be eligible as primary capital, tier 2 capital cannot exceed core (tier 1) capital. Perpetual subordinated loan capital, together with other tier 2 capital, cannot exceed 100 per cent of core (tier 1) capital, while dated subordinated loan capital cannot exceed 50 per cent of core (tier 1) capital. To be fully eligible as primary capital, the remaining term must be at least five years. If the remaining term is less, the eligible portion is reduced by 20 per cent per annum.

SOLVENCY II
Solvency II is a common set of European regulatory requirements for the insurance industry. Under Solvency II, the size of the capital requirement will be determined by the amount of risk the company is exposed to.

INSURANCE

REINSURANCE (REASSURANCE)
The transfer of part of the risk to another insurance company.

IBNR RESERVES (INCURRED BUT NOT REPORTED)
Reserves for the compensation of insured events that have occurred, but not yet been reported to the insurance company.

RBNS RESERVES (REPORTED BUT NOT SETTLED)
Reserves for the compensation of reported, but not yet settled claims.

LIFE INSURANCE

RETURN ON CAPITAL
The booked return on capital shows net realised income from financial assets and changes in the value of real estate and exchange rate changes for financial assets, expressed as a percentage of the year's average capital in customer funds with guarantees and in the company portfolio, respectively. The market return shows the total income realised from financial assets, changes in the value of real estate and the year's change in unrealised gains or losses, expressed as a percentage of the year's average total capital in customer funds with guarantees and in the company portfolio, respectively, at market value.

GROUP CONTRACTS

Group defined benefit pensions (DB)
Guaranteed pension payments from a specified age for as long as the insured person lives. Alternatively, it can be agreed that the pension will end at a specified age. The product is offered in both the private and public sectors. The cover includes retirement, disability and survivor pensions.

Group defined contribution pensions (defined contribution – DC)
In group defined contribution pensions the premium is stated as a percentage of pay, while the payments are unknown. The customer bears all the financial risk during the saving period.

Group one-year risk cover
These products involve guaranteed payments upon death or disability, and a waiver of premiums in the event of disability.

Paid-up policies (benefit) and pension capital certificate (contribution)
These are contracts with earned rights that are issued upon withdrawal from or the termination of pension contracts.

Group life insurance
Group life insurance in which an insured sum is payable on the death of a member of the group. Such insurance can be extended to cover disability insurance.

Unit Linked
Life insurance offering an investment choice, whereby the customer can influence the level of risk and return by selecting in which funds assets are to be invested. Applies to both individual policies and group defined contribution pensions.

INDIVIDUAL CONTRACTS

Individual allocated annuity or pension insurance
Contracts with guaranteed payments for as long as the insured person lives. Alternatively, it can be agreed that the pension will end at a specified age.

Individual endowment insurance
Contracts involving a single payment in the event of attaining a specified age, death or disability.

Individual Unit Linked insurance
Endowment insurance or allocated annuity in which the customer bears the financial risk.

Contractual liabilities
Allocations to premium reserves for contractual liabilities shall, as a minimum, equal the difference between the capital value of the company's future liabilities and the capital value of future net premiums (prospective calculation method). Additional benefits due to an added surplus are included.

RESULT

Administration result
The administration result is the difference between the premiums paid by customers pursuant to the tariff and the company's actual operating costs. The income consists of fees based on the size of customer assets, premium volumes or numbers in the form of unit prices. Operating costs consist of, among other things, personnel costs, marketing, commissions and IT costs.

Financial result
The financial result consists of the net financial income from financial assets for the group portfolio (group and individual products without any investment choice) less the guaranteed return.

Risk result
The risk result consists of premiums the company charges to cover insurance risks less the actual costs in the form of insurance reserves and payments for insured events such as death, pensions, disability and accidents.

Profit sharing and profit allocated to owner
See note 3.

OTHER TERMS

Insurance reserves – life insurance
For a more detailed description of the technical insurance reserves and accrual accounting for premiums and compensation, see note 1 – accounting policies.

Solidity capital
The term solidity capital includes equity, subordinated loan capital, market value adjustment reserve, additional statutory reserves, conditional bonuses, surplus/deficit related to bonds at amortised cost and retained earnings. The solvency capital is also calculated as a percentage of total customer funds, excluding additional statutory reserves and conditional bonuses.

Solvency margin requirements
An expression of the risk associated with the insurance-related liabilities. Calculated on the basis of the insurance fund and the risk insurance sum for each insurance sector.

Solvency margin capital
Primary capital as in capital adequacy plus 50 per cent of additional statutory reserves and risk equalisation fund, plus 55 per cent of the lower limit for the contingency funds in P&C insurance.

Buffer capital
Buffer capital consists of the market value adjustment reserve, additional statutory reserves and conditional bonuses

FINANCIAL DERIVATIVES

The term "financial derivatives" embraces a wide range of financial instruments for which the current value and future price movements are determined by equities, bonds, foreign currencies or other traditional financial instruments. Derivatives require less capital than is the case for traditional financial instruments, such as equities and bonds, and are used as a flexible and cost-effective supplement to traditional instruments in portfolio management. Financial derivatives can be used to hedge against unwanted financial risks, or to create a desired risk exposure in place of using traditional financial instruments.

Share options
The purchase of share options confers a right (but not an obligation) to buy or sell shares at a pre-determined price. Share options may be related to stock market indices as well as to specific individual stocks. The sale of share options implies the equivalent one-sided obligation. In general, exchange traded and cleared options are used.

Stock futures (stock index futures)
Stock futures contracts can be related to individual shares, but are normally related to stock market indices. Stock futures contracts are standardised futures contracts, which are exchange traded, and are subject to established clearing arrangements. Profits and losses on futures contracts are recognised daily, and are settled on the following day.

Cross currency swaps
A cross currency swap is an agreement to exchange principal and interest rate terms in different currencies. At the maturity of the contract, the principal and interest rate terms are exchanged back to the original currency. Cross currency swaps are used, for example, to hedge returns in a specific currency or to hedge foreign currency exposure.

Forward Rate Agreements (FRA)
FRAs are agreements to pay or receive the difference between an agreed fixed rate of interest and the actual rate for a fixed amount and period of time. This difference is settled at the start of the future interest period. FRA contracts are particularly appropriate for the management of short-term interest rate exposure.

Credit derivatives
Credit derivatives are financial contracts that transfer all or part of the credit risk associated with loans, bonds and similar instruments from the purchaser of the protection (seller of the risk) to the seller of the protection (purchaser of the risk). Credit derivatives are transferable instruments that make it possible to transfer the credit risk associated with particular assets to a third party without selling the assets.

Interest rate futures
Interest rate futures contracts are related to government bond rates or short-term benchmark interest rates. Interest rate futures are standardised contracts which are exchange traded and are subject to established clearing arrangements. Profits and losses on futures contracts are recognised daily and settled on the following day.

Interest rate swaps/asset swaps
Interest rate swaps/asset swaps are agreements between two-parties to exchange interest rate terms for a specified period. This is normally an agreement to exchange fixed rate payments for floating rate payments.This instrument is used to manage or change the interest rate risk.

Interest rate options
Interest rate options can be related to either bond yields or money market rates. The purchase of interest rate options related to bonds (also known as bond options) confers a right (but not an obligation) to buy or sell bonds at a pre-determined price. Interest rate options can be used as a flexible instrument for the management of both long and short-term interest rate exposure.

Forward foreign exchange contracts/swaps
Forward foreign exchange contracts/swaps relate to the purchase or sale of a currency for an agreed price at a future date. These contracts are principally used to hedge the currency exposure arising from securities, bank deposits, subordinated loans and insurance reserves. These contracts also include spot foreign exchange transactions.

Company information

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