Annual Report

Storebrand Livsforsikring AS

2012

storebrand

Content

Report of the board of directors

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

Storebrand's position as a leading player in the Norwegian market for occupational pensions was maintained throughout 2012. The business' main priorities are to strengthen commercialisation and customer orientation while at the same time reducing costs and improving capital efficiency, which are seen as necessary. These priorities have resulted in a raft of decisions and measures in 2012 while at the same time the business is preparing for increased dynamism in the market as a result of expected new occupational pension products and stronger ties between private pension savings and occupational pensions.

OUTLOOK

Market changes and regulatory shifts in the occupational pension market

The market for occupational pensions in the private sector is characterised by a clear transition from defined-benefit to contribution-based pension schemes and this trend is expected to continue. This outlook is reinforced by work with new occupational pension regulations which means that a new accumulation of occupation pension rights in the future will have many features in common with current contribution schemes.

The development of new occupational pension regulations in the private sector, which is the Banking Law Commission's phase 2, and transitional rules for existing collective defined-benefit schemes and paid-up policies, which is the Banking Law Commission's phase 3, are both expected to be clarified during the course of 2013. It is anticipated that the changes, which are expected to be introduced no earlier than 2014, will provide Livsforsikring with considerable business opportunities through product development, marketing activities and customer dialogue but also challenges in terms of resources and increased market and competitive dynamics. A more detailed description appears in the section "New occupational pension products" below.

From 2013 investment choices are open to paid-up policies. This means that customers with established traditional paid-up policies and new paid-up policy customers can select a fund-based savings solution with the potential for increased return over time but without an annual interest rate guarantee. Paid-up policies with investment choices are better suited to the upcoming capital requirement regulations for life insurance and will, in addition, be advantageous for many customers. Storebrand expects that a significant number of customers will over time choose a solution with investment choices.

Storebrand Life Insurance decided to withdraw from the market for insurance-based defined-benefit occupational pensions in the public sector. The decision applies to all insured pension solutions in both municipalities and public bodies. The winding up of this business is planned to take three years. Pension scheme members will not be affected by this decision and Storebrand will do its best to ensure they receive good customer service while they remain our customers. The decision to withdraw from the market for defined-benefit pensions in the public sector is due to several factors. There is no firm timetable for the future switch to new pension solutions in the public sector as is the case in the market for private occupational pension schemes. Continuing on the basis of the current framework conditions in the public sector requires a level of investment that is considered too high. The introduction of new capital requirements will also tie up a substantial amount of capital for products with long-term interest rate guarantees. Therefore, Storebrand has concluded that the sum total of these factors means it would be financially unjustifiable to continue offering public pension schemes with the current framework conditions. Storebrand will consider re-entering the public sector pension scheme market should the framework conditions change in the future.

It should be emphasised that Storebrand Life Insurance will continue to offer management and administration services for public sector pension funds. Establishing a pension fund will be an attractive alternative for municipalities and public bodies that wish to improve their ability to influence the management of their pension funds.

The business and private market are being linked together more tightly

The switch from defined-benefit to contribution-based occupational pension schemes has resulted in both risk and pension savings options being transferred from employers to employees. Seen as a whole, with the pension reforms leading to lower pension payments from national insurance for many employees and occupational pension having become compulsory in Norway, the need and interest for pensions and savings have increased significantly.

Storebrand Livsforsikring has a strong position within the corporate market for occupational pensions and this provides the company with a strategic advantage in relation to advice and sales of savings and insurance products for the individual employee. Storebrand currently has around 1,138,000 private customers in Norway, including purely retail market customers, employees in companies with occupational pensions with Storebrand and individuals who have a paid-up policy or a pension capital certificate with the company.

Our research shows that a large proportion of the employees who have pensions with Storebrand also want personal advice and guidance on pensions and savings, among other things. In Norway alone there are between 60,000 and 80,000 new employees every year in companies that offer occupational pensions from Storebrand. The aim of Livforsikring's offensive focus on the occupational pension market and the individual employee is to achieve a good customer experience. Customers must receive advice tailored to the needs of the company and the individual employee's own life situation.

REGULATORY ADAPTATION IN NORWAY

New occupational pension products

The Banking Law Commission's report NOU 2012:13 was submitted to the Ministry of Finance in June 2012. In its report, the Commission has looked at how insurance-based occupational pension schemes could best be adapted to the reformed National Insurance scheme, and trends in the employment and financial markets.

The Banking Law Commission proposed two main models for occupational pensions: The standard and the basic models. Common to both models are:

- All-years principle for accrual.
- The annual premium being set as a percentage of the employee's wages. The maximum limits are 7-8 per cent for income under 7.1 G and 25-26 per cent for income between 7.1 and 12 G [G = National Insurance base amount].
- Mortality inheritance.
- Annual zero guarantee. It is still possible to agree investment options where this guarantee does not apply.
- Life expectancy adjustment of the pension benefits by divisors

The main difference is that pension stocks in the standard model are regulated by wage inflation, while pension stocks in the basic model are regulated by the actual return.

Storebrand is positive towards the proposal which is well-adapted to the new National Insurance Scheme and the new capital requirements due to Solvency II. The tax-related contribution framework allows room for good pension schemes for employees. The proposal provides for greater flexibility and more predictable costs, compared with today's defined benefit schemes, for employers. Capital requirements arising from the new products will be risk-manageable. The products' zero guarantee reduces the return risk and the longevity risk is significantly reduced as a result of longevity adjustments.

The Banking Law Commission proposed longevity adjustments based on divisors in the same way as in the new National Insurance Scheme. Following the consultation period, the Financial Supervisory Authority of Norway drew up a proposal concerning an alternative method for longevity adjustments based on new dynamic mortality tariffs. This proposal is currently being circulated for consultation, together with the proposed transitional rules.

Transitional rules

The Banking Law Commission's report NOU 2013:3 was submitted to the Ministry of Finance on 7 January 2013. The report contains proposed rules for transitioning from the current defined benefit-based occupational pension schemes to the new defined contribution-based hybrid products proposed in NOU 2012:13. The plan is for flexible transitional rules for companies that currently have defined benefit pensions and higher maximum rates for today's defined contribution pension schemes.

The report proposes:

- Raising the maximum saving ceilings in current defined contribution schemes so that they match the proposed ceilings for the new hybrid products (the contribution limits would be raised from the current 5 per cent for salaries up to 6 G and 8 per cent for salaries between 6 G and 12 G to 8 per cent for salaries up to 7.1 G and 26.1 per cent for salaries between 7.1 G and 12 G).
- That new pension rights be accumulated via either new hybrid products or today's defined contribution schemes. That companies must change their schemes by no later than 3 years after the Act comes into force. Although employees who were born in 1962 or earlier will nevertheless have an opportunity to continue with their defined benefit pension. Premiums for continued defined benefit pensions will be based on new mortality tariffs.
- A transitional scheme where already accumulated defined benefit pension rights can be continued within the pension scheme. The premium reserve and additional statutory reserves linked to the accumulated pension rights from the defined benefit scheme would in these circumstances be continued as separate pension stocks that would be kept separate from the new accumulation of pension rights. The costs of these pension stocks would be covered by the employer.
- Paid-up policies can be converted to pension certificates based on the same principles. Pension stocks must be sufficient to meet these obligations at the time of payout. An escalation plan will be implemented if there is any under-reserving. The Ministry of Finance would lay down rules for such escalation plans in regulations.
- Pension rights from a defined benefit scheme can be transferred by customers to investment choice without a guaranteed return.

The Banking Law Commission is now starting work on adapting the rules for risk cover (survivors and disability pensions) to the new pension products and new disability benefits that will be introduced in the National Insurance Scheme in 2015. In this phase the Commission will also consider changes to the transfer rules to adapt these to the new products. This report is expected to be completed during 2013. The proposal facilitates transferring from today's defined benefit-based products to the new hybrid products.

Storebrand welcomes the proposal to increase the maximum saving ceilings for today's defined contribution pension schemes and the fact that the proposal facilitates long-term adaptation for longevity through escalation plans. These escalation plans, which the Ministry of Finance will lay down more detailed rules for in regulations, may, depending on their formulation, also facilitate more appropriate guarantee structures.

New occupational pension accrual will generally take place in defined contribution occupational pension products that are well adapted to Solvency II and the low interest rate level. The challenges for paid-up policies that were described in NOU 2012:3 "Paid-up polices and capital requirements" are, however, not resolved by the measures proposed in this report. The importance of the capital requirement proposals under Solvency II will depend on the design of the escalation plans, how earned rights from old schemes are ultimately handled, and the market-related adaptation to new products and transitional rules.

Solvency II and new Norwegian occupational pensions

Solvency II is a set of rules covering solvency that will apply to all insurance companies in the EU and EEA. The rules were to take effect from 1 January 2014. Due to major delays in the schedule, however, their introduction will be postponed. No new schedule has been announced.

The capital requirements shall reflect all significant risks, including financial market risk, insurance risk, counter-party risk, and operational risk. The ultimate formulation of the capital requirements, including possible transitional arrangements, are still not ready, but it is likely that the capital requirements will be higher than the capital requirements under Solvency I.

Calculating solvency capital will be based on the fair value of both assets and liabilities. This implies that the value of insurance liabilities will vary depending on the interest rate level. Under current investment adjustment and product regulations, interest rate sensitivity is considerably higher for insurance liabilities than it is for assets. This implies that a fall in interest rates weakens the solvency position. Paid-up policies and traditional individual insurance products with guarantees present the greatest risk, because the premium has been fully paid.

The Solvency II framework builds, inter alia, on the assumption that companies can manage the interest rate risk by investing in assets with an interest rate sensitivity that is similar to that of the insurance liabilities. Norwegian pension schemes are prevented from doing this due to the lack of assets available in the Norwegian market with long-term fixed interest rates, as well as the risk linked to the guaranteed annual return (the requirement that the excess return must at the least be equivalent to the basis interest that is irrevocably credited to the customer annually).

The risk entailed in the guaranteed annual return arises because it relates only to the asset side. Increasing interest rate sensitivity increases the fluctuations in the annual return on assets, and a risk management dilemma arises. High interest rate sensitivity represents a small risk to the company's solvency position, but a large risk of a negative return in the case of a rise in interest rates. Low interest rate sensitivity represents a small risk to the result, but a major risk to solvency in the event of a fall in interest rates.

The proposed new occupational pension regulations (NOU 2012:13 Pension Acts and the National Insurance Reform II) from the Banking Law Commission describe the new hybrid schemes (basic model and standard model). The new schemes entail good solutions for new pension accrual in relation to Solvency II. There will no longer be any interest rate risk and the life expectancy risk will be significantly less than today.

The challenge is linked to the existing reserves and how the transitional rules will be formulated. The Banking Law Commission's proposed transitional rules were made public on 7 January 2013. The proposed transitional rules are based on the rights to pension benefits that have been earned at the time of the transition being protected by the constitution. Given that the rights to benefits will be maintained, it implies that there will still be a large capital requirement when Solvency II is introduced.

Future process

The proposed transitional rules will be circulated for consultation until the beginning of April 2013. The Ministry of Finance has announced that the bill, which covers both the new products and transitional rules, will be presented for consideration by the Norwegian parliament in autumn 2013. If this happens the plan is for the new regulations to come into force on 1 January 2014. However, there is a significant risk that the process will be delayed such that the regulations will not come into force until 1 January 2015.

AMENDMENT OF THE NORWEGIAN TAX CODE

It became clear in the National Budget 2013 that the tax exemption method for customer portfolios in life insurance will be eliminated with effect from 1 January 2012. Capital gains or losses realised on equities will thus be taxable or deductible, respectively, for equities that are owned by customer portfolios in life insurance companies. Capital gains or losses on equities within the EEA area have not been taxable or deductible earlier. Life insurance companies will still receive a tax allowance for allocations to insurance reserves. This amendment entails that profits from life insurance will be taxed at a rate of up to 28 per cent. Note 23 will describe these changes in greater detail.

FUTURE RESERVES FOR PROJECTED HIGHER LIFE EXPECTANCY

The life insurance industry has worked on new mortality tables, in cooperation with the Financial Supervisory Authority of Norway. There is a general need to build up reserves to boost provisions for higher life expectancy within group pensions. Based on the mortality survey conducted by the life insurance industry, the Financial Supervisory Authority of Norway will set a minimum level for new mortality tariffs effective from 1 January 2014. Statistics Norway's mean alternative for mortality plus a 10 per cent safety margin indicates a strengthening of the premium reserves of around 7 per cent, which corresponds to around NOK 10 billion.

Storebrand has set aside a total of NOK 4.3 billion during the period from 2011 to 2012 for future reserves for longevity. Customers must expect that Storebrand Life Insurance will once again set aside a considerable portion of the returns that exceed the interest rate guarantee to increase reserves for longevity in 2013 as well. The remaining build up of reserves is expected to be covered mainly through financial and risk profits. The Financial

Supervisory Authority of Norway will clarify the final assumptions for the plan for building up reserves, including the length of the reserves period and the size of the company's contribution.

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 90 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 invests in foreign property funds. The company is 100 per cent owned by 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 owns 66 per cent of Foran Real Estate in Latvia, as well as 29 per cent through SPP Livförsäkring AB. The company invests in forests in Latvia.

In 2012 Storebrand Livsforsikring AS sold shares in Storebrand Baltic UAB in Lithuania to Storebrand ASA at fair value and shares in Evoco UAB were sold to Storebrand Baltic UAB.

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 2012.

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

The tables below summarises the information in the consolidated financial statements for Storebrand Livsforsikring AS based on IFRS principles and a table showing the reconciliation against NGAAP.

The presentation of Storebrand Livsforsikring and SPP is exclusive internal transactions.

Result Storebrand Livsforsikring Group according to IFRS principles

NOK million	2012	2011
Storebrand Life Insurance	652	481
Insurance	316	223
SPP	803	291
Other	-5	0
Asset Management	81	89
Profit before amortisation	**1,846**	**1,083**
Amortisation intangible assets	-357	-361
Pre-tax profit/loss	**1,489**	**722**
Tax	-372	-730
Profit/loss	1,117	-8

The next pages refers to the development in results for Storebrand Life Insurance, SPP and Insurance. Amounts in brackets show the result for 2011.

STOREBRAND LIFE INSURANCE

The business area Storebrand Life Insurance offers a broad range of products within occupational pensions, private pension savings and life insurance to companies, public sector entities and private individuals. Also encompasses BenCo, which offers pension products to multinational companies through Nordben and Euroben.

FINANCIAL PERFORMANCE

Financial performance Storebrand Life Insurance

NOK million	2012	2011
Administration result	6	101
Risk result	131	117
Financial result [1]	-58	-226
Price of interest guarantee and profit risk	545	520
Other	28	-32
Pre-tax profit/loss	**652**	**481**

[1] Investment result and profit sharing

Administration result

The underlying administration result for 2012 was good, but was pulled down by provisions made in the second half of the year for expected future restructuring in line with the Group's costs programme. A portfolio was also bought back from an external distributor. In total the provisions and transaction amounted to NOK 110 million in 2012. Income developed well, especially for defined contribution pensions, due to portfolio growth.

Risk result

The disability result within group pensions was better than in 2011, but still weak. The reason for this is the change in the assumptions concerning reactivation (disabled persons who return to working life), which entails a need for higher claims provisions. Lower mortality than that assumed when calculating reserves for retirement pensions resulted in negative longevity results. There is a general need to build up reserves to boost provisions for higher life expectancy within group pensions.

Financial result

The financial result consists of the net return on the company portfolio and the company's share of profit sharing.

The company portfolio achieved a net result of minus NOK 65 million for 2012, compared with minus NOK 120 million in 2011. Storebrand Life Insurance is funded by a combination of equity and subordinated loans. The proportion of subordinated loans of approximately 28 per cent and interest charges comprise a net amount of approximately NOK 120 million per quarter at the current interest rate level. The company portfolio of NOK 8.7 billion reported a gross return of 5.4 per cent for 2012, compared with 5.1 per cent for 2011. The lower credit spreads had a positive impact on the return.

Storebrand has completed the ongoing plan to increase reserves due to expected lower mortality for individual pension insurance policies. In accordance with this plan, provisions of NOK 172 million were made in 2012, meaning provisions totalling NOK 642 million were made in the period 2010 to 2012. The build-up of reserves for the year 2012 was covered by the positive investment result.

There is also a need to strengthen the reserves in the group pension insurance area to meet the projected higher life expectancy. NOK 3.2 billion of the customers' investment result was set aside in 2012.

The average annual interest rate guarantee for the various customer portfolios is between 3.1 per cent and 3.7 per cent. The guarantee levels for new business have been reduced as a result of the low interest rate level. The booked return in the customer portfolios is adequate to cover the average annual interest rate guarantee. The booked return has also resulted in profits for customers in excess of the interest rate guarantee of NOK 0.2 billion.

Return on capital

The market return has been marked by an upturn in the equity markets, both nationally and internationally. Short-term interest rates have fallen in Norway and internationally, while long-term interest rates have remained relatively stable at low levels.

Return on investment portfolios with guarantees

Market return guaranteed products

Portfolio	2012	2011
Total	6.2%	3.4%
Total Group (DB)	6.7%	3.0%
Paid-up policies	5.7%	3.8%
Individual	6.0%	3.2%

Booked return guaranteed products

Portfolio	2012	2011
Total	5.6%	4.6%
Total Group (DB)	5.8%	4.8%
Paid-up policies	5.4%	4.7%
Individual	5.7%	3.6%

Market return defined contribution pensions

	2012	2011
Extra careful profile	5.3%	
Careful profile	7.7%	2.8%
Balanced profile	11.6%	-1.2%
Aggressive profile	12.9%	-5.3%
Extra aggressive profile	13.4%	

Price of interest rate guarantee and profit risk

NOK 545 million was recognised as income from upfront pricing of the interest rate guarantee and profit from risk for group defined benefit in 2012, an increase of NOK 25 million compared with the same period last year. The increase was due to both volume changes and price rises in the portfolio. As a result of the low interest rate level, a decision was made in autumn 2012 to increase prices for the interest rate guarantee and profit risk for group defined benefit pensions from 1 January 2013 by around 20 per cent in the private sector and 25 per cent in the public sector.

ASSET ALLOCATION IN CUSTOMER PORTFOLIOS WITH INTEREST RATE GUARANTEE

Balance sheet

Allocations to equities and held-to-maturity bonds in customer portfolios with a guarantee were reduced in 2012 while money market allocations increased correspondingly.

The held-to-maturity bond allocations in the company portfolio declined somewhat during 2012. Money market allocations increased correspondingly.

The assets under management increased by NOK 17 billion in 2012 and totalled NOK 230 billion at the end of the year. This increase was driven by positive returns and a net transfer of customer assets.

MARKED

Premium income excluding transfer of premium reserves

NOK million	2012	2011
Defined benefit (fee-based)	9,104	9,147
Defined contribution (unit linked based)	4,436	3,812
Total occupational pension	**13,540**	**12,959**
Paid-up policies	79	116
Traditional individual life and pensions	377	584
Unit Linked (retail)	1,419	929
Total individual pension and savings	**1,875**	**1,629**
BenCo	**747**	**700**
Total	**16,163**	**15,288**

Premium income from group defined benefit pensions will gradually decline due to the transition to defined contribution pensions. The growth in premium income for defined contribution schemes for companies has been good. New policies for traditional guaranteed capital and pensions are no longer issued. There is substantial conversion of portions of the guaranteed portfolio to unit linked or bank products, which entails a decline in the premium income compared with the previous year. The increase in premium income for unit linked in 2012 is attributed to good sales of the Garantikonto product and an increase in endowment insurance. A reduction in guaranteed savings is in line with the company's strategy.

Sales

Storebrand achieved good sales results in 2012, particularly in the corporate segment. A number of large tenders for defined contribution pensions, personal insurance and group life insurance were won during the year. The booked net transfer to Storebrand was NOK 525 million in 2012, compared with minus NOK 4,690 million in 2011. The booked figures for 2012 were affected by three municipalities resolving to transfer their pension schemes from Storebrand in 2011, with effect in the accounts from 1 January 2012.

The Banking Law Commission's proposal for transitional rules endorses a great deal of flexibility for companies that currently have defined benefit pensions, and companies that already have a defined contribution pension will be given an opportunity to save significantly more for their employees than is the case today. The final clarifications will, however, not be available until the Norwegian parliament has approved the new legislation. In the coming period, Storebrand will actively seek to inform, explain and advise our customers on how they can best adapt to the new rules. Storebrand is working on the development of product and service solutions that are adapted to customer needs and the new regulatory framework.

There is an increasing interest in the consequences of the pension reform, but many employees still do not know that their total pension will be reduced as a result of the changes to the National Insurance Scheme. The follow-up programme for our corporate customers' employees is a top priority for Storebrand and will focus on advisory services for pension savings.

Asset allocation in the guaranteed individual products is no longer optimal for a large number of customers. This is due to the low interest rates and adapting to Solvency II. Storebrand is contacting these customers and offering conversion to alternative investments with an expected higher net return. This resulted in a net decline of NOK 1.3 billion in the portfolio in 2012.

New subscriptions

New premiums (APE) totalling NOK 834 million were signed in 2012, compared with NOK 658 million in 2011. The increase was mainly due to a higher APE for group defined benefit and contribution pensions.

- Guaranteed products: NOK 377 million (NOK 325 million)
- Unit linked: NOK 411 million (NOK 299 million)
- BenCo: NOK 46 million (NOK 34 million)

SPP

The business area SPP offers pension and insurance solutions, as well as advice to companies in the competitive segment of the occupational pensions market. The company also offers private pension savings, as well as sickness and health insurance.

RESULT

Financial performance SPP

NOK million	2012	2011
Administration result	98	99
Risk result	149	289
Financial result	395	-226
Other	161	129
Profit before amortisation	**803**	**291**
Amortisation intangible assets	-356	-358
Pre-tax profit/loss	**447**	**-67**

Administration result

The administration result was NOK 98 million for 2012. Income rose by 4 per cent (measured in local currency) compared with the previous year due to the growth in assets under management and thus higher capital fees. Costs rose by a total of 4 per cent (measured in local currency) for the year, which was in large part due to higher commission expenses, provisions for the costs programme, and moving to a new head office. The effects of the costs programme will be realised during 2013 and 2014.

Risk result

The risk result was NOK 149 million for 2012. The risk result mainly consists of the disability result, reinsurance, the mortality result and the accident result. The risk result was affected by a good disability result due to fewer and shorter disability cases. As expected, the result is lower than the previous year, due to the positive impact of a terminated reinsurance contract with a non-recurring effect of NOK 85 million. The new reinsurance agreement that came into effect on 1 January 2012 limits SPP's exposure to medical and mortality risk from private individuals.

Financial result

The financial result was positive for 2012 and amounted to NOK 395 million. The positive development of the equity and credit market and falling interest rates contributed to the financial result. Equity-related investments increased by 12 per cent and mortgage bonds increased by 6 per cent. The returns in the various portfolios depend on developments in the financial markets. The portfolios have different exposures to, for example, equity, fixed income and currency markets, since they have investment profiles that are adapted to the liabilities. The returns in the portfolios will therefore vary. All portfolios enjoyed positive returns during the period, which resulted in profit sharing of NOK 288 million in 2012 compared with NOK 105 million in 2011.

If the assets in the defined benefit portfolio total more than 107 per cent of the insurance liabilities as at the 3rd quarter, the company can charge an indexing fee. Consolidation at the end of the 3rd quarter was 108.3 per cent. This provided a basis for indexing fees of NOK 114 million for the year, compared with NOK 2 million in 2011.

Previously, a hedge portfolio had been established to reduce the effect of falling equity markets on the result. This was wound up in the 4th quarter 2012 and has only had a marginal effect on the result. The deferred capital contribution (DCC) reduced the financial result by minus NOK 6 million in 2012 and minus NOK 748 million in 2011. Deferred capital contributions can be reversed in the event of good portfolio returns and/or higher market interest rates.

Return on capital

Portfolio in %	2012	2011
Defined Benefit (DB)	6.6%	8.6%
Defined Contribution (DC)		
- P250 [1)]	9.1%	3.3%
- P300 [1)]	6.8%	7.6%
- P520 [1)]	6.4%	12.5%
RP (Retirement Pension)	3.7%	2.8%

[1)] Maximum interest rate guarantee in the portfolios P250, P300 and P520 is 2.5 per cent, 4 per cent and 5.2 per cent respectively.

Customer returns were good in 2012. The largest positive contribution to customer returns came from the bond portfolios, especially portfolios with low credit risk, following the sharp fall in long Swedish interest rates.

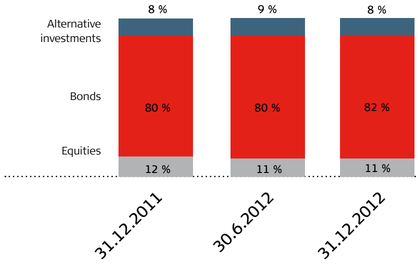
Other result
The result mainly consists of the return on the company portfolio, which is entirely invested in short-term interest-bearing securities. The result developed positively in 2012.

BALANCE SHEET
SPP adjusts its exposure to equities in line with developments in the market and risk-bearing capacity in the portfolios by means of so-called dynamic risk management. SPP has continued to adapt the investment risk in guaranteed insurance to the future international solvency regulations. The proportion of equities was therefore reduced in all portfolios in 2012.

The buffer capital (conditional bonuses) has increased by NOK 1.4 billion and totalled NOK 8.6 billion at the end of the year. This is mainly attributed to rising equity markets.

The total assets under management amounted to NOK 115 billion at the end of 2012, which represents an increase of NOK 4 billion during the year. The increase was in part due to improving equity markets. The assets under management within unit linked insurance at the end of the year totalled NOK 36 billion (NOK 32 billion).

ASSET ALLOCATION IN CUSTOMER PORTFOLIOS WITH AN INTEREST RATE GUARANTEE



MARKED
The switch from traditional insurance to unit linked insurance continued in 2012. Traditional insurance is still good for some customer groups, but the customer themselves, or in consultation with SPP, choose how they want to save based on their own views regarding risk and opportunities in the long-term. SPP's job is to look after the customers' interests as best as possible.

Premium income
Total premium income decreased by 2 per cent in 2012 compared with 2011. Premium income rose by 2 per cent for unit linked insurance. The proportion now accounts for 60 per cent of total premium income, an increase of 2 per cent.

Premium income excluding transfer of premium reserves

NOK million	2012	2011
Guaranteed products	2,422	2,632
Unit Linked	3,699	3,633
Total	**6,122**	**6,265**

Net premium income (premium income less insurance claim payments and transfers) was positive within unit linked insurance and totalled NOK 2,698 million. This is an increase in relation to the year before. The net premium income for guaranteed products was minus NOK 2,821 million.

New subscriptions
New sales measured as new premiums (APE) amounted to NOK 977 million in 2012 compared with NOK 1,034 million in 2011, a 5 per cent reduction. However, the positive trend for the company's own sales force continued. Sales rose by 9 per cent compared with 2011. Sales staff focused on increased productivity during the year, which had a positive effect on sales. The workforce remained relatively unchanged. The unit linked concept has developed positively and it has been well-received by customers. Customers are increasingly choosing unit linked insurance, which resulted in a 16 per cent increase in sales by the company's sales force. Sales via brokers decreased. The broker market saw a shift towards traditional management and so-called depository insurance. The weaker result for option programmes is attributed to a large degree to few people making an active choice. The proportion for unit linked insurance remains unchanged from 2011 and amounted to 67 per cent of total new business in 2012.

- Guaranteed products: NOK 313 million (323 million)
- Unit Linked: NOK 650 million (695 million)
- Other: NOK 14 million (16 million)

INSURANCE

The business area offers personal risk products in the Norwegian retail market, and employee cover in the corporate market in Norway.

Financial performance Insurance

NOK million	**2012**	**2011**
Premiums earned, net	1,234	1,149
Claims incurred, net	-812	-833
Operating costs	-215	-193
Insurance result	**207**	**124**
Net financial result	109	99
Pre-tax profit/loss	**316**	**223**

	2012	**2011**
Claims ratio	66%	72%
Cost ratio	17%	17%
Combined ratio	83%	89%

New subscriptions

- Risk products: NOK 193 million (99 million).

RECONCILIATION TABLES TOWARDS PROFIT AND LOSS ACCOUNT

The following table shows reconciliation between the profit and loss tables in this interim report showing Storebrand Livsforsikring Group according to IFRS, and profit and loss to local Annual Accounts Regulations for Insurance Companies (NGAAP). The official financial statements for Storebrand Livsforsikring AS are prepared in accordance with local Annual Accounts Regulations for Insurance Companies (NGAAP).

NOK million	**2012**	**2011**
Profit and Loss	**1,489**	**722**
Change in security reserves p&c insurance	-23	30
Profit and loss Storebrand Livsforsikring Group before tax	**1,466**	**751**

RISK AND CAPITAL SITUATION

The largest risk for the Group is associated with its life insurance activities. The combination of low interest rates and guarantee commitments, as well as higher life expectancy, represents a risk to earnings and the capitalisation of life insurance activities in the future. The most important risk factors for the banking activities are credit risk and liquidity risk. For the insurance business the most important risk is insurance risk and for asset management its risk is mainly associated with the development of the financial markets and operational errors.

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.

Both Storebrand Life Insurance and SPP utilise dynamic risk management in their ongoing management. This is intended to ensure that the companies maintain good risk bearing capacity and continuously adjust their asset allocation and financial risk to their solvency and risk capital. The effect of market downturns are dampened at the same time as customers and owners can participate in market upswings.

Operational risk refers to the risk of incurring 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. 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.

STOREBRAND LIFE INSURANCE

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. Risk management in this business therefore aims to reduce the probability of the return falling below the annual guaranteed return for the various product groups in any single year.

Over time, high interest rates are preferable to low interest rates for guaranteed business. The falling interest rates in 2011 and 2012 therefore entailed, everything else being equal, a greater risk for the company.

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 produce good returns both for individual years and over time. 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 additional statutory reserves and unrealised gains. The owner is responsible for meeting any shortfall that cannot be covered. The average interest rate guarantee is expected to decline in the years ahead and from 2012 all new earnings will be linked to a basic interest rate of 2.5 per cent.

The share capital, which consists of equity and subordinated loans, is invested at low market risk, mainly in interest-bearing investments of good credit quality and short duration.

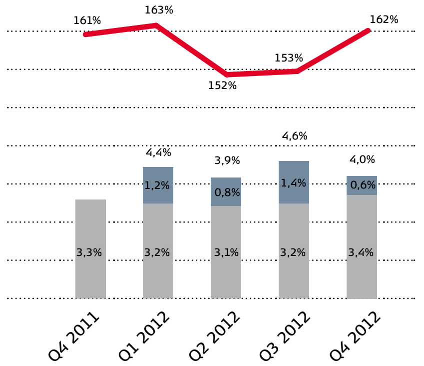
Defined contribution pension and unit linked contracts include individual investment choice in which the individual bears the risk of falls in value, but also reaps the entire upside in rising markets. Storebrand has made a new standard solution available that automatically adjusts the proportion of equities according to the individual's age and time horizon. The opportunities within investment choice are thus better exploited and the customer receives a sensible potential return and risk level depending on their age. Beyond the facilitated standard solutions individuals are completely free to choose alternative solutions in which they can determine the investment risk themselves.

The exposure to increased life expectancy and disability is linked to the insurance's lifelong benefits. The tariffs are based on empirical statistics. The company has strategies for implementing future demand for building up reserves and reducing the owner's risk from changes in portfolios to the lowest possible level.

The life insurance industry has worked on new mortality tables, in cooperation with the Financial Supervisory Authority of Norway, which take higher life expectancy into account. As a result of this, Storebrand will significantly build up its reserves in the coming years. Due to the good returns in 2012, a total of NOK 3.2 billion was allocated in 2012. Storebrand has set aside a total of NOK 4.3 billion during the period from 2011 to 2012 for future reserves for longevity. There is an ongoing process with the authorities to ensure that a long enough period of time is allowed for building up reserves.

The company's total risk picture is monitored continuously using tools such as the Financial Supervisory Authority of Norway's risk-based supervision tool, RBT, and self-developed risk goals. The self-developed risk goals are monitored on a daily basis.

2012 saw good customer returns due to strong equity markets and good bond returns. The latter is due to falling interest rates and reduced credit premiums. The returns achieved in excess of the guarantee have mainly been used to build up reserves for higher life expectancy. On the other hand, low interest rates have a negative impact on Storebrand's ability to fulfil the nominal interest rate guarantee in coming years. This will become even more apparent when Solvency II is introduced.



Additional statutory reserve in per cent of customer fund with guarantee

Market value adjustments reserve in per cent of customer fund with guarantee

Solvency margin

SOLVENCY

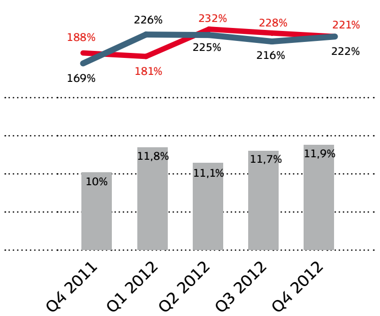
NOK million	2008	2009	2010	2011	2012
Equity	15,247	14,004	15,069	15,031	15,385
Subordinated loan capital	9,833	6,637	6,642	6,630	6,468
Risk equalisation fund	153	225	287	469	640
Market value adjustment reserve		31	1,971		1,027
Additional statutory reserves (ASR)	3,437	4,646	5,439	5,442	5,746
Conditional bonus (CB)	7,499	8,689	11,503	10,038	11,264
Reserves on bonds held to maturity	-313	140	732	1,757	5,225
Profit carried forward		952	1,067	742	1,105
Total	**35,856**	**35,324**	**42,710**	**40,109**	**46,860**

The market value adjustment reserve increased by NOK 1.0 billion and totalled NOK 1.0 billion at the end of the year. The additional statutory reserves totalled NOK 5.7 billion at the end of the year, an increase of NOK 0.3 billion, which is attributed primarily to the addition of reserves from the allocation of the profit for the year. The excess value of held-to-maturity bonds that are assessed at amortised cost increased by NOK 3.5 billion as a result of a fall in interest rates and totalled NOK 5.2 billion at the end of the year.
The excess value of held-to-maturity bonds is not recorded in the financial statements.

Solvency capital totalled NOK 46.9 billion at the end of the year, an increase of NOK 6.8 billion for the year as a result, inter alia, of increased customer buffers.

The solvency margin for the Storebrand Life Insurance Group increased by one percentage point during the quarter and was 162 per cent at the end of the year. The solvency margin was affected during the quarter by a positive change in the discount rate that is used for solvency purposes for the Swedish insurance liabilities. The Storebrand Life Insurance Group's capital adequacy ratio was reduced by 1.6 percentage points during the quarter and amounted to 12.2 per cent at the end of the year. The solvency margin and capital adequacy were positively impacted by the NOK 550 million capital increase from Storebrand ASA in July. At the end of the 2nd quarter of 2012, Storebrand changed the method it uses for calculating the solvency margin for the Swedish business by adopting the evaluation principles used in solvency calculations at a national level. Swedish solvency calculations for insurance liabilities are discounted by a combination of government bond yields and mortgage rates, while the recognised accounting insurance liabilities are discounted on the basis of a swap rate. Different interest rate changes can result in volatility in the solvency margin.

Solvency



Conditional bonus in per cent of customer funds with guarantee

Solvency margin SPP Liv Fondförsäkring AB

Solvency margin SPP Livförsäkring AB

SPP

SPP is exposed to the same types of risks as Storebrand Life Insurance. However, differences in product design, regulatory framework and asset allocation result in a somewhat different risk situation. SPP's defined benefit-based products are adjusted for inflation. The company is thus exposed to inflation risk in parts of the portfolio. Interest rate risk is reflected in the liabilities since their market values are assessed under Swedish rules, both in the financial statements and for the calculation of solvency capital. The investment portfolio is continuously adjusted to the current interest rate sensitivity of insurance liabilities in the financial statements. Different calculation methods mean interest rate sensitivity is greater in the calculation of SPP's solvency than in the financial statements.

Customer returns were good in 2012. The largest positive contribution to customer returns came from the bond portfolios, especially portfolios with low credit risk, following the sharp fall in long Swedish interest rates.

If the value of the assets is lower than the value of the liabilities to customers, as a result of returns lower than the interest rate guarantees that have been issued, a so-called deferred capital contribution (DCC) arises, for which provisions are made in the accounts. Deferred capital contributions can be reversed in the event of good portfolio returns and/or higher market interest rates.

SPP's group structure has been changed such that SPP Liv Fondförsäkring AB is no longer a subsidiary but is instead a sister company of SPP Livförsäkring AB. SPP Livförsäkring AB's solvency margin was 222 per cent and SPP Liv Fondförsäkring AB's solvency margin was 221 per cent at the end of the year, compared with 169 per cent and 188 per cent respectively in 2011. In Sweden the solvency calculation discounts insurance liabilities using a market interest rate.

Swedish interest rates fell in 2012. During the year, SPP changed its yield curve principle and switched from using a 10-year yield curve to a 30-year yield curve. Since the 30-year yield exceeds the 10-year yield this has resulted in a fall in the value of the insurance liabilities in the solvency calculation and increased solvency capital.

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 2011.

REGULATORY MATTERS

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.

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 2012, Storebrand carried out a number of activities to strengthen its work on sustainability and ensure that sustainability is a differentiating factor that brings us closer to our vision: "Recommended by our customers".

FUNDAMENTAL PRINCIPLES

Storebrand has signed the UN Global Compact, the UN's principles for responsible companies. The Principles for Responsible Investments (PRI) play a key role in the work on sustainable investments. In 2012, we signed the Principles for Sustainable Insurance (PSI), which will be used in the work on further developing sustainable insurance.

SUSTAINABLE INVESTMENTS

All managed assets in the Storebrand Group comply with Storebrand's minimum requirements. Investments are not made in companies that violate UN conventions or operate other non-sustainable activities. 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.

During 2012, the analysis unit for sustainable investments established a new and unique sustainability rating system. All of the companies in Morgan Stanley's Global Index will be assigned a sustainability score. The rating is based on three main factors: financial strength, current sustainable practices, and future positioning based on global challenges such the scarcity of resources and changed consumption patterns. All asset managers have access to this sustainability rating. This is how the ESG parameters are being integrated into all investment decisions in the Group.

THE LIFE PORTFOLIOS REPORT SUSTAINABILITY RATINGS

Based on the new sustainability rating system all of the Group's life portfolios have been assessed on the basis of sustainability criteria. Our ambition is for the life portfolios to increase their share of investments in the most sustainable companies. This year, for the first time, a target was set for the proportion of the balance sheet that must be invested in companies regarded by Storebrand as being among the most sustainable in their respective industries.

NEW SMART CUTTING EDGE PRODUCT

Storebrand launched "Trippel Smart" in Norway and Sweden in October 2012. The fund is a global equity fund that invests in 100 of the most sustainable companies in the whole world, and in all sectors.

WORLD-CLASS SUSTAINABLE OPERATIONS

The Group requires sustainability in all internal processes and decisions. Sustainability is one of the Purchasing Department's three essential criteria. Ethics, developing talent and employee satisfaction are high on HR's agenda. Product Development integrates sustainability into its work. This contributed to Storebrand being named a Global 100 company as "the most sustainable finance service company in the world" by the Davos World Economic Forum (January 2013). Storebrand qualified for the Dow Jones Sustainability Index for the 14th year in a row as one of the 10 per cent most sustainable companies in the world. Storebrand also qualified for FTSE4Good and was nominated as Sustainable Asset Manager of the Year, a distinction awarded by the IFC and the Financial Times. Storebrand reports the status of its climate change work to the Carbon Disclosure Project and has been Eco-lighthouse certified for the last 3 years.

Storebrand participated in the UN's conference on sustainable development in the summer and launched a new initiative in the insurance industry. Together with 30 other insurance companies and industry organisations, Storebrand signed UNEP FI's Principles for Sustainable Insurance. Storebrand has participated in the work on developing these principles since 2006 and hope they have as great an impact in the insurance industry as their forerunner PRI (Principles for Responsible Investments) had in the financial sector. During 2013-2014, the work on implementing the principles in day-to-day operations will be intensified, and what sustainable insurance means for Storebrand and our customers will be defined.

ENVIRONMENT

Storebrand systematically strives to reduce the company's impact on the environment due to our business activities, investments, procurement and property management. The best way we can influence the environment is through sustainable investments.

We continuously work to reduce energy consumption in all the properties we manage. The Group is working on eco-labelling its properties. By the end of 2012, 62 per cent of the properties Storebrand runs and manages were Eco-lighthouse certified. All of them are energy labelled.

The Group has eliminated company cars and has electric cars and bicycles that employees can borrow. The environment is a weighty factor in all our procurements. In 2012, Storebrand was nominated as the purchaser of the year by the Swan network.

Storebrand systematically works to reduce CO_2 emissions, including by keeping flights to an absolute minimum and using video conferencing. Storebrand purchases UN certified emissions reductions (CER) to compensate for CO_2 emissions from flights and energy consumption.

HUMAN RESOURCES AND ORGANISATION

Storebrand Livsforsikring AS is a wholly owned subsidiary of Storebrand ASA. At year-end, the Storebrand Livsforsikring Group had 1,667 employees, compared with 1,717 at the beginning of the year. The average age is 44 years and average length of service is 9 years.

EQUALITY AND DIVERSITY

Storebrand focuses on retaining and improving the development of talented female employees. A programme aimed at increasing the number of women in senior positions in the Group started in spring 2012. The programme will be expanded to include men in 2013 in order to ensure broader provision for all those with a talent for management. This compensates for some of the effects of the Group deciding to end the trainee programme due to cost reductions.

The Group participates in a number of external talent programmes for women in Norway and Sweden. SPP participates in the "Battle of the Numbers", where the aim is to get more women into senior positions. In 2013, Storebrand will also participate in Norway. SPP also participates in "Ruter Dam", a management development and mentor programme aimed at getting more female managers into senior positions in major companies.

Storebrand strives to ensure that all of its employees, regardless of cultural background, flourish. The same is true for people with disabilities who are employed and provided with access to the workplace on the same terms as other employees. Storebrand's workforce reflects a good example of age diversity. Age is not a decisive criterion in either recruitment processes or later on during someone's employment.

In order to be able to compare salaries between male and female employees, we prepare salary statistics for specified levels and types of positions.

43 per cent of Storebrand Livsforsikring AS's board members are women. The proportion of women on the subsidiaries' boards is 35 per cent and in the executive management it is 22 per cent. At the end of the year, women accounted for 43 per cent of people with managerial responsibilities in the Group.

In 2012, 12 employees older than 65 years old were still in post compared with 15 in 2011. 25 people over 45 were hired.

In July 2012, a NOK 400 million costs programme was announced, primarily to adapt the Group's cost base to the future Solvency II regulations. The measures entail staffing reductions of around 300 full-time equivalents in the Group before 2014. Storebrand has good routines for reducing staffing and restructuring processes, which include formal discussions between the executive management and committee of employee representatives.

WORKING ENVIRONMENT/SICK LEAVE

Job satisfaction increased somewhat according to the Group's employee satisfaction index. Job satisfaction is a combination of satisfaction and motivation, which in turn is a combination of seven priority areas.

The working environment survey shows that the trends for health and satisfaction parameters were stable in 2012. One fixed item on the agenda of the Group's working environment committee is reviewing measurements of light, air and sound, and improvements are continuously being made in this area.

Sick leave rate has been stable for many years. The sick leave rate in Storebrand Livsforsikring was 4.1 per cent for 2012, compared to 4.7 per cent in 2011 and 4.9 per cent in 2010. SPP had a sick leave rate of 1.9 per cent and Storebrand Baltic 2.2 per cent. Storebrand has been an "inclusive workplace" (IA) company for 10 years and the Group's managers have over the years built up good routines for following up sick employees. Our working relationship with NAV's work centre is also good. Storebrand's health clinic in Norway provided around 6,100 treatments in 2012 by chiropractors, physiotherapists and masseurs, with an average of 6 treatments per employee. The health clinic's low threshold provision has made a positive contribution to the low sick leave rate.

Employees at head office can work out in the spinning room, weights room and sports hall. More than 60 per cent of employees in Norway are members of Storebrand Sport. All employees in Sweden are members of SPP Leisure.

No injuries to people, property damage, or accidents were reported in the Storebrand Group in 2012.

SKILLS

Storebrand encourages lifelong learning to ensure that employees always perform at their best. All employees have easy access to formal e-learning and classroom courses. Just as important is trying to ensure that all employees learn as much as possible every single working day. In 2012, we became more aware of how work can become an effective learning arena. This work will continue in 2013.

Further improving customer relations forms an important part of achieving our vision: "Recommended by our customers". Training in customer communications and sales has been intensified. Storebrand has utilised internal resources for this boost in skills. Communication measures have been implemented in relation to both our retail customers and, not least, our corporate customers. Both managers and staff have been involved. The scope of this work will increase in 2013.

Storebrand continuously works to improve personal and professional development in the Group and attaches great importance to performance appraisals as part of this. All employees go through two mandatory appraisals a year involving follow-up and the documentation of performance, teamwork and compliance with corporate values.

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's has a common code of conduct that is available on our intranet. This sets rules for employees' personal conduct, business practices and whistleblowing. The company has rules for both internal and external whistleblowing.

Employees take the company's e-learning course on ethics. The company's authorised financial advisers must also undergo ethics training through the finance industry's own "Courage and Trust" (Mot og tillit) booklet.

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.

8 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. In September 2012, it was decided to merge the Remuneration Committee, which was established in 2011 in connection with the entry into force of the Remuneration Regulations, with the Compensation Committee to form a joint Compensation Committee. At the same time, it was decided that the Compensation Committee should perform the function of the Swedish Compensation Committee pursuant to the relevant regulations for the Swedish operations.

CHANGE IN THE BOARD AND MANAGEMENT

Odd Arild Grefstad replaced Idar Kreutzer as the Chairman of the Board and Jan Otto Risebrobakken took over from Egil Thompson as a board member in 2012. The Board wishes to thank the retiring members for their valuable contributions to the company.

Geir Holmgren replaced Odd Arild Grefstad as the new CEO of the company.

STREAMLINING

In 2012 the Storebrand Group drew up a cost programme to reduce the Group's annual costs by a further NOK 400 million before 2014. This programme is important in reinforcing the Group's competitiveness and as part of the company's adaptation to Solvency II.

The cost programme is progressing well with the implementation of measures and realisation of effects. The most important measures that were implemented in 2012 included reducing the workforce and use of consultants, initiation of offshoring process for the transfer of tasks to Storebrand Baltic, discontinuation of online equity trading and the hedge fund venture, and enhancing the efficiency of document handling within the Group.

The effects realised as at the end of 2012 total NOK 68 million measured on an annual basis for the Storebrand Group. In 2013 a large proportion of the measures will cover transferring work processes to Baltic, organisational adaptations, discontinuation process for public sector insured solution, simplification and streamlining of the Group's activities and renegotiating larger agreements.

GROWTH

STOREBRAND LIVSFORSIKRING

The growth in the market for pension savings with associated long-term insurance cover linked to incapacity or death is generally driven by macro-economic development, including employment, salary growth and the development of the financial market. Occupational pension schemes are directly linked to employment and salary level and there will normally be a good level of underlying growth in pension schemes.

The Norwegian market for occupational pensions faces considerable dynamics, which are described in the section "New occupational pension schemes" under outlook. The general trend is the switch from defined-benefit to contribution schemes but at the same time it will allow a significant higher level of contributions (as a percentage of salary) than indicated by current regulations. The choices companies and their employees make will affect the business volume within occupational pensions in the future.

The dynamics in the Norwegian occupational pensions market and the fact that the population will bear the consequences inherent to the new national insurance scheme, mean that pensions savings on an individual basis will likely become more relevant. Storebrand is preparing the business to provide good advice and offer pension savings and appropriate insurance cover for the individual member of the occupation pension scheme.

Storebrand Livsforsikring has decided to withdraw from the market for insurance-based defined-benefit occupational pensions in the public sector. As at the end of 2012, the company had NOK 24 billion in assets under management in this product. Even though the focus on pension funds for the public sector is being continued and strengthened, it is not expected that this will compensate for discontinuing this product.

SPP

The same basic conditions primarily dominate in the Swedish life insurance market as in the Norwegian market. The growth in the occupational pension market is linked to the macro-economic development and the development in the Swedish labour market.

A transition from a defined-benefit pension to a contribution-based pension has also taken place in the collectively agreed occupational pension system in recent years, something which results in increased growth in the competitive segment of the occupational pension market in Sweden. A legislative proposal on the right to transfer pension funds is expected to have a significant effect on the life insurance market if it is introduced.

A changed demographic places even greater requirements on the individual to take greater responsibility for their future pension arrangements, something which involves growth potential in the Swedish market for private savings.

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 1,357 million is proposed:	
Other equity	NOK 1,186 million
Risk equalisation fund	NOK 171 million

Lysaker, 12 February 2013
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

1. January - 31. December

Storebrand Livsforsikring Group 2011	2012	NOK million	Note	Storebrand Livsforsikring AS 2012	2011
		TECHNICAL ACCOUNT:			
22,799	23,740	Gross premiums written		16,762	15,801
-317	-76	Reinsurance premiums ceded		-35	-68
2,637	3,615	Premium reserves transferred from other companies	16	3,138	2,317
25,120	**27,279**	**Premiums for own account**	**13,14**	**19,865**	**18,050**
72	48	Income from investments in subsidiaries, associated companies and joint-controlled companies	28	610	1,784
		of which from investments in real estate companies		620	1,779
8,248	9,424	Interest income and dividends etc. from financial assets	17	6,382	5,213
1,190	1,266	Net operating income from real estate	18		
414	-210	Changes in investment value	17	1,345	-2,181
2,314	5,344	Realised gains and losses on investments	17	1,854	662
12,238	**15,871**	**Total net income from investments in the collective portfolio**	**13**	**10,191**	**5,478**
		Income from investments in subsidiaries, associated companies and joint-controlled companies	28	54	133
		of which from investments in real estate companies		54	132
1,427	1,832	Interest income and dividends etc. from financial assets	17	933	655
87	105	Net operating income from real estate	18		
-4,948	2,820	Changes in investment value	17	875	-1,638
452	621	Realised gains and losses on investments	17	634	459
-2,982	**5,378**	**Total net income from investments in the investment selection portfolio**	**13**	**2,496**	**-390**
995	**1,157**	**Other insurance related income**	**13**	**177**	**162**
-16,574	-17,931	Gross claims paid		-11,938	-10,560
83	13	Claims paid - reinsurance		13	18
37	-65	Gross change in claims reserve		-70	28
-8,172	-4,366	Premium reserves etc. transferred to other companies	16	-2,765	-7,050
-24,626	**-22,348**	**Claims for own account**	**13**	**-14,760**	**-17,564**
-7,767	-7,822	To/from premium reserve, gross	39	-7,192	-1,202
-98	-387	To/from additional statutory reserves in connection with claims/repurchase	39	-387	-98
1,971	-1,027	Change in value adjustment fund	39	-1,027	1,971
-95	-74	Change in premium fund, deposit fund and the pension surplus fund	39	-74	-95
-44	-115	To/from technical reserves for non-life insurance business	39	-115	-44
2,182	-1,458	Change in conditional bonus	39		
42	152	Transfer of additional statutory reserves and value adjustment fund from other insurance companies/pension funds	16	152	42
-3,807	**-10,732**	**Changes in insurance obligations recognised in the Profit and Loss account - contractual obligations**	**13**	**-8,643**	**576**
-3,135	-12,084	Change in premium reserve		-6,541	-3,445
2	13	Change in other provisions		13	2
-3,133	**-12,071**	**Changes in insurance obligations recognised in the Profit and Loss account - investment choice portfolio separately**	**13,39**	**-6,528**	**-3,443**
-256	-155	Profit on investment result		-155	-256
-163		Risk profit allocated to the insurance agreements			-163
-90	-3	Other allocation of profit		-3	-90
-510	**-158**	**Funds allocated to insurance contracts**	**13**	**-158**	**-510**

Profit and Loss account

1. January - 31. December

Storebrand Livsforsikring Group				Storebrand Livsforsikring AS	
2011	**2012**	*NOK million*	**Note**	**2012**	**2011**
-313	-297	Management expenses		-133	-126
-516	-521	Selling expenses	19	-306	-334
53	45	Change in pre-paid direct selling expenses	19		
-1,608	-1,831	Insurance-related administration expenses (incl. commissions for reinsurance received)		-1,153	-910
291	6	Reinsurance commissions and profit participation			
-2,093	**-2,599**	**Insurance-related operating expenses**	**13**	**-1,591**	**-1,370**
-239	**-210**	**Other insurance related expenses after reinsurance share**	**13**	**-129**	**-186**
962	**1,567**	**Technical insurance result**		**920**	**802**
		NON-TECHNICAL ACCOUNT			
-4	-3	Income from investments in subsidiaries, associated companies and joint-controlled companies	28	289	153
		of which from investments in real estate companies		33	91
518	551	Interest income and dividends etc. from financial assets	17	703	738
59	67	Net operating income from real estate	18		
10	40	Changes in investment value	17	62	-27
51	70	Realised gains and losses on investments	17	51	83
634	**724**	**Net income from investments in company portfolio**		**1,104**	**947**
569	**459**	**Other income**		**21**	**2**
-29	-31	Management expenses		-9	-10
-1,385	-1,253	Other costs		-491	-530
-1414	**-1,284**	**Management expenses and other costs linked to the company portfolio**		**-501**	**-540**
-211	**-101**	**Profit or loss on non-technical account**		**624**	**409**
751	**1,466**	**Profit before tax**		**1,545**	**1,211**
-730	**-372**	**Tax costs**	**23**	**-377**	**-811**
22	**1,094**	**Profit before other comprehensive income**		**1,168**	**400**
-118	221	Actuarial gains and losses on defined benefit pensions - benefits to employees	20	264	-72
76	90	Change in value adjustment reserve own buildings			
117	-103	Re-statement differences			
-76	-90	Adjustment of insurance liabilities			
122	-84	Tax on other comprehensive income	20	-74	116
121	**35**	**Other comprehensive income**		**190**	**44**
142	**1,128**	**COMPREHENSIVE INCOME**		**1,357**	**443**

Statement of financial position

31. December

Storebrand Livsforsikring Group 2011	2012	NOK million	Note	Storebrand Livsforsikring AS 2012	2011
		ASSETS			
		ASSETS IN COMPANY PORTFOLIO			
745	724	Goodwill	24		
5,182	4,754	Other intangible assets	24	108	91
5,926	**5,478**	**Total intangible assets**		**108**	**91**
1,313	1,208	Real estate at fair value	27		
67	58	Real estate for own use	27, 35		
125	121	Equities and units in subsidiaries, associated companies and joint-controlled companies	28	10,707	8,633
		of which investments in real estate companies		1,268	1,412
69	69	Lending to and securities issued by subsidiaries, associated companies	28	6,748	8,342
5	4	Lending	9, 25, 26	4	5
169	222	Bonds held to maturity	9, 25, 26, 29	222	169
1,334	1,156	Bonds at amortised cost	9, 25, 26, 29	1,156	1,334
312	44	Equities and other units at fair value	25, 30	17	170
15,006	15,716	Bonds and other fixed-income securities at fair value	9, 25, 31	5,691	4,769
316	255	Derivatives at fair value	9, 25, 32	255	316
192	126	Other financial assets	9, 25, 34	109	139
18,909	**18,980**	**Total investments**		**24,910**	**23,879**
203	**171**	**Reinsurance share of insurance obligations**		**171**	**203**
1,177	1,645	Receivables in connection with direct business transactions		1,527	1,125
118	7	Receivables in connection with reinsurance transactions		7	9
24	23	Receivables with group company		53	91
1,418	2,109	Other receivables		892	567
2,737	**3,783**	**Total receivables**		**2,478**	**1,792**
366	388	Tangible fixed assets	35	58	60
2,897	2,938	Cash, bank	9, 25	1,408	1,377
26	38	Tax assets	23		
616	599	Other assets designated according to type	37		
3,905	**3,964**	**Total other assets**		**1,466**	**1,438**
406	443	Pre-paid direct selling expenses			
79	90	Other pre-paid costs and income earned and not received		31	29
485	533	Total pre-paid costs and income earned and not received		31	29
32,164	**32,909**	**Total assets in company portfolio**		**29,164**	**27,431**
		ASSETS IN CUSTOMER PORTFOLIOS			
25,547	25,401	Real estate at fair value	27		
1,291	2,066	Real estate for own use	27, 35		
106	116	Equities and units in subsidiaries, associated companies and joint-controlled companies	28	29,666	30,152
		of which investments in real estate companies		28,948	27,740
428	596	Lending to and securities issued by subsidiaries, associated companies	28		
7,983	10,496	Bonds held to maturity	9, 25, 26, 29	10,496	7,983
62,976	54,557	Bonds at amortised cost	9, 25, 26, 29	54,557	62,976
2,896	3,702	Lending	9, 25, 26	3,702	2,896
46,776	27,152	Equities and other units at fair value	25, 30	12,218	25,857
107,175	139,040	Bonds and other fixed-income securities at fair value	9, 25, 31	63,648	37,532
5,136	2,575	Financial derivatives at fair value	9, 25, 32	556	208
4,542	3,462	Other financial assets	9, 25, 34	1,454	1,036
264,855	**269,164**	**Total investments in collective portfolio**		176,297	168,640

Statement of financial position

31. December

Storebrand Livsforsikring Group 2011	2012	NOK million	Note	Storebrand Livsforsikring AS 2012	2011
1,925	2,114	Real estate at fair value	27		
102	107	Real estate for own use	27, 35		
		Equities and units in subsidiaries, associated companies and joint-controlled companies	28	2,462	2,317
		of which investments in real estate companies		2,443	2,101
114	140	Lending	9, 25, 26	140	114
38,160	45,014	Equities and other units at fair value	25, 30	14,697	12,203
20,858	25,168	Bonds and other fixed-income securities at fair value	9, 25, 31	17,309	13,447
14	169	Financial derivatives at fair value	9, 25, 32	169	14
905	397	Other financial assets	9, 25, 34	357	841
62,079	**73,108**	**Total investments in investment choice portfolio**		**35,134**	**28,936**
326,934	**342,272**	**Total assets in customer portfolios**		**211,431**	**197,576**
359,098	**375,182**	**TOTAL ASSETS**		**240,595**	**225,007**
		EQUITY AND LIABILITIES			
3,430	3,540	Share capital		3,540	3,430
9,271	9,711	Share premium reserve		9,711	9,271
12,701	**13,251**	**Total paid in equity**		**13,251**	**12,701**
469	640	Risk equalisation fund		640	469
2,153	3,080	Other earned equity		4,301	3,115
177	148	Minority interests			
2,799	**3,868**	**Total retained equity**		**4,941**	**3,584**
5,311	5,142	Perpetual subordinated loan capital		5,142	5,311
1,502	1,501	Perpetual capital		1,501	1,502
6,813	**6,643**	**Total subordinate loan capital etc.**	**8, 25**	**6,643**	**6,813**
239,842	245,333	Premium reserves		162,268	154,956
5,208	5,489	Additional statutory reserves		5,489	5,208
	1,027	Market value adjustment reserve		1,027	
774	837	Claims allocation		760	689
3,640	3,394	Premium fund, deposit fund and the pension surplus fund		3,394	3,640
10,038	11,264	Conditional bonus			
648	731	Other technical reserve		731	648
260,151	**268,075**	**Total insurance obligations in life insurance - contractual obligations**	**38, 39**	**173,669**	**165,142**
61,452	72,751	Premium reserves		34,703	28,207
1	1	Additional statutory reserves		1	1
233	257	Premium fund, deposit fund and the pension surplus fund		257	233
289	487	Unallocated profit to insurance contracts		487	289
61,974	**73,495**	**Total insurance obligations in life insurance - investment choice portfolio separately**	**38, 39**	**35,447**	**28,730**
1,077	839	Pension liabilities etc.	20	571	820
830	1,377	Tax liabilities	23	1,146	695
108	115	Other provisions for liabilities		66	62
2,016	**2,331**	**Total provisions for liabilities**		**1,783**	**1,577**
1,600	1,317	Liabilities in connection with direct insurance	20	1,003	1,066
1	4	Liabilities in connection with reinsurance	23	2	1
2,197	755	Financial derivatives	11, 25, 32	206	1,518
1,187	14	Liabilities to group companies		2,490	235
7,345	4,950	Other liabilities	40	866	3,454
12,329	**7,041**	**Total liabilities**		**4,567**	**6,274**

Statement of financial position

31. December

Storebrand Livsforsikring Group 2011	2012	NOK million	Note	Storebrand Livsforsikring AS 2012	2011
315	478	Other accrued expenses and received, unearned income		294	187
315	**478**	**Total accrued expenses and received, unearned income**		**294**	**187**
359,098	**375,182**	**TOTAL EQUITY AND LIABILITIES**		**240,595**	**225,007**

Lysaker, 12 February 2013
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 AS

NOK million	Share capital [1]	Share premium reserves	Total paid in equity	Risk equalisation fund [2]	Other equity	Total equity
Equity at 31 December 2010	**3,430**	**9,271**	**12,701**	**287**	**3,057**	**16,045**
Profit				167	232	400
Comprehensive income:						
Pension experience adjustments					44	44
Total revenue and costs for the period				**167**	**276**	**443**
Equity transactions with owner:						
Group contributions					-200	-200
Other				15	-18	-3
Equity at 31 December 2011	**3,430**	**9,271**	**12,701**	**469**	**3,115**	**16,285**
Profit				171	996	1,168
Comprehensive income:						
Pension experience adjustments					190	190
Total revenue and costs for the period				**171**	**1,186**	**1,357**
Equity transactions with owner:						
Share issue	110	440	550			550
Equity at 31 December 2012	**3,540**	**9,711**	**13,251**	**640**	**4,301**	**18,192**

[1] 35.404.200 shares with a nominal value of NOK 100.

[2] Restricted equity NOK 640 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.

STOREBRAND LIVSFORSIKRING GROUP

	Majority´s share of equity						
NOK million	Share capital	Premium reserves	Total paid in equity	Risk equalisation fund [1]	Other equity	Minority interests	Total equity
Equity at 31 December 2010	**3,430**	**9,271**	**12,701**	**287**	**2,359**	**207**	**15,554**
Profit				167	-153	8	22
Comprehensive income:							
Re-statement differences					115	2	117
Pension experience adjustments					4		4
Total revenue and costs for the period				**167**	**-35**	**10**	**142**
Equity transactions with owner:							
Share issue						3	3
Group contributions					-200	-3	-203
Acquisition of minority					44	-44	
Other				15	-15	3	3
Equity at 31 December 2011	**3,430**	**9,271**	**12,701**	**469**	**2,153**	**177**	**15,500**
Profit				171	908	14	1,094

Reconciliation of change in equity (continued)

Comprehensive income:							
Re-statement differences					-100	-3	-103
Pension experience adjustments					137		137
Total revenue and costs for the period				**171**	**946**	**11**	**1 128**
Equity transactions with owner:							
Share issue	110	440	550				550
Group contributions						-26	-26
Acquisition of minority						-14	-14
Other					-19	-1	-20
Equity at 31 December 2012	**3,540**	**9,711**	**13,251**	**640**	**3,080**	**148**	**17,119**

[1] Restricted equity NOK 640 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.

Cash flow analysis

1. January - 31. December

Storebrand Livsforsikring Group			Storebrand Livsforsikring AS	
2011	**2012**	*NOK million*	**2012**	**2011**
		CASH FLOW FROM OPERATIONAL ACTIVITIES		
23,647	22,142	Net received - direct insurance	15,393	16,754
-16,910	-18,440	Net claims/benefits paid - direct insurance	-12,153	-10,526
-5,535	-751	Net receipts/payments - policy transfers	373	-4,732
-2,093	-2,599	Net receipts/payments - other operational activities	-1,591	-1,370
3,977	-2,920	Net receipts/payments operations	-147	-1,700
3,085	**-2,568**	**Net cash flow from operational activities before financial assets**	**1,874**	**-1,576**
210	-831	Net receipts/payments - lending to customers	-831	210
-493	2,350	Net receipts/payments - financial assets	-508	2,704
-472	728	Net receipts/payments - real estate activities		
497	1,588	Net change bank deposits insurance customers	66	1,656
-258	**3,835**	**Net cash flow from operational activities from financial assets**	**-1,273**	**4,570**
2,828	**1,267**	**Net cash flow from operational activities**	**602**	**2,995**
		CASH FLOW FROM INVESTMENT ACTIVITIES		
-217	-173	Net payments - purchase/capitalisation of subsidiaries and associated companies	-523	-831
-65	-130	Net receipts/payments - sale/purchase of fixed assets	-47	-9
-282	**-303**	**Net cash flow from investment activities**	**-570**	**-839**
		CASH FLOW FROM FINANCING ACTIVITIES		
	-930	Repayment of loans		
	550	Payments - repayments of share capital	550	
-530	-382	Payments - interest on subordinated loan capital	-382	-530
-850	-226	Payments - group contribution dividends	-200	-850
-1,380	**-988**	**Net cash flow from financing activities**	**-32**	**-1,380**
1,166	**-24**	**Net cash flow for the period**		**775**
1,424	-3,859	of which net cash flow for the period before financial assets	1,273	-3,795
1,166	-24	Net movement in cash and cash equivalent assets		775
1,922	3,088	Cash and cash equivalent assets at start of the period	1,517	742
3,088	**3,064**	**Cash and cash equivalent assets at the end of the period**	**1,517**	**1,517**

Content | Notes

Note 1 | Company information and accounting policies

1. 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)

2. 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 annual accounts are prepared pursuant to the Regulations governing annual accounts etc. for insurance companies, as amended with effect from 01.01.2008.

USE OF ESTIMATES IN PREPARING THE ANNUAL FINANCIAL STATEMENTS

The preparation of the annual financial statements 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.

3. CHANGES IN ACCOUNTING POLICIES

During the course of 2012 certain amendments were made to IAS 1 – Presentation of Financial Statements. The amendment to IAS 1 entails that the entities must group items under Other Comprehensive Income (Statement of Total Comprehensive Income) based on whether they are potentially reclassifiable to profit or loss subsequently. This amendment has not had any significant effect on the consolidated financial statements.

Major amendments have been adopted to IAS 19 – Employee Benefits. The corridor approach will no longer be allowed as an alternative from 1 January 2013, and the actuarial gains and losses must be recognised in OCI as they arise. The amendments will entail that the portion that is recognised in the ordinary profit and loss will be limited to net interest income (cost) and the pension accrual (service cost) for the period. The estimated return on the pension assets shall be calculated based on the discount rate that is used for the pension liabilities. The corridor approach is not used in Storebrand's consolidated financial statements, and all of the estimated pension liabilities for the company's own employees are already recognised on the balance sheet. The elimination of the corridor approach will thus not entail any change in Storebrand's consolidated financial statements.

Other amendments to the IFRS regulations that apply or can be applied to IFRS accounts that are prepared after 1 January 2013 are listed below. The amendments are not expected to have any significant effect on the consolidated financial statements.

- Amendments to IFRS 12: Defines minimum requirements for the disclosure of interests in other entities.
- Amendments to IFRS 13: Combines the regulation of fair value measurement in a single standard.
- IAS 32: Sets out the principles for presenting financial instruments as liabilities or equity and for offsetting financial assets and liabilities.
- IFRS 7: Amendment of the disclosure requirements with regard to the disclosure of an entity's netting rights for financial instruments for which a netting agreement has been entered into.
- IFRS 9: Replaces the provisions for the classification and measurement of financial instruments in IAS 39.

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) is expected in the 1st half of 2013. A potential standard may be ready in 2014. It is uncertain when this will be implemented, but 2018 has been mentioned as an alternative (prior periods must, however, be restated). It is assumed that the standard will require that the value of insurance contracts consist of the following components:

- Probability weighted estimate of future payments related to the contract
- Cash flows discounted by a rate equivalent to the time value of money
- A supplement is added for the risk margin
- When entering into a contract the expected profit is also set aside as a liability, residual margin, and this is recognised as income over the duration of the contract.

The introduction of a new standard for insurance contracts may have a significant impact on Storebrand's financial statements.

4. 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, whilst other financial instruments that are included in the categories Loans and receivables and Held to maturity are recognised 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 statement of financial position comprises, for the most part, financial instruments (liabilities) and technical insurance reserves. With the exception of derivatives that are stated at fair value, the majority of the financial liabilities are stated at amortised cost. Technical insurance reserves are intended to cover liabilities relating to issued insurance contracts, and the requirement is that these reserves shall be adequate. 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 market rate. In the case of unit-linked insurance contracts, reserves for the savings element will correspond to the related asset portfolios.

The accounting policies are described in more detail below.

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 their financial statements according to principles different to those of the insurance company, the subsidiary's financial statements are revised in accordance with the principles used in the insurance company's parent financial statements.

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.

COMPANY INTEGRATION

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.

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. 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. 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 accrued on a straight-line basis. 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 9 and 10.

OTHER INCOME

Fees are recognised when the income is reliable and 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.

7. GOODWILL

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 tested for impairment as part of the value of the write-down recognised in the investment.

8. INTANGIBLE ASSETS

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. 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 looks at the calculated present value of cash flows to the contract issuer, often called embedded value.

Intangible assets with unlimited useful economic lives are not amortised, but are tested for impairment annually or whenever there are indications that the value has been impaired.

9. INVESTMENT PROPERTIES

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

Primarily, investment properties consist of centrally located office buildings and shopping centres. 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 portion is treated as an investment property. Refer to note 27 for further information on investment properties.

10. FINANCIAL INSTRUMENTS

10-1. 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 through 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 9. 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.

10-2. 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 at 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 is equivalent to that for held for trading assets.

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.

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.

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.

10-3. 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.

10-4. 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 against equity, 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 uses the regulations governing hedging of net investments in respect of the investment in the subsidiary SPP.

10-5. FINANCIAL LIABILITIES

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

11. 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.

11-1. 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 as part of allocations to technical insurance

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.

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 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.

Result for policyholders

Guaranteed return of the premium reserve and the premium fund and other returns to customers are recorded under the item guaranteed returns and allocations to policyholders.

11-2. 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

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. Transactions with In accordance with legal security funds are considered realisations inasmuch as the company, as an investor, cannot be considered to have control over the securities fund. 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 fund is included as part of equity.

11-3. LIFE INSURANCE – SPP

Life insurance reserves

SPP has used a cash flow model for the calculation of life reserves since 2009. 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.

11-4. 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.

12. 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.

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.

12-1. 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.

As at 31 December 2012 an interest rate derived from high quality corporate bonds is used as the discount rate. Government bond rates were used earlier. See note 20 for further details.

Storebrand has an insured and an uninsured pension plan. The insured plan in Norway is written by Storebrand Livsforsikring AS, which is part of the Storebrand Group. Premiums relating to employees in Norway are eliminated in premium income in the consolidated accounts.

12-2. 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.

13. 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, fixtures and fittings and vehicles are valued at acquisition cost less accumulated write-downs 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.

14. 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 directly in equity. Deferred tax and deferred tax assets are calculated on the differences between accounting and tax values of assets and liabilities.

Effective 1 January 2012, the Norwegian taxation rules were amended by the fact that the exemption method for equities etc. no longer applied to customer portfolios in life insurance companies.

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 are included in the Group's temporary differences, where deferred tax is calculated at a 28 per cent nominal tax rate.

15. 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.

16. 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.

17. 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.

18. 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 periodised 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. 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 3.5 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, intangible assets 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 intangible assets are often referred to as the "Value of business in force" (VIF), and these intangible assets, along with the associated capitalised selling costs and insurance liabilities, are tested with regard to their adequacy. 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. Storebrand satisfies the adequacy tests for 2012, and they have thus no impact on the financial statements for 2012. There will be uncertainty related to these tests. For further information see the discussion about the uncertainty related to insurance reserves below.

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.

The life insurance industry is working on new mortality tables in cooperation with the Financial Supervisory Authority of Norway in Norway. There is a general need for reserves to boost provisions for longer life expectancy within group pensions. Based on the mortality survey conducted by the life insurance industry, the Financial Supervisory Authority of Norway will set a minimum level for new mortality tariffs effective from 1 January 2014. Statistic Norway's mean mortality alternative with a 10 per cent safety margin indicates an increase in the premium reserves of around 7 per cent, which corresponds to approximately NOK 10 billion. Storebrand has set aside a total of NOK 4.3 billion during the period from 2011 to 2012 for future reserves for long life expectancy. Customers must also expect that Storebrand Livsforsikring will set aside a considerable amount of the return beyond the interest rate guarantee in 2013 to cover the projected longer life expectancy. It is expected that the remaining need for reserves will be mainly covered through financial and risk profits. The Financial Supervisory Authority of Norway will clarify the final prerequisites for the reserve build-up plan, including the length of the reserve period and size of the owner's contribution.

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.

The profit sharing rules in life insurance are also discussed in more detail in note 4.

In general, the following will often be key factors in the generation of the result for customers and/or the owners:
- Performance of interest rate and equity markets, as well as commercial property trends
- Composition of assets and risk management, and changes in the assets' composition over the year
- Buffer capital level for various products
- Buffer capital related to the individual insurance contract
- Life expectancy, mortality and illness trends – assumptions
- Development of costs – asTotalption

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 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.

Please also refer to note 11 in which the valuation of financial instruments is described in more detail.

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.

TECHNICAL PROVISIONS
Technical insurance reserves in life insurance are based on assumptions concerning life expectancy, mortality, disability, interest rate levels, and future costs, etc. Changes in such assumptions will affect the size of the liabilities, which in turn can affect the owner's result. In the Norwegian life insurance business, the majority of the calculated payments are discounted by the appropriate guaranteed interest rate. Storebrand continuously builds up reserves to new tariffs in connection with increased life expectancy, and the building up of reserves in a time-limited period can be charged to the running return. Any deficient future return in connection with this may reduce the owner's future profit.

In the Swedish business (SPP), the insurance liabilities are largely discounted using an estimated swap yield curve, in which parts of the yield curve are not liquid, and insurance liabilities in the Swedish business are impacted by changes in the market rate. Since different rate are used for assets and liabilities, changes in interest rates will affect the owner's result and equity.

See note 6 for further information about insurance risk.

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.
The majority of the intangible assets recognised from the acquisition of SPP were linked to the existing life insurance contracts at the time of the acquisition. These recognised intangible assets are, together with the pertinent recognised insurance liabilities, tested for impairment using a liability adequacy test pursuant to IFRS 4 Insurance Contracts. A key element of this assessment involves calculating future profit margins using embedded value calculations. Embedded value calculations are affected, among other things, by volatility in the financial markets, interest rate expectations and the amount of buffer capital in SPP.

An intangible asset arising from development (or from the development phase of an internal project), should be recognised if all of the following points are documented:
- the technical prerequisites for completing the intangible asset intended to be available for use or sale
- the company intends to complete the intangible asset and either use it or sell it
- the company's ability to either use or sell the intangible asset
- how the intangible asset will probably generate future economic benefits As examples, the company can demonstrate that a market exists for the products of the intangible asset or for the intangible asset itself, or if it will be applied internally, the benefits from the intangible asset.

- the availability of sufficient technical, financial and other resources to complete its development, and to use or sell the intangible asset
- the company's ability to reliably measure the expenses attributable to the intangible asset while it is being developed

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 pension liability calculations are undertaken by actuaries. Any changes to these estimates including forecast salary growth 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, are subject to significant uncertainty.

The Norwegian legislation for defined benefit schemes may change in the coming years. A public commission has proposed new schemes that generally contain reduced guarantees compared with the current defined benefit scheme. Changes as a result of this work may affect the size of the recognised liabilities.

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. In the case of certain investments and positions, the tax calculation will be based on estimates that may deviate from the final assessed figures. This will apply, for example, in particular to investments in foreign companies assessed as partnerships and investments in property.

In 2012 the tax legislation for Norwegian life insurance companies was amended by making dividends and capital gains on equities etc. included in the group or investment option portfolios taxable as ordinary income, while losses on the realisation of such equities will be deductible.

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 | 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.

Storebrand Group's life insurance customers want security for their own economy in the event that anything unforeseen might occur, and they want to be able to maintain their purchasing power as pensioners. To satisfy these needs, for a considerable time the Group has sold various pension products and products that secure future earnings if, for example, the customer should become disabled. The products pose an insurance risk, where i.a. the customers' life expectancy and work capacity are risk factors. Because of the annual return guarantees, the products also present a financial market risk in the form of an interest rate risk. In the Swedish activities, this interest rate risk is reflected in the financial accounts, since the liabilities are recognised at market value. The introduction of the Solvency II rules will imply that the market value of the insurance liabilities will be very important to the Norwegian business as well.

Premiums paid are invested in various securities until the assets, including the yield, are repaid to the customers as pensions or compensation. The Storebrand Group assumes, therefore, a further financial market risk through its goal to achieve an excess return in the best interests of the customers.

ORGANISATION

The Board of Directors shall ensure that the company has appropriate systems for risk management and internal control.

The Chief Executive Officer shall, in accordance with the guidelines adopted by the Board of Directors, arrange for the establishment of acceptable risk management and internal control, continuous follow-up of risk, and ensure that the risks are satisfactorily covered, ensue that the company's risk management and internal control is implemented, monitored and documented, and provide the Board of Directors with relevant and timely information about the company's risks, risk management and internal control.

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 consider the implementation of internal control. The managements prepare annual internal control reports that show how the internal control that has been established functions.
At least once a year, the Chief Executive Officer shall prepare an overall review of the risk situation and submit this to the Board of Directors for action.

Storebrand has dedicated functions to follow up and manage risks for various product groups and for the company as a whole. Control functions for risk management, internal control and compliance shall support the line organisation in identifying, assessing, managing and controlling risk-taking. Responsibility for the Group's control functions for risk management and internal control lie with the Group's Chief Financial Officer.

COMPLIANCE

The compliance function is an advisory function that supports the Board and management in managing and following up the risk of failing to comply with the external and internal rules and regulations that apply to the business.

The compliance function in the individual company prepares written reports for the Board of Directors and executive management in the company informing on the company's compliance with internal and external regulations. Compliance reporting is seen as being on a par with the Group companies' internal control reporting, operational risk reporting and event reporting.

INTERNAL AUDITING

Storebrand has entered into an agreement with an external accounting firm concerning the internal audit function. The responsible partner in the accounting firm reports directly to the Board of Storebrand ASA, which stipulates the instructions for the internal audit and approves the annual audit plan. The audit plan also includes an independent evaluation of the Group's control functions.

RISK MANAGEMENT IN CERTAIN AREAS IN DETAIL

Below follows a description of the special situation concerning risk management of life insurance linked to the relationship between customers and the owner. As far as the risk associated with the business in the Group is concerned, this is, apart from life insurance, risk that essentially affects the owner. Insurance risk, financial market risk, liquidity risk, credit risk, and operational risk are described in more detail in notes 6-10.

STOREBRAND LIFE INSURANCE NORWAY

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 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. 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 additional statutory reserves and unrealised gains. The owner is responsible for meeting any shortfall that cannot be covered. The average interest rate guarantee is expected to decline in the years ahead and from 2012 all new earnings will be linked to a basic interest rate of 2.5 per cent. The share capital is invested with a low market risk. The financial risk related to contracts in the unit-linked and defined contribution pension product categories is borne by the insured person himself, and the insured person can also choose the risk profile himself.

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

In SPP, the portfolios are divided into defined benefit pensions, defined contribution pensions and unit linked 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. However, financial risks are assumed in order to achieve returns in excess of the 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. Due to the somewhat more complex financial risk picture in SPP than in the Norwegian life insurance business, the risk to equity represented by the customer portfolio is also managed through derivative transactions in SPP's company portfolio.

The investment strategy and risk management in SPP comprises four main pillars:

- assets' interest rate sensitivity is continuously adjusted to the insurance liabilities
- asset allocation that results in a good return over time
- continuous implementation of risk management measures in the customer portfolio through dynamic risk management
- adjusted hedging in the company portfolio of parts of the financial risk the customer portfolios expose the equity to

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. It is the policyholder who bears the financial risk in unit linked insurance contracts.

Note 4 | Profit sharing and result allocated to owners – life insurance

The profit and loss account includes result elements relating to both customers and owners. Profit generation in a life insurance company comprises net return on the company's equity and risk products where the profit passes entirely to the owner. In the case of Storebrand, the risk products are included in the segment Insurance and are not part of life insurance segment. There are also products with profit sharing where the profit is allocated between customers and the owner as described in greater detail in this note. In addition, there are collective pension products with interest guarantees where the customer pays a fee for the interest guarantee. Unit linked products are fee based and without any interest guarantee.

This note provides a description of the content of the various elements of the total profit generated and an overview of the results allocated to owners and customers.

If one were to regroup profit and loss, one could divide the profit between customers and owner in the following elements:

- **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.

- **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.

- **Financial result**

The financial result consists of the net financial income from financial assets for the group portfolio less the guaranteed return. In addition, there is the net return on the company capital, which consists of equity and subordinated loans. Any returns-based fees for asset management are included in the financial result.

GENERATION OF PROFIT TO THE OWNER

The following is a description of the results for the segments Storebrand Livsforsikring and SPP.

FINANCIAL PERFORMANCE – STOREBRAND LIFE INSURANCE

NOK million	**Defined benefit fee based**	**Defined contribution and Unit Linked fee based**	**Individual and paid-up policies profit sharing**	**BenCo**	**Company portfolio/ other**	**2012**	**2011**
Administration result	-100	63	8	35		6	101
Risk result	161	-54	10	14		131	117
Financial result [1]			-6	13	-65	-58	-226
Profit from risk and interest guarantee	522	23				545	520
Other					28	28	-32
Pre-tax profit/loss	**582**	**32**	**12**	**62**	**-37**	**652**	**481**
Assets under management (billions)	88	28	91	16	9	231	213

[1] Investment result and profit sharing

Administration result

The administration result line includes all products apart from traditional individual products with profit sharing. Administration and management costs are paid annually in advance. The insurance company must then meet any deficit in the administration and management result, and similarly any profit passes to the company.

Risk result

In the case of group defined benefit pensions and newly established guaranteed individual products, 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.

Financial result

The net return on share capital passes to the company. Share capital consists of equity and subordinated loans.

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 financial result line.

The return on capital linked to risk products is recognised in the financial result.

Profit sharing

Profit sharing is also included in the financial result line. 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 company 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 company can retain up to 35 per cent of the total result after allocations to additional statutory reserves.

Price of return guarantee and profit risk

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.

Other results
Comprises inter alia the results from subsidiaries.

Customers' profit generation
In the case of group with investment choice and Unit Linked based products the customers receive the returns on the invested assets. Individual products receive 65 per cent of the total positive administration, risk and financial results. Paid-up policies receive 80 per cent of the positive financial result as well as a minimum of 50 per cent of the positive risk result (up to 50 per cent of the risk result can be allocated to the risk equalisation fund). Group defined benefit fee-based receive the positive financial result as well as a minimum of 50 per cent of the positive risk result (up to 50 per cent of the risk result can be allocated to the risk equalisation fund).

FINANCIAL PERFORMANCE SPP

NOK million	**Guaranteed products**	**Unit Linked**	**Company portfolio**	**2012**	**2011**
Administration result	57	44	-2	99	99
Risk result	147	2		149	289
Financial result	395			395	-226
Other/currency			160	160	129
Profit before amortisation	**598**	**46**	**158**	**803**	**291**
Assets under management (billions)	81	37	10	128	124

Administration result
The administration result for all products are paid to or charged to the result allocated to owners. Income and costs related to SPP's consultancy and service activities are included in the administration result.

Risk result
The risk result is paid to the owners in its entirety for all products

Financial result
In the case of insurance products with guaranteed interest, the financial result is primarily affected by three components:
- profit sharing
- indexing fee
- changes in deferred capital contribution to cover guaranteed capital

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 between 1 October to 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. The financial result also includes the result of the hedging programme, which the company uses to protect itself against effects in deferred capital contribution.

In the case of Unit Linked insurance, the technical insurance reserves are changed by the market return, regardless of whether it is positive or negative. This means the company has no financial result from Unit Linked insurance business.

Other results
Other results consist of the return on assets not managed for account of the policyholders, equity and depreciation on intangible assets and interest expenses on subordinated loans.

Note 5 | 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. The rules were to take effect from 1 January 2014. Due to major delays in the schedule, however, it is clear that the introduction will be postponed. No new schedule has been announced.

The capital requirements shall reflect all significant risks, including financial market risk, insurance risk, counter-party risk, and operational risk. The ultimate formulation of the capital requirements, including possible transitional arrangements, are still not ready, but it is likely that the capital requirements will be higher than the capital requirements under Solvency I.

Calculating solvency capital will be based on the fair value of both assets and liabilities. This implies that the value of insurance liabilities will vary depending on the interest rate level. Under current investment adjustment and product regulations, interest rate sensitivity is considerably higher for insurance liabilities than it is for assets. This implies that a fall in interest rates weakens the solvency position. This effect gets stronger as interest rates fall. Paid-up policies and traditional individual insurance products with guarantees present the greatest risk, because the premium has been fully paid.

The Solvency II framework builds, inter alia, on the assumption that companies can manage the interest rate risk by investing in assets with an interest rate sensitivity that is similar to that of the insurance liabilities. Norwegian pension schemes are prevented from doing this due to the lack of assets available in the Norwegian market with long-term fixed interest rates, as well as the risk linked to the guaranteed annual return (the requirement that the excess return must at the least be equivalent to the basis interest that is irrevocably credited to the customer annually).

The risk entailed in the guaranteed annual return arises because it relates only to the asset side. By increasing interest rate sensitivity, the fluctuations in the annual return on assets increase and a risk management dilemma arises. High interest rate sensitivity represents a small risk to the company's solvency position, but a large risk of a negative return in the case of a rise in interest rates. Low interest rate sensitivity represents a small risk to the result, but a major risk to solvency in the event of a decline in interest rates.
The proposed new occupational pension regulations (NOU 2012:13 Pension Acts and the National Insurance Reform II) from the Banking Law Commission describe the new hybrid schemes (basic model and standard model). The new schemes entail good solutions for new pension accrual in relation to Solvency II. There will no longer be any interest rate risk and the life expectancy risk will be significantly less than today.

The challenge is linked to the existing reserves and how the transitional rules will be formulated. The Banking Law Commission's proposal for transitional rules was made public on 7 January. The proposed transitional rules are based on the rights to pension benefits that have been earned at the time of the transition being protected by the constitution. Given that the rights to benefits will be maintained, it implies that there will still be a large capital requirement when Solvency II is introduced. The report has been distributed for public consultation. The Ministry of Finance is planning to introduce a bill to Stortinget in the spring. An effort is being made so that the new rules can take effect from 1 January 2014, but the schedule is tight and there is a risk of delays.

Note 6 | Insurance risk

LIFE INSURANCE

Insurance risk

Life insurance represents a significant portion of the overall insurance risk and comprises:

1. *Death* – The risk of erroneous estimation of mortality (before retirement age) 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.
2. *Long life* – 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.
3. *Disability* – The risk of erroneous estimation of future illness and disability. As of today, the disability risk in Norway and Sweden is greater than in other OECD countries. There will be uncertainty surrounding the future development of disability in Norway and Sweden.

The new solvency regulations stipulate requirements for the adequacy of the companies' capital. The capital adequacy regulations are based on probability calculations that specify how much capital the company must have in order to be able to fulfil its obligations to the customers in cases of unforeseen events of given magnitudes and types. The new solvency regulations have not entered into force.

Storebrand has primarily life insurance risk in Norway (SBL) and Sweden (SPP), in addition to Ireland and Guernsey (BenCo).

DESCRIPTION OF PRODUCTS

Traditional life, pension and Unit Linked insurance contracts are offered as both group and individual contracts. For the traditional products a calculation interest rate is used to establish the premiums and reserves. The maximum calculation interest rate is set by the Financial Supervisory Authority of Norway and is 2.5 per cent as of 1 January 2011.

Group contracts

1. Group defined benefit pensions are 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.
2. Group defined contribution pensions are pensions where 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.
3. Group one-year risk covers are guaranteed payments upon death or disability, and a waiver of premiums in the event of disability.
4. Paid-up policies (defined benefit) and pension capital policies (defined contribution) are contracts with earned rights that are issued upon withdrawal from or the termination of pension contracts.

Individual contracts

1. 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.
2. Individual endowment insurance provides single payments in the event of attaining a specified age, death or disability.
3. Individual Unit Linked insurance is endowment insurance or allocated annuity in which the customer bears the financial risk.

Special conditions

Follow-up of the results in recent years has shown a need for further strengthening of the premium reserves as they relate to longevity for Norwegian group 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. The industry has submitted a mortality tariff proposal to the Financial Supervisory Authority of Norway through Finance Norway. The mortality tariff is under consideration at the Financial Supervisory Authority of Norway, and it is expected that the authority will set the minimum level for a new mortality tariff (K2013) for group pensions early in 2013 and that it will take effect from 1 January 2014.

The tariff from Finance Norway (FNO) is based on three elements that are subject to discussion. These are the initial mortality, safety margin and future mortality reduction. The initial mortality is the best estimate of mortality in 2013. 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 mortality reduction 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 mortality. K2013 will thus be a dynamic tariff when it is introduced.

The level of the new tariff will be of great importance to the need to build up reserves and the course of funding in the coming years. The company has started such a build-up of reserves in the accounts starting in 2011. In 2012 and 2013 Storebrand will set aside as much as possible from its financial and risk results. When the minimum level for the tariff has been set, there will be a dialogue between the industry, Financial Supervisory Authority of Norway and the Ministry of Finance concerning the terms and conditions surrounding a plan to build up reserves.

RISK PREMIUMS AND TARIFFS

STOREBRAND LIFE INSURANCE NORWAY

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 individual insurance, the premiums for life and long life cover 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.

In the case of group pension insurance, the premiums for traditional retirement and survivor cover follow the industry tariff K2005. 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.

SPP OG BENCO

The risk premium for group contracts is an equalised premium based on the group's age and gender composition.

Ideally, individual contracts have individual risk premiums based on age and gender.

The majority of SPP's risk policies are annual. In other words, the company can change the premium every year. Errors in the estimate of the premium for life and disability cover can therefore be corrected, which has a rapid effect on the company's risk result.

The companies' tariffs do not involve any assumptions about inflation or voluntary termination/transfers.

MANAGEMENT OF RISK

1. **Evaluation of insurance risk (underwriting)**
   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.

2. **Control and monitoring of insurance risk**
   Insurance risk is monitored separately for every line of insurance in the current insurance portfolio. The risk result for each product group is broken down into the elements of mortality, long life and disability risks. 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, asTotales has occurred.

3. **Disability pension**
   The future is not equally predictable as far as disability insurance in SPP is concerned. Changes in new incidences of disability are taking place much faster than changes in mortality/life expectancy. One of the reasons for this is the problems involved with determining the causes of and the degree of disability. The rapidly increasing level of disability in the first few years of the 21st century resulted in significant premium increases within the sector. Many insurance companies were doubtful about offering voluntary disability cover in the future. However, since 2005 the number of disability incidences has fallen in a more balanced trend and resulted in SPP reducing the risk premiums for disability cover. Nonetheless, disability has been significantly lower than assumed in the tariff.

   In Norway new regulations for disability benefits will enter into force in 2015. It has been announced that the Banking Law Commission will also evaluate the regulations for disability cover in the private sector in connection with adaptation of the occupational pension regulations to the pension reform.

4. **Reinsurance**
   The company also 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 2 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.

5. **Pooling**
   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 may be offered for group life and risk cover within group defined benefit and defined contribution pensions.

6. **Traffic light reporting (only SPP)**

In order to ensure that insurance companies have adequate capital to meet their insurance liabilities, Finansinspektionen (Swedish Financial Supervisory Authority) requires the sector to stress test all of its insurance business using so-called traffic light calculations. The elements tested are the premium income side and the insurance liabilities. From 2007, the companies are also required to stress changes with respect to insurance risks. This also applies to so-called cancellation risk, which is the risk that a policyholder will terminate the policy and thus stop paying premiums. The level of stress testing generally follows the guidelines issued by EIOPA (European Insurance and Occupational Pensions Authority) and their work on Solvency II.

RISK RESULT

The table below specifies the risk result in the various risk areas and also state the effect of reinsurance and pooling on the result.

Specification of risk result	**Storebrand Livsforsikring AS**		**BenCo**	
NOK million	**2012**	**2011**	**2012**	**2011**
Survival	-118	-79	4	6
Death	350	287		
Disability	428	479	11	13
Reinsurance	-51	-15		
Pooling	-74	-109		
Other	-6	-29	-1	
Total risk result	**529**	**535**	**13**	**19**

Specification of risk result	**SPP**	
NOK million	**2012**	**2011**
Survival	-90	-78
Death	84	85
Disability	140	179
Reinsurance	2	117
Pooling	-3	-4
Other	15	-10
Total risk result	**149**	**289**

The risk result in the table above shows the total risk result for distribution to customers and owner.

TRANSFER RIGHT

A transfer right exists that allows for the transferring of insurance liabilities linked to group and individual pension insurance contracts to or from other insurance companies. The transfer right may constitute a liquidity risk.

GUARANTEED RATE (DISCOUNT RATE)

STOREBRAND LIFE INSURANCE NORWAY

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 in 2005 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 guaranteed rate has been set at 2.5 per cent for new contracts with effect from 1 January. 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 2012 is:

Interest rate guarantee in per cent	**2012**	**2011**
6%	0.3%	0.3%
5%	0.5%	0.5%
4%	48.4%	49.7%
3.4%	3.0%	3.4%
3%	36.7%	37.4%
2.75%	1.6%	1.8%
2.50%	5.1%	0.5%
0%	4.4%	4.3%

In the table above, the premium fund, contribution fund and pensioners' surplus fund have been included at 3 per cent and the additional statutory reserves at 0 per cent.

The average overall interest rate guarantee for all sectors was 3.40 per cent in 2012. 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	2012	2011
Individual endowment insurance	3.2%	3.1%
Individual pension insurance	3.8%	3.7%
Group pension insurance	3.1%	3.2%
Paid-up policy	3.6%	3.6%
Group life insurance	0.2%	0.3%
Total	**3.36%**	**3.40%**

SPP

The percentage distribution of the insurance liabilities by the various terminal value guarantee rates as at 31 December 2012 is:

Interest rate guarantee in per cent	2012	2011
3,0% DB	44.1%	43.7%
1,25 - 2,5% P250	14.2%	13.8%
2,75 - 4,0% P300	20.8%	21.4%
4,5 - 5,2% P520	20.8%	21.1%

P&C INSURANCE

- Occupational injury
- Critical illness and cancer insurance
- Accident insurance

In the P&C business, large claims or special events represent the greatest risk. The largest claims will typically be in the group life and occupational injury sectors. To reduce the risk Storebrand has taken out excess of loss reinsurance at the group level.

The risk inherent in occupational injury insurance is also covered by a separate excess of loss reinsurance, with a deductible of NOK 10 million.

Note 7 | 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.

STOREBRAND LIFE INSURANCE NORWAY

The largest contributions to short-term, result-related market risk for the Norwegian life insurance business are falls in the value of equities and real estate, increased risk for corporate bonds and rapid increases in interest rates. In the longer term, low market interest rates over time represent a significant market risk for the company. The current formulation of the regulations means that the value of the insurance liabilities in Storebrand Life Insurance are not affected by changes in market interest rates. When Solvency II is introduced, the value of the insurance liabilities will be interest rate sensitive in the solvency accounts for the Norwegian business as well.

SPP

SPP is largely exposed to the same market risk factors as Storebrand Life Insurance, but differences in product design, general framework conditions and asset allocation nonetheless result in some differences in the contributions for different types of market risk. In the short-term, the market risk from equities is relatively greater in SPP than in Storebrand Life Insurance, but at the same time, the company is exposed to little risk from the asset class real estate. SPP is also exposed to market risk from increased risk on corporate bonds. However, as far as the result is concerned, the short-term risk from changes in interest rates is small in SPP because of the adjustment of the assets' interest rate sensitivity (duration) in relation to the liabilities' interest rate sensitivity. However, the current regulatory requirements mean the company cannot have low interest rate sensitivity in the profit and loss account and in the solvency account at the same time, and falling interest rates will have a negative effect on the solvency ratio. Persistent low interest rates also represent a substantial risk for SPP as well, both for the financial result and for the solvency margin percentage.

SENSITIVITY ANALYSES

The stress tests were applied to the investment portfolio as at 31 December 2012 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 Life Insurance 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 2012, market value adjustment reserve and the unrealised gain reserve. SPP has used the traffic light, the official reporting document of Finansinspectionen.

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 2012:

STOREBRAND LIFE INSURANCE

Change in market value, 2012	NOK million	Percentage of buffer
Buffer for market risk from RBT	5,357	
Interest rate risk	3,194	60%
Equity price risk	3,399	63%
Property price risk	3,252	61%
Foreign exchange risk	338	6%
Spread risk	1,734	32%
Market risk (correlated)	8,275	

SPP

Change in market value, 2012	SEK million	Percentage of buffer
Buffer for market risk from RBT	5,886	
Interest rate risk	273	5%
Equity price risk	1,809	31%
Property price risk	402	7%
Foreign exchange risk	1,912	32%
Spread risk	158	3%
Market risk (correlated)	3,964	

LIFE INSURANCE

Since it is the immediate market changes that are shown in the note above, 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.

STOREBRAND LIFE INSURANCE NORWAY

The stress tests were carried out on 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 decide how much equity the company must use if the return remains at this level in 2013. In addition to the need to use equity to cover the guaranteed return, it is the changes in profit sharing on paid-up policies and individual contracts, as well as the return and interest costs in the company portfolio, that give the greatest deviation from the expected result in 2013. The effect of negative stresses has declined since last year. The most important reason for this is the reduction in the equity holdings in the life portfolios.

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 stresses, 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 and additional statutory reserves.

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.

SPP

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 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.

EXPOSURE TO SELECTED COUNTRIES

The table below shows the exposure to selected countries, not including indirect exposure.

STOREBRAND LIVSFORSIKRING AS

Direct exposure to selected countries 31.12 (fair value)

NOK million	**2012**	**2011**
Greece	2	8
Italy	843	4,122
Portugal	719	856
Ireland	1,417	1,152
Spain	2,314	4,220
Total	**5,294**	**10,358**

STOREBRAND LIVSFORSIKRING GROUP

Direct exposure to selected countries 31.12 (fair value)

NOK million	**2012**	**2011**
Greece	4	13
Italy	869	4,208
Portugal	723	863
Ireland	1,518	2,392
Spain	2,351	4,657
Total	**5,466**	**12,133**

NOTE 8 | 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 several of 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. Committed credit lines from banks have also been established that the companies can draw on if necessary.

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**	**Booked value**
Subordinated loan capital	2,520	23	3,073	180	1,545	7,341	6,643
Other current liabilities	4,655					4,655	4,655
Uncalled residual liabilities re limited partnership	3,715					3,715	
Unused credit lines lending	1,068					1,068	
Total financial liabilities 2012	**11,958**	**23**	**3,073**	**180**	**1,545**	**16,779**	**11,298**
Derivatives related to loan 2012	**-99**	**-70**	**-92**			**-260**	**-323**
Total financial liabilities 2011	**10,972**	**105**	**4,846**	**1,327**	**1,655**	**18,905**	**11,756**

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.

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	Booked value
Subordinated loan capital	2,520	23	3,073	180	1,545	7,341	6,643
Other current liabilities [1]	6,763					6,763	6,763
Uncalled residual liabilities concerning limited partnership	5,317					5,317	
Unused credit lines lending	1,068					1,068	
Total financial liabilities 2012	**15,669**	**23**	**3,073**	**180**	**1,545**	**20,490**	**13,407**
Derivatives related to loan 2012	**-99**	**-70**	**-92**			**-260**	**-323**
Total financial liabilities 2011	**17,238**	**105**	**6,386**	**1,327**	**1,655**	**26,710**	**10,448**

The agreed maturity provides limited information on the company's liquidity risk, since the vast majority of the investment assets can be realised faster in the secondary market than the agreed maturity indicates. In the case of perpetual subordinated loans the cash flow is calculated through to the first call date.

[1] Of which the minority interests in Storebrand Eiendomsfond KS amount to NOK 2,022 million. After 3 years, 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 value-adjusted equity. See also note 40.

Specification of subordinated loan capital and hybrid tier 1 capital

NOK million	Nominal value	Currency	Interest	Call date	Booked value
Issuer					
Hybrid tier 1 capital					
Storebrand Livsforsikring AS 08/18 FRN	1,500	NOK	Variable	2018	1,501
Perpetual subordinated loan capital					
Storebrand Livsforsikring AS 49-13	300	EUR	Fixed	2013	2,338
Storebrand Livsforsikring AS	1,700	NOK	Variable	2014	1,702
Storebrand Livsforsikring AS Var 12/49	1,000	NOK	Fixed	2015	1,102
Total subordinated loan capital and hybrid tier 1 capital 2012					**6,643**
Total subordinated loan capital and hybrid tier 1 capital 2011					**6,813**

NOTE 9 | Credit risk

Credit risk is the risk of incurring losses due to a counterparty's unwillingness or inability to meet his 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. Storebrand Life Insurance and SPP use 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.

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	30,313	5,052	121	570	10	36,066
Credit bonds	11	1,653	15,836	10,473	2,530	30,503
Mortage and asset backed bonds	11,286	1,818		916	488	14,509
Supranational and agency		1	1,017	1,024		2,042
Total interest-bearing securities rated by credit rating	**41,610**	**8,524**	**16,974**	**12,983**	**3,029**	**83,120**
Bond fund not managed by Storebrand						1,075
Non interest bearing securities in bond fund managed by Storebrand						2,454
Total 2012	**41,610**	**8,524**	**16,974**	**12,983**	**3,029**	**86,649**
Total 2011	**25,631**	**12,686**	**15,491**	**10,290**	**2,567**	**55,748**

BONDS AT AMORTISED COST

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	12,468	3,008		903	712	17,091
Credit bonds		3,383	7,678	1,097	71	12,228
Mortage and asset backed bonds	26,518	5,117				31,635
Supranational and agency	3,775	4,765	1,423	351	387	10,702
Total 2012	**42,761**	**16,274**	**9,101**	**2,351**	**1,169**	**71,656**
Total 2011	**51,382**	**6,700**	**12,711**	**1,083**	**2,343**	**74,219**

COUNTERPARTIES

NOK million	**AA Fair value**	**A Fair value**	**BBB Fair value**	**NIG Fair value**	**Total Fair value**
Derivatives	540	920			1,460
Of which derivatives in bond fund managed by Storebrand	197	283			480
Total excluding derivatives in bond fund 2012	**343**	**637**			**980**
Total excluding derivatives in bond fund 2011	**351**	**187**			**538**
Bank deposit	4,930	-91	43	65	4,948
Of which bank deposit in bond fund managed by Storebrand	1,711	-91			1,620
Total excluding bank deposit in bond fund 2012	**3,219**		**43**	**65**	**3,328**
Total excluding bank deposit in bond fund 2011	**2,823**	**425**	**146**		**3,394**

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

LENDING
Commitments distributed by customer groups

NOK million	**Lending to and receivables from customers**	**Unused credit line**	**Total commitments**
Development of building projects	3,773	1,068	4,842
Wage-earners	73		73
Total 2012	**3,846**	**1,068**	**4,915**
Total 2011	**3,015**	**1,990**	**5,005**

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 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**	**Other Fair value**	**NIG Fair value**	**Total Fair value**
Government and government guaranteed bonds	68,611	8,819	164	570		13	78,178
Credit bonds	161	3,547	22,762	12,435		3,165	42,069
Mortage and asset backed bonds	33,361	7,804	520	916		488	43,090
Supranational and agency	1,930	1	1,504	1,573			5,007
Total interest-bearing securities rated by credit rating	**104,063**	**20,171**	**24,950**	**15,494**		**3,666**	**168,344**
Bond fund not managed by Storebrand							9,027
Non interest bearing securities in bond fund managed by Storebrand							2,553
Total 2012	**104,063**	**20,171**	**24,950**	**15,494**		**3,666**	**179,924**
Total 2011	**89,115**	**20,380**	**21,902**	**11,954**	**96**	**3,062**	**143,040**

BONDS AT AMORTISED COST

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	12,468	3,008		903	712	17,091
Credit bonds		3,383	7,678	1,097	71	12,228
Mortage and asset backed bonds	26,518	5,117				31,635
Supranational and agency	3,775	4,765	1,423	351	387	10,702
Total 2012	**42,761**	**16,274**	**9,101**	**2,351**	**1,169**	**71,656**
Total 2011	**51,382**	**6,700**	**12,711**	**1,083**	**2,343**	**74,219**

COUNTERPARTIES

NOK million	**AAA Fair value**	**AA Fair value**	**A Fair value**	**BBB Fair value**	**NIG Fair value**	**Total Fair value**
Derivatives	1,975	557	943	6		3,480
Of which derivatives in bond fund managed by Storebrand		197	283			480
Total excluding derivatives in bond fund 2012	**1,975**	**360**	**660**	**6**		**3,000**
Total excluding derivatives in bond fund 2011		**2,267**	**3,196**	**3**		**5,466**
Bank deposit	26	6,847	1,062	540	68	8,543
Of which bank deposit in bond fund managed by Storebrand		1,711	-91			1,620
Total excluding bank deposit in bond fund 2012	**26**	**5,137**	**1,153**	**540**	**68**	**6,923**
Total excluding bank deposit in bond fund 2011	**162**	**5,044**	**2,225**	**1,104**		**8,535**

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

LENDING
Commitments distributed by customer groups

NOK million	**Lending to and receivables from customers**	**Unused credit line**	**Total commitments**
Development of building projects	3,773	1,068	4,842
Wage-earners	73		73
Total 2012	**3,846**	**1,068**	**4,915**
Total 2011	**3,015**	**1,990**	**5,005**

Storebrand Livsforsikring AS have a syndicate agreement with Storebrand Bank with a limit of NOK 5 billion. The loans that are syndicated to Storebrand Livsforsikring have first priority within 60 per cent.

Note 10 | Operational risk

The assessment of operational risks is linked to the ability to achieve targets and to implement plans. Operational risk is defined as the risk of financial losses or reduced reputation due to inadequate or the failure of internal processes, control routines, systems, human error or external incidents.

The Group seeks to reduce operational risk through effective internal control with 1) unambiguous descriptions of responsibilities 2) clear routines and 3) documented powers of attorney/authority. Risks are followed up through the management's quarterly risk reviews, with documentation of risks, measures and the follow-up of incidents. In addition, the internal auditing unit carries out an independent control in accordance with audit projects adopted by the Board.

Contingency plans have been prepared to deal with serious incidents in business-critical processes. Storebrand's control functions also involve people with particular responsibility for controlling operational risk.

Note 11 | Valuation of financial instruments 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, 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.

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 at 31 December 2012, 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 at 31 December 2012 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 significant 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 at 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.

INDIRECT REAL ESTATE INVESTMENTS

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.

SENSITIVITY ASSESSMENTS

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 6 per cent in value, depending on the maturity of the forest and other factors.

Storebrand's private equity investments are for the most part made through unlisted companies, meaning no observable market prices are available. 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. For the period from 1997 to 2012, Storebrand's private equity portfolio has had a beta relative to the MSCI World (Net – currency hedged to NOK) of around 0.4. The annualised alpha for the same period has been around 7.9 per cent.

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 55 per cent on average.

STOREBRAND LIVSFORSIKRING AS

NOK million	Quoted prices (level 1)	Observable assumptions (level 2)	Non-observable assumptions (level 3)	2012	2011
Assets					
Equities and units					
- Equities	1,254	74	1,499	2,828	11,038
- Fund units		17,930	715	18,646	20,254
- Private equity fund investments		685	4,734	5,419	682
- Hedge fund		15	25	39	6,256
Total equities and units	**1,254**	**18,704**	**6,973**	**26,932**	
Total equities and units 2011	**9,268**	**21,562**	**7,400**		**38,230**
Bonds and other fixed income securities					
- Government and government guaranteed bonds	8,550	2		8,552	3,651
- Credit bonds		13,500	784	14,284	8,810
- Mortage and asset backed bonds		12,617		12,617	8,021
- Supranational and agency		722		722	
- Bond funds		50,474		50,474	35,266
Total bonds and other fixed income securities	**8,550**	**77,314**	**784**	**86,649**	
Total bonds and other fixed income securities 2011	**2,007**	**52,132**	**1,609**		**55,748**
Derivatives:					
- Interest rate derivatives		388		388	31
- Currency derivatives		386		386	-1,012
- Credit derivatives					2
Total derivatives		**774**		**774**	
- derivatives with a positive market value		980		980	
- derivatives with a negative market value		-206		-206	
Total derivatives 2011		**-980**			**-980**

Movements between quoted prices and observable assumptions

NOK million	From quoted prices to observable assumptions	From observable assumptions to quoted prices
Equities and units	8	5

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	Hedge fund	Credit bonds	Mortage and asset backed bonds
Booked value 01.01.12	1,526	1,204	4,643	27	819	790
Net profit/loss on financial instruments	15	53	61	-2	-45	547
Additions/purchases	1	19	429		23	
Sales/overdue/settlement	-43	-561	-399		-15	-1,336
Other					2	
Booked value 31.12.12	**1,499**	**715**	**4,734**	**25**	**784**	

STOREBRAND LIVSFORSIKRING GROUP

NOK million	Quoted prices (level 1)	Observable assumptions (level 2)	Non-observable assumptions (level 3)	2012	2011
Assets					
Equities and units					
- Equities	9,305	344	3,116	12,765	26,256
- Fund units		50,248	1,670	51,918	49,259
- Private equity fund investments		685	5,406	6,090	6,839
- Hedge fund		25	25	50	919
- Indirect real estate fund		15	1,372	1,387	1,976
Total equities and units	**9,305**	**51,316**	**11,589**	**72,211**	
Total equities and units 2011	**22,647**	**50,045**	**12,556**		**85,248**
Bonds and other fixed income securities					
- Government and government guaranteed bonds	31,142	19,590		50,731	46,270
- Credit bonds	4	23,809	1,233	25,046	19,872
- Mortage and asset backed bonds	4	41,016		41,020	31,907
- Supranational and agency	3	3,644		3,647	2,202
- Bond funds		59,479		59,479	42,789
Total bonds and other fixed income securities	**31,153**	**147,538**	**1,233**	**179,924**	
Total bonds and other fixed income securities 2011	**22,907**	**118,130**	**2,002**		**143,040**
Derivatives:					
- Interest rate derivatives		1,650		1,650	4,191
- Currency derivatives		594		594	-924
- Credit derivatives					2
Total derivatives		**2,244**		**2,244**	
- derivatives with a positive market value		3,000		3,000	
- derivatives with a negative market value		-755		-755	
Total derivatives 2011		**3,269**			**3,269**

Movements between quoted prices and observable assumptions

NOK million	From quoted prices to observable assumptions	From observable assumptions to quoted prices
Equities and units	94	15

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	Hedge fund	Indirect real estate fund	Credit bonds	Mortage and asset backed bonds
Booked value 01.01	3,111	2,224	5,226	27	1,969	1,213	790
Net profit/loss on financial instruments	-81	0	73	-2	-241	108	547
Additions/purchases	176	144	533		66	401	
Sales/overdue/settlement	-70	-680	-417		-421	-485	-1,336
Transferred from observable assumptions to non-observable assumptions						2	
Currencey differences	-20	-18	-8			-7	
Booked value 31.12.12	**3,116**	**1,670**	**5,406**	**25**	**1,372**	**1,233**	

Note 12 | Segment reporting

NOK million	2012	2011
Profit before tax business area Storebrand Life Insurance NGAAP	629	510
Change in security reserves p&c insurance	23	-30
Profit before tax business area Storebrand Life Insurance IFRS [1]	**652**	**481**

[1] See note 4

Analysis of profit and loss by business area

	Storebrand Life Insurance		SPP		Asset management		Insurance		Other		Storebrand Livsforsikring Group	
NOK million	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Revenue	33,452	24,143	15,737	11,187	223	214	1,456	1,248			50,868	36,792
Profit before tax	629	510	447	-67	79	85	316	223	-5		1,466	751
Assets	238,069	223,197	134,266	133,354	209	192	2,638	2,356			375,182	359,098
Liabilities	228,149	212,578	127,096	128,505	180	159	2,638	2,356			358,063	343,598

REVENUE
Revenue includes the total premium income including savings premiums and transferred premium reserve from other companies, net financial return and other income.

STOREBRAND LIFE INSURANCE
Includes the companies in the Storebrand Livsforsikring Group, except Storebrand Eiendom AS, Storebrand Realinvesteringer AS and Storebrand Holding Group, and personal risk and employee cover in Storebrand Livsforsikring AS. Storebrand Life Insurance offers a wide range of products within occupational pensions, private pension savings and life insurance to companies, public sector entities and private individuals. Storebrand Life Insurance's branch in Sweden provides occupational pensions products based on Norwegian law in the Swedish market. Includes also BenCo as via Nordben and Euroben offers pension products to multinational companies.

SPP
Includes companies in Storebrand Holding Group excluding SPP Fonder AB. SPP offers a wide range of pension solutions to companies, organisations and private individuals in Sweden. SPP holds a particularly strong position in traditional products - policies with guaranteed interest rates - in the Swedish corporate market.

ASSET MANAGEMENT
Storebrand's asset management activities include the companies Storebrand Eiendom AS (property management), Storebrand Realinvesteringer AS and SPP Fonder AB (fund management).

INSURANCE
Includes personal risk insurance in the Norwegian retail market and employee insurance in the corporate market in Norway, which is included in Storebrand Livsforsikring AS.

Note 13 | 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	BenCo	SPP	Store-brand Livs-forsikring Group
1. Premium income	13,820	2,749	656	2,052	270	318	19,865	747	6,667	27,279
2. Net income from financial assets – collective portfolio	7,605	1,260	57	365	875	30	10,191	540	5,054	15,871
3. Net income from financial assets with investment choice	1,965	161		195	175		2,496	68	2,815	5,378
4. Other insurance related income	114	4	1	32	26		177	108	871	1,157
5. Claims	-6,646	-2,378	-474	-3,513	-1,660	-90	-14,760	-802	-6,786	-22,348
– of which agreements terminated/ withdrawals from endowment policies	-102	-466		-2,963	-40		-3,571		-31	-3,602
6. Changes in insurance obligations recognised in the Profit and Loss account - contractual obligations	-9,273	-1,152	-74	1,409	564	-117	-8,643	-486	-1,567	-10,732
7. Changes in insurance obligations recognised in the Profit and Loss account - with investment choice	-5,985	-306		-152	-85		-6,528	-1	-5,542	-12,071
8. Funds allocated to insurance contracts - contractual obligations	-108	-47		-3			-158			-158
9. Insurance related operating costs	-895	-176	-64	-222	-155	-78	-1,591	-78	-879	-2,599
10. Other insurance related costs	-95	-8	-20	-4	-1	-2	-129	-54	-27	-210
11. Technical result 2012	**501**	**107**	**82**	**159**	**9**	**62**	**920**	**41**	**605**	**1,567**
Technical result 2011	**550**	**102**	**91**	**148**	**-161**	**71**	**802**	**48**	**131**	**962**

Analysis by profit-sharing model

ENDOWMENT INSURANCE *NOK million*	Profit allocation	Not eligible for profit allocation	Investment choice	2012	2011
1. Premium income	342	337	1 372	2,052	1,793
2. Net income from financial assets - collective portfolio	308	56		365	251
3. Net income from financial assets with investment choice			195	195	-40
4. Other insurance related income	1		31	32	35
5. Claims	-2,025	-96	-1,392	-3,513	-2,485
6. Changes in insurance obligations recognised in the Profit and Loss account - contractual obligations	1,484	-75		1,409	445
7. Changes in insurance obligations recognised in the Profit and Loss account - with investment choice			-152	-152	434
8. Funds allocated to insurance contracts - contractual obligations	-3			-3	-79
9. Insurance related operating costs	-107	-73	-42	-222	-201
10. Other insurance related costs	-3	-1		-4	-6
11. Technical result	**-3**	**150**	**12**	**159**	**148**

ANNUITY/PENSION INSURANCE

NOK million	Profit allocation	Investment choice	2012	2011
1. Premium income	43	227	270	254
2. Net income from financial assets - collective portfolio	875		875	466
3. Net income from financial assets with investment choice		175	175	-262
4. Other insurance related income	2	24	26	29
5. Claims	-1,359	-300	-1,660	-1,759
6. Changes in insurance obligations recognised in the Profit and Loss account - contractual obligations	564		564	877
7. Changes in insurance obligations recognised in the Profit and Loss account - with investment choice		-85	-85	386
8. Funds allocated to insurance contracts - contractual obligations				-15
9. Insurance related operating costs	-123	-32	-155	-135
10. Other insurance related costs	-1		-1	-2
11. Technical result	**0**	**9**	**9**	**-161**

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	2012	2011
1. Premium income	7,796	546	272	4,569	636	13,820	12,333
2. Net income from financial assets - collective portfolio	3 756		3,815		34	7 605	3,997
3. Net income from financial assets with investment choice		392		1,573		1,965	-158
4. Other insurance related income	16	1	10	87	1	114	93
5. Claims	-2,700	-199	-2,941	-735	-71	-6,646	-8,592
6. Changes in insurance obligations recognised in the Profit and Loss account - contractual obligations	-7,925		-907		-442	-9,273	-1,954
7. Changes in insurance obligations recognised in the Profit and Loss account - with investment choice		-683		-5,302		-5,985	-4,036
8. Funds allocated to insurance contracts - contractual obligations	-108					-108	-243
9. Insurance related operating costs	-368	-17	-232	-185	-94	-895	-753
10. Other insurance related costs	-33		-3	-10	-49	-95	-136
11. Technical result	**434**	**41**	**14**	**-3**	**15**	**501**	**550**

GROUP PENSION PUBLIC INSURANCE *NOK million*	Defined benefit without investment choice	Defined benefit with investment choice	2012	2011
1. Premium income	2,415	334	2,749	2,846
2. Net income from financial assets - collective portfolio	1,260		1,260	695
3. Net income from financial assets with investment choice		161	161	69
4. Other insurance related income	3		4	4
5. Claims	-2,219	-159	-2,378	-4,138
6. Changes in insurance obligations recognised in the Profit and Loss account - contractual obligations	-1,152		-1,152	1,205
7. Changes in insurance obligations recognised in the Profit and Loss account - with investment choice		-306	-306	-226
8. Funds allocated to insurance contracts - contractual obligations	-47		-47	-173
9. Insurance related operating costs	-159	-17	-176	-159
10. Other insurance related costs	-2	-6	-8	-22
11. Technical result	**100**	**7**	**107**	**102**

Note 14 | Profit analysis by class of insurance

							Storebrand Livsforsikring AS		BenCo	SPP	Storebrand Livsforsikring Group	
NOK million	**Group pension private insurance**	**Group pension public insurance**	**Group life insurance**	**Endow-ment insurance**	**Annuity/ pension insurance**	**Non-life insurance**	**2012**	**2011**	**2012**	**2012**	**2012**	**2011**
Financial income [1]	8,717	1,280	52	537	1,019	27	11,630	7,020	364	3,618	15,613	3,920
Guaranteed yield	-5,919	-663	-2	-395	-725		-7,704	-5,201	-373	-3,635	-11,711	-2,354
- of which transferred to premium fund	63	16					78	95	-135	-2,264	-2,321	2,499
Investment result before drawing on buffer capital	2,797	617	50	142	294	27	3,926	1,818	-8	-16	3,902	1,566
To/from additional statutory reserves and buffer capital	-153	-7		-78	-131		-368	-203			-368	-203
Investment result after drawing on additional statutory reserves and buffer reserves	**2,644**	**610**	**50**	**64**	**163**	**27**	**3,558**	**1,615**	**-8**	**-16**	**3,534**	**1,363**
Risk premium	454	36	548	497	-75	251	1,710	1,758	16	448	2,173	2,207
Risk addition	-242	82	-497	-367	128	-160	-1,056	-1,100	-3	-301	-1,360	-1,378
Net reinsurance etc. [1]	-58		-32	-1		-34	-125	-123		2	-123	-6
Risk result	**154**	**118**	**18**	**128**	**53**	**57**	**528**	**534**	**13**	**149**	**690**	**823**
Administration premium	918	106	78	197	120	56	1,475	1,409	109	868	2,452	2,251
Operating expenses	-895	-176	-64	-222	-155	-78	-1,591	-1,370	-72	-395	-2,059	-2,117
Administration result	**23**	**-70**	**14**	**-26**	**-35**	**-22**	**-116**	**39**	**37**	**473**	**393**	**134**
Other results [2]	**-2,620**	**-616**		**-4**	**-173**		**-3,413**	**-1,386**			**-3,413**	**-1,357**
Premium for guaranteed interest	**278**	**80**					**358**	**321**			**358**	**321**
Risk profit	**147**	**39**					**186**	**200**			**186**	**200**
Gross result for sector	**627**	**161**	**82**	**162**	**9**	**62**	**1,103**	**1,323**	**41**	**605**	**1,749**	**1,483**
Investment result and risk result to policyholders	-126	-53		-3			-182	-521			-182	-521
Profit for the year	**501**	**107**	**82**	**159**	**9**	**62**	**920**	**802**	**41**	**605**	**1,567**	**962**

[1] The items other insurance-related income (in note 13) and other insurance-related costs (in note 13) are allocated in accordance with their purpose.

[2] The item consists of a provision for long life and an additional provision.

ENDOWMENT INSURANCE	Profit allocation		Not eligible for profit allocation		Investment choice		2012		2011	
NOK million	Policy-holders	Owner	Policy-holders	Owner	Policy-holders	Owner	Policy-holders	Owner	Policy-holders	Owner
Administration result	-17			-19		10	-17	-9	10	2
Investment result	109			32			109	32	37	20
Risk result	-9			136		2	-9	138	81	91
Profit allocation	3	-3					3	-3	-36	36
To/from additional statutory reserves and buffer capital	-78						-78		-14	
Other	-4						-4			
Technical result	**3**	**-3**	**0**	**150**	**0**	**12**	**3**	**159**	**79**	**148**

ANNUITY/PENSION INSURANCE	Profit allocation		Investment choice		2012		2011	
NOK million	Policy-holders	Owner	Policy-holders	Owner	Policy-holders	Owner	Policy-holders	Owner
Administration result	-44			9	-44	9	-18	14
Investment result	294				294		-23	
Risk result	54			-1	54	-1	22	1
Profit allocation							176	-176
To/from additional statutory reserves and buffer capital	-131				-131		89	
Other	-173				-173		-231	
Technical result	**0**	**0**	**0**	**9**	**0**	**9**	**15**	**-161**

GROUP PENSION PRIVATE INSURANCE	Defined benefit without investment choice		Defined benefit with investment choice		Paid-up policies		Defined contribution with investment choice		Not eligible for profit allocation		2012		2011	
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		-30				10		-1		45		23		80
Investment result	1,431		222		1,133			-2		13	2,786	11	1,273	15
Risk result	86	91	12	12	10	10				-66	108	46	123	41
Premium for guaranteed interest and risk profit		373		30						23		426		408
Profit allocation	5	-5									5	-5	-7	7
To/from additional statutory reserves and buffer capital	-69		-9		-75						-153		-277	
Other	-1,345		-207		-1,069						-2,620		-875	
Technical result	**108**	**428**	**18**	**41**	**0**	**20**	**0**	**-3**	**0**	**15**	**126**	**501**	**238**	**550**

GROUP PENSION PUBLIC INSURANCE	Defined benefit without investment choice		Defined benefit with investment choice		2012		2011	
NOK million	Policy-holders	Owner	Policy-holders	Owner	Policy-holders	Owner	Policy-holders	Owner
Administration result		-63		-7		-70		-45
Investment result	526		91		617		417	
Risk result	54	54	4	4	59	59	53	35
Premium for guaranteed interest and risk profit		109		10		119		113
To/from additional statutory reserves and buffer capital	-5		-1		-7		-1	
Other	-528		-87		-616		-280	
Technical result	**47**	**100**	**7**	**7**	**53**	**107**	**189**	**102**

NOTE 15 | 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 AS	BenCo	SPP	Storebrand Livsforsikring Group
2012	**156**	**1**	**10**	**1,291**	**4**	**63**	**1,525**	**251**	**837**	**2,613**
2011	121	16	6	799	6	19	968	158	893	2,019

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 16) are not included in these figures.

NOTE 16 | Transfers of insurance reserves

	Group pension private insurance	Group pension public insurance	Endowment insurance	Annuity/ pension insurance	Storebrand Livsforsikring AS		SPP		Storebrand Livsforsikring Group	
NOK million					2012	2011	2012	2011	2012	2011
Funds received										
Premium reserve	2,888	61	3	186	**3,138**	**2,317**	477	320	**3,615**	**2,637**
Additional statutory reserves	151	1			**152**	**42**			**152**	**42**
Transfers of premium reserve etc.	**3,039**	**62**	**3**	**186**	**3,289**	**2,360**	**477**	**320**	**3,767**	**2,680**
Premium funds	17				**17**	**53**			**17**	**53**
Number of policies/ customers	3,172	10	40	327	**3,549**	**9,612**	1,009	1,395	**4,558**	**11,007**
Funds transferred out										
Premium reserve	-1,640	-896	-33	-131	**-2,700**	**-6,851**	-1,541	-1,113	**-4,241**	**-7,964**
Additional statutory reserves	-23	-37		-3	**-64**	**-175**			**-64**	**-175**
Conditional bonus							-60	-9	**-60**	**-9**
Value adjustment fund	-1				**-1**	**-25**			**-1**	**-25**
Transfers of premium reserve etc.	**-1,665**	**-934**	**-33**	**-134**	**-2,765**	**-7,050**	**-1,601**	**-1,122**	**-4,366**	**-8,172**
Premium funds	-253				**-253**	**-72**			**-253**	**-72**
Number of policies/ customers	-3,726	-24	-122	-330	**-4,202**	**-16,951**	-13,847	-10,618	**-18,049**	**-27,569**

Note 17 | Net financial income

Specification net financial income

	Storebrand Livsforsikring AS		Storebrand Livsforsikring Group	
NOK million	2012	2011	2012	2011
Interest lending	529	606	97	130
Interest bank	41	55	97	122
Interest bonds and other fixed-income securities at fair value	3,645	2,736	6,131	5,050
Interest bonds amortised cost	3,472	2,843	3,472	2,843
Interest derivatives	-7	-105	195	228
Interest income other	-59	-42	-29	-64
Equity dividends	397	514	1,844	1,884
Total interest income and equity dividends etc. financial assets	**8,018**	**6,606**	**11,806**	**10,193**
Revaluation of real estate			-700	238
Revaluation of equities	2,063	-3,432	4,585	-9,291
Revaluation bonds and other fixed-income securities at fair value	-161	-137	615	1,843
Revaluation derivatives	381	-278	-1,851	2,687
Total revaluation on investments	**2,283**	**-3,847**	**2,649**	**-4,524**
Profit on real estate			-26	82
Profit on equities	845	423	1,332	853
Profit on bonds and other fixed-income securities at fair value	401	1,043	3,600	2,183
Profits on derivatives	-2,732	-3,503	-2,733	-3,385
Profit on bonds at amortised cost	576	12	576	12
Currency gains, equities	-714	447	-1,280	582
Currency gains, bonds and other fixed-income securities at fair value	-438	-840	-437	-990
Currency gains, derivatives	4,822	3,599	5,163	3,369
Currency gains, bonds at amortised cost	-262	46	-257	46
Currency gains, other	40	-23	97	64
Total gains and losses on financial assets	**2,538**	**1,205**	**6,035**	**2,816**
Interest costs subordinated loans	491	530	491	530
Total interest costs	**491**	**530**	**491**	**530**

Note 18 | Net income from real estate

Storebrand Livsforsikring Group

NOK million	2012	2011
Rent income from real estate [1]	1,940	1,815
Operating costs (including maintenance and repairs) relating to real estate that have provided rent income [2]	-386	-408
Profit minority defined as liabilities	-117	-71
Net operating income from real estate	**1,438**	**1,336**
Realised gains/losses	-26	82
Change in fair value of real estate	-700	238
Total income from real estate	**712**	**1,656**
[1] Real estate for own use	74	73
[2] Real estate for own use	-4	-6

Changes in value real estate investments

NOK million	2012	2011
Wholly owned real estate investments	-700	238
Real estate investments in associated companies	-57	73
Real estate equities and units in Norway and Sweden [1]	-128	131
Real estate units abroad [1]	12	
Total value changes investment real estate	**-873**	**442**
Real estate for own use	89	27
Total value changes real estate investments	**-783**	**469**
Realised gains/losses sold real estate	**-26**	**82**

[1] Is classified as equities and units in the statement of financial position and considered Storebrand 's total real estate exposure.

Note 19 | Sales cost

	Storebrand Livsforsikring AS		Storebrand Livsforsikring Group	
NOK million	**2012**	**2011**	**2012**	**2011**
Salaries and personnel costs own sales resources	-154	-156	-235	-247
Other sales costs own resources	-100	-138	-170	-167
Commissions to external distributors	-51	-40	-116	-101
Total sales costs	**-306**	**-334**	**-521**	**-516**
Change in pre-paid direct selling expenses			45	53

Note 20 | Pensions costs and pension liabilities

STOREBRAND LIVSFORSIKRING AS

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, but the Group will not participate in the AFP early retirement scheme until 1 January 2013. 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 2011, amounting to NOK 82,122), 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 are secured a pension of about 70 per cent of pensionable salary at the time of retirement. 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 July 2011 the retirement age is 67 years old. Nonetheless employees are given the right to retire at 65 years old and receive a pension directly until they reach 67 years old. In the case of underwriters, retirement age is 65 years.

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	**2012**	**2011**
Present value of insured pension liabilities	1,069	1,238
Fair value of pension assets	-840	-778
Net pension liabilities/assets insured scheme	**229**	**460**
Present value of unsecured liabilities	342	360
Net pension liabilities recognised in statement of financial position	**571**	**820**
Includes employer contributions on net under-financed liabilities in the gross liabilities		

Booked in statement of financial position

NOK million	**2012**	**2011**
Pension liabilities	571	738

Estimate deviations recognised against equity

NOK million	**2012**	**2011**
Year's change in estimate deviation included in equity	-190	-44
Accumulated estimate deviations included in equity	-109	-299

Changes in the net defined benefit pension liabilities in the period

NOK million	2012	2011
Net pension liabilities 01.01	1,598	1,451
Pensions earned in the period	119	109
Pension cost recognised in period	48	55
Estimate deviations	-307	29
Gain/loss on insurance reductions		-9
Pensions paid	-32	-23
Employer's NI contributions reversed	-13	-14
Net pension liabilities 31.12	**1,412**	**1,598**

Changes in the fair value of pension assets

NOK million	2012	2011
Pension assets at fair value 01.01	778	713
Expected return	31	31
Estimate deviation	-44	-44
Gain/loss on insurance reductions		-5
Premiums paid	96	101
Pensions paid	-21	-19
Net pension assets 31.12	**840**	**778**

Expected premium payments (pension assets) in 2013	**102**
Expected premium payments (defined contribution) in 2013	**9**
Expected AFP early retirement scheme payments in 2013	**10**
Expected payments from operations (uninsured scheme) in 2013	**10**

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

	2012	2011
Real estate	17%	17%
Bonds at amortised cost	35%	38%
Mortgage loans and other loans	2%	2%
Equities and units	14%	22%
Bonds	18%	14%
Certificates	14%	6%
Other short-term financial assets	0%	1%
Total	**100%**	**100%**
Realised return on assets	**5.8 %**	**4.5 %**

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

NOK million	2012	2011
Current service cost including employer's national insurance contributions	119	109
Interest on pension liabilities	48	55
Expected return on pension assets	-31	-32
Gains and losses from deduction		-4
Totalt defined benefit schemes in the period	**135**	**130**
The period's payment to contribution scheme	4	3
Net pension cost recognised in profit and loss account in the period	**139**	**132**

Net pension costs includes provision for employment taxes and is included in operating costs.

Main assumptions used when calculating net pension liability 31.12

	2012	2011
Discount rate	4.0%	3.1%
Expected return on pension fund assets in the period	4.0%	4.6%
Expected earnings growth	3.3%	3.6%
Expected annual increase in social security pensions	3.3%	3.75%
Expected annual increase in pensions in payment	1.5%	1.5%
Disability table	KU	KU
Mortality table	K2005	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. As at 31 December 2011 Storebrand used government bond rates as the discount rate. Recently evaluations of whether there is a deep market for covered bonds in Norway have been made, and whether such securities satisfy the definition of corporate bond in accordance with IAS 19.78.

With a few exceptions involving unrated securities, all of the rated covered bonds in Norway have a rating of AA- or higher. The Norwegian covered bond market is quite young, but the market has undergone major development in recent years. The outstanding covered bond volume was more than NOK 530 billion as at the fourth quarter of 2012. The bid/ask spreads do not normally exceed more than a 2-3 basis point yield in this market. Average daily trading in 2012 has been around NOK 650 million, and the average new issue volume was approximately 7.5 billion per month in 2012. Around 20 per cent of the market consists of fixed income securities, while around 80 per cent of the market consists of securities with adjustable interest rates. As is the case for the rest of the Norwegian corporate bond market, the Norwegian swap interest rates are used as a basis for calculation of the price/yield. The Norwegian swap interest rates are considered very liquid.

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 made to the statement of 13 December 2012 from the Norwegian Accounting Standards Board related to the use of covered bonds as the discount rate. As of the fourth quarter of 2012 Storebrand has used a discount rate based on the covered bond rate in Norway. This change is considered to be a change in the estimate. The corresponding interest rate in Sweden is also used for the Swedish operations.

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, prepared by the Norwegian Financial Services Assosiation. The mortality table K2005 is used until new mutual mortality tariffs are adopted by the industry and can provide a basis for more precise calculations. The average employee turnover rate is 2-3 per cent for the entire work force , with turnover falling in the higher age groups.

The actuarial assumptions in Sweden follow the industry's mutual mortality table DUS06 adjusted for corporate difference. The average employee turnover rate is 4 per cent pro anno.

Net pension liabilities 31.12:

NOK million	2012	2011	2010	2009	2008
Discounted present value of defined benefit pension liabilities	1,412	1,598	1,451	1,157	1,148
Pension assets at fair value	840	778	713	627	555
Deficit/(Surplus)	**571**	**820**	**738**	**531**	**593**

STOREBRAND LIVSFORSIKRING GROUP

The 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, but the Group will not participate in the AFP early retirement scheme until 1 January 2013. 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 2011, amounting to NOK 82,122), 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 are secured a pension of about 70 per cent of pensionable salary at the time of retirement. 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 July 2011 the retirement age is 67 years old. Nonetheless employees are given the right to retire at 65 years old and receive a pension directly until they reach 67 years old. In the case of underwriters, retirement age is 65 years.

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.

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 54,600 in 2012 and will be SEK 56,600 in 2013, 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	2012	2011
Present value of insured pension liabilities	1,882	2,001
Fair value of pension assets	-1,418	-1,321
Net pension liabilities/assets insured scheme	464	680
Present value of unsecured liabilities	375	397
Net pension liabilities recognised in statement of financial position	839	1,077

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

Booked in statement of financial position

NOK million	2012	2011
Pension liabilities	839	1 077

Estimate deviations recognised against equity

NOK million	2012	2011
Year's change in estimate deviation included in equity	-137	-4
Accumulated estimate deviations included in equity	-198	-335

Changes in the net defined benefit pension liabilities in the period

NOK million	2012	2011
Net pension liabilities 01.01	2,398	2,160
Pensions earned in the period	158	147
Pension cost recognised in period	76	84
Estimate deviations	-268	63
Gain/loss on insurance reductions		-9
Pensions paid	-48	-37
Pension liabilities additions/disposals and currency adjustments	-42	7
Employer's NI contributions reversed	-16	-17
Net pension liabilities 31.12	**2,258**	**2,398**

Changes in the fair value of pension assets

NOK million	2012	2011
Pension assets at fair value 01.01	1,321	1,178
Expected return	58	56
Estimate deviation	-42	-31
Gain/loss on insurance reductions		-5
Premiums paid	145	148
Pensions paid	-34	-31
Pension liabilities additions/disposals and currency adjustments	-30	6
Net pension assets 31.12	**1,418**	**1,321**

Expected premium payments (pension assets) in 2013	**173**
Expected premium payments (defined contribution) in 2013	**46**
Expected AFP early retirement scheme payments in 2013	**11**
Expected payments from operations (uninsured scheme) in 2013	**22**

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

	Storebrand Life Insurance		SPP	
	2012	**2011**	**2012**	**2011**
Real estate	17%	17%	4%	3%
Bonds at amortised cost	35%	38%		
Mortgage loans and other loans	2%	2%		
Equities and units	14%	22%	10%	11%
Bonds	18%	14%	79%	70%
Certificates	14%	6%		
Other short-term financial assets		1%	7%	16%
Total	**100%**	**100%**	**100%**	**100%**
Realised return on assets	5.8%	4.5%	6.3%	8.6%

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

NOK million	**2012**	**2011**
Current service cost including employer's national insurance contributions	158	145
Interest on pension liabilities	76	83
Expected return on pension assets	-58	-56
Gains and losses from deduction		-3
Totalt defined benefit schemes in the period	**176**	**168**
The period's payment to contribution scheme	43	34
Net pension cost recognised in profit and loss account in the period	**220**	**202**

Main assumptions used when calculating net pension liability 31.12

	Storebrand Life Insurance		**SPP**	
	2012	**2011**	**2012**	**2011**
Discount rate	4.0%	3.1%	3.5%	3.8%
Expected return on pension fund assets in the period	4.0%	4.6%	5.0%	5.0%
Expected earnings growth	3.3%	3.6%	3.5%	3.5%
Expected annual increase in social security pensions	3.3%	3.8%	3.0%	3.0%
Expected annual increase in pensions in payment	1.5%	1.5%	2.0%	2.0%
Disability table	KU	KU		
Mortality table	K2005	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.

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ACTUARIAL ASSUMPTIONS:

In Norway, there are standardised assumptions for mortality/disability trends, and other demographic factors, prepared by the Norwegian Financial Services Assosiation. The mortality table K2005 is used until new mutual mortality tariffs are adopted by the industry and can provide a basis for more precise calculations. The average employee turnover rate is 2-3 per cent for the entire work force , with turnover falling in the higher age groups.

The actuarial assumptions in Sweden follow the industry's mutual mortality table DUS06 adjusted for corporate difference. The average employee turnover rate is 4 per cent pro anno.

Net pension liabilities 31.12:	2012	2011	2010	2009	2008
Discounted present value of defined benefit pension liabilities	2,258	2,398	2,160	1,803	1,902
Pension assets at fair value	1,418	1,321	1,178	1,053	971
Deficit/(Surplus)	**839**	**1,077**	**982**	**749**	**931**
Fact based adjustments pension liabilities	159	61	-42	-114	
Fact based adjustments pension assets	-42	-45	-46	-38	

Sensitivity analysis pension calculations		
Change in discount rate	0.5 %	-0.5 %
Percentage change in pension		
Norway:		
Pension liability	-10%	11%
Net pension cost for the periode	-10%	12%
Sweden:		
Pension liability	-9%	11%
Net pension cost for the periode	-5%	5%

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.

[1] The pension liabilities at the end of 2012 have declined compared with the corresponding liabilities as at 2011. As is evident from the table above, this is attributed primarily to a change in actuarial gains or losses. The change in actuarial gains or losses is attributed primarily to the higher discount rate, since a high quality corporate bond rate (covered bond rate) has been used at the end of 2012, while the discount rate was based on the government rate in Norway in 2011. This has also resulted in a positive effect on the statement of total comprehensive income (OCI). If the government rate has been used as the discount rate as at 31 December 2012 instead of the high quality corporate bond rate, it is estimated that the pension liabilities would have increased by around 25 per cent for the Norwegian operations when the other assumptions in the calculations remain unchanged.

Note 21 | Remuneration of senior employees and elected officers of the company

In 2012 Geir Holmgren replaced Odd Arild Grefstad as 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 [3]	Discount present value of pension [3]	Lending	Interest rate at 31.12.2012	Repayment period
Odd Arild Grefstad	3,854	320	172	24	1,146	19,986	3,500	2.25%	2036
Geir Holmgren	2,158	96	161	12	436	6,602	3,237	2.25%	2022
Lars Aa. Løddesøl [4]	4,047	47	177	18	1,271	14,268	10,674	2.25-4.55%	2013-2041
Heidi Skaaret [4] *(employed from 17.09.12)*	805		47	12	115		8,522	2.25-3.5%	2042
Gunnar Rogstad	2,636	289	169	6	896	5,923			

Robin Kamark *(employed from 15.10.12)*	883		35	18	132				
Arne Hove	1,415		132		429	930	2,763	2.25-3.8%	2040-2041
Sarah McPhee [5]	3,739	317	49	15	3,201	4,388			
Total 2012	**19,537**	**1,068**	**942**		**7,627**	**52,097**	**28,697**		
Total 2011	19,854	12,042	1,007		8,220	76,349	38,171		

NOK thousand	**Number of equities held [2]**	**Bonus acquired in 2012 [3]**	**Bonus disbursal 2013**	**Addition bonus bank 2013**
Odd Arild Grefstad	53,769	1,243	622	942
Geir Holmgren	4,460	408	204	300
Lars Aa. Løddesøl [4]	38,071			
Heidi Skaaret [4]		209	105	105
Gunnar Rogstad	117,764	859	430	719
Robin Kamark				
Arne Hove [6]	85			
Sarah McPhee [5]	41,723	1,144	458	2,011
Total 2012	**255,872**	**3,863**	**1,817**	**4,075**
Total 2011	284,504	2,873	1,367	1,506

NOK thousand	**Remuneration**	**Number of equities held [2]**	**Lending**	**Interest rate at 31.12.2012**	**Repayment period**
Board of Directors					
Odd Arild Grefstad		53,769	3,500	2.25%	2036
Else-Lill Grønli	196	2,694	2,704	2.25-4.45%	2016-2041
Inger Johanne Bergstøl	196				
Jan Otto Risebrobakken		3,042	4,115	2.25-4.2%	2017-2041
Tove Margrete Storrødvann	196				
Peik Norenberg	196				
Erik Haug Hansen	196	6,206	7,970	2.25-3.45%	2034-2042
Egil Thompson [7]					
Total 2012	**978**	**65,711**	**18,289**		
Total 2011	948	156,255	21,973		
Control Commitee [8]					
Elisabeth Wille	324	163			
Harald Moen	233	595			
Ole Klette	233				
Tone Margrethe Reierselmoen	233	1,734	460	4.1%	2021
Finn Myhre	264		5,404	3.64-3.94%	2025-2036
Anne Grete Steinkjer	233	1,800			
Total 2012	**1,520**	**4,292**	**5,864**		
Total 2011	1,375	2,492	8,753		

[1] Comprises of company car, telephone, insurance, concessionary interest rate, other contractual benefits.

[2] 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).

[3] Earned bonus at 31.12.12. 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.

[4] Payments to Lars Aa. Løddesøl and Heidi Skaaret are distributed proportionately between the companies in the Group.

[5] The retirement age for SPP's CEO is 62 years. SPP's CEO is covered by a defined contribution based scheme in addition to a defined benefits scheme.

[6] For positions with spesific 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.

[7] Left the board in 2012.

[8] Control Committee covers all the Norwegian companies in the group which are required to have a control committee.

Note 22 | Remuneration paid to auditors

Remuneration paid to Deloitte AS and related companies:

	Storebrand Livsforsikring AS		Storebrand Livsforsikring Group	
NOK million	**2012**	**2011**	**2012**	**2011**
Statutory audit	1.6	1.7	8.4	7.9
Other reporting duties	0.2	0.1	0.8	0.7
Taxation advice	0.7	0.7	1.8	2.1
Other non-audit services	0.3		0.5	0.4
Total	**2.8**	**2.5**	**11.5**	**11.2**

The amounts above is excluding vat.

Note 23 | Tax costs

	Storebrand Livsforsikring AS		Storebrand Livsforsikring Group	
NOK million	**2012**	**2011**	**2012**	**2011**
Tax payable for the period			-1	-12
Change in deferred tax	-377	-811	-371	-718
Total tax costs	**-377**	**-811**	**-372**	**-730**

Reconciliation of expected and actual tax costs

NOK million	**2012**	**2011**	**2012**	**2011**
Ordinary pre-tax profit	1 545	1 211	1 466	751
Expected tax on income at nominal rate	-432	-339	-410	-210
Tax effect of:				
realised/unrealised equities	-27	-834	-39	-784
dividends received		102		102
associated companies				11
permanent differences	-3	-88	-15	-193
write-down of deferred tax assets	-62	295	-62	295
Change from earlier years	147	53	153	50
Total tax costs	**-377**	**-811**	**-372**	**-730**
Effective tax rate [1]	24%	67%	25%	97%

[1] The effective tax rate for 2012 is affected by certain factors that are not related to the results for 2012.

The Group has a tax credit carryforward of NOK 218 million from 2003, and this must be used within 10 years. Since it is not considered probable that this can be used in 2013, the tax credit carryforward has been written down and recognised as an expense in the accounts. This has resulted in an additional income tax expense of NOK 62 million. The income tax expense has also been affected by the elimination of the exemption method for the customer portfolio, which is described below, as well as the tax effects associated with prior years.

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

NOK million	2012	2011	2012	2011
Tax increasing temporary differences				
Securities	3,433	1,356	3,433	1,356
Real estate	7,877	8,306	8,176	8,350
Operating assets	2	13	84	263
Pre-paid pensions			3	2
Other			756	568
Total tax increasing temporary differences [1)]	**11,312**	**9,675**	**12,452**	**10,540**

Tax reducing temporary differences	**Storebrand Livsforsikring AS**		**Storebrand Livsforsikring Group**	
NOK million	**2012**	**2011**	**2012**	**2011**
Securities	-677	-1,717	-677	-1,717
Operating assets			-6	
Provisions	-1,140	-154	-1,140	-154
Accrued pension liabilities	-571	-820	-651	-930
Gains/losses account	-17	-21	-17	-22
Other	-104		-278	-190
Total tax reducing temporary differences [1)]	**-2,508**	**-2,712**	**-2,769**	**-3,013**
Losses carried forward	-4,713	-4,262	-4,804	-4,436
Allowances carried forward	-218	-220	-218	-220
Total losses and allowances carried forward	**-4,931**	**-4,482**	**-5,022**	**-4,656**
Basis for net deferred tax/tax assets	**3,873**	**2,481**	**4,660**	**2,872**
Write-down of basis for deferred tax assets	218		218	
Net basis for deferred tax/tax assets	**4,091**	**2,481**	**4,879**	**2,872**
Net deferred tax asset/liability	**1,146**	**695**	**1,366**	**804**
Net deferred tax asset/liability in the statement of financial position	**1,146**	**695**	**1,366**	**804**
Booked in the statement of financial position				
Tax assets			38	26
Tax liabilities	1,146	695	1,375	830

The National Budget 2013, which was adopted by Stortinget in December 2012, called for elimination of the tax exemption method for customer portfolios in life insurance companies with effect from 1 January 2012. This change does not affect the Group's activities in Sweden.

Capital gains or losses realised on equities are thus taxable or deductible, respectively, for equities that are owned by customer portfolios in life insurance companies. Over time this change will entail a normalised income tax expense for the Group. Life insurance companies will still receive a tax allowance for allocations to insurance reserves.

The exemption method for equities (for customer portfolios), as it was previously formulated, including the deductibility of allocations to insurance reserves, implies that life insurance companies may have a profit for tax purposes in the case of a decline in the values and a loss for tax purposes in the case of an increase in the value of equities not encompassed by the exemption method. The Storebrand Group has therefore a significant loss for tax purposes linked to the Norwegian life insurance activities.

The adopted changes to the tax regulations will also have a transitional effect, in which unrealised capital gains and losses on equities etc. that were encompassed by the exemption method as at 31 December 2011 are included now in the basis for deferred tax / tax assets on the balance sheet. At the end of 2011, permanent differences linked to realised and unrealised gains from directly owned shares within the tax exemption method amounted to around NOK 0.4 billion. The income tax expense associated with reclassification from permanent differences will therefore amount to approximately NOK 0.1 billion.

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 disposed of, 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 7.9 billion), are included in the Group's temporary differences, on which deferred tax is calculated at a nominal tax rate of 28 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 2.7 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 24 | Intangible assets and goodwill

STOREBRAND LIVSFORSIKRING AS

NOK million	**2012**	**2011**
Acquisition cost 01.01	152	125
Additions in the period:		
Developed in-house	48	27
Disposals in the period	-20	
Acquisition cost 31.12	**180**	**152**
Accumulated depreciation & write-downs 01.01	-60	-43
Amortisation in the period	-21	-17
Disposals in the period	9	
Accumulated depreciation & write-downs 31.12	**-72**	**-60**
Booked value 31.12	**108**	**91**

NOK million	**Lifetime**	**Depreciation rate**	**Depreciation method**	**Booked value 2012**
IT-systems	5 years	20%	Linear	108

STOREBRAND LIVSFORSIKRING GROUP

	Intangible assets							
NOK million	**Brand name**	**IT- systems**	**Customer listst**	**VIF**	**Rights SPP Fonder**	**Goodwill**	**2012**	**2011**
Acquisition cost 01.01	174	158	507	8,618	9	745	10,211	10,116
Additions in the period:								
Developed in-house		48					48	27
Disposals in the period		-20				-8	-28	
Currencey differences	-3		-9	-149		-4	-166	69
Other changes						-8	-8	
Acquisition cost 31.12	**171**	**186**	**498**	**8,469**	**9**	**724**	**10,057**	**10,211**
Accumulated depreciation & write-downs 01.01	-70	-67	-203	-3,940	-5		-4,285	-3,877
Amortisation in the period [2]	-17	-21	-50	-288	-2		-378	-379
Disposals in the period		9					9	
Currencey differences from converting foreign units	1		4	69			75	-30
Accumulated depreciation & write-downs 31.12	**-86**	**-78**	**-249**	**-4,159**	**-7**		**-4,579**	**-4,285**
Booked value 31.12	**86**	**108**	**249**	**4,310**	**2**	**724**	**5,478**	**5,926**

Specification of intangible assets

NOK million	**Life time**	**Depriciation rate**	**Depriciation method**	**Booked value 2012**	**Booked value 2011**
Brand name SPP	10 years	10%	Linear	86	104
Customer lists SPP	10 years	10%	Linear	249	304
Value of business in force SPP	20 years	5%	Linear	4,310	4,678
Rights to withdraw fees from SPP Fonder	10 years	10%	Linear	2	3
IT-systems	5 years	20%	Linear	108	91

Goodwill distributed by business acquisition

NOK million	Acquisition cost 01.01	Booked value 01.01	Supply/disposal	Currencey differences	Booked value 31.12
SPP	737	737	-8	-4	724
Storebrand Baltic	4	4	-4		
Evoco UAB	4	4	-4		
Total	**745**	**745**	**-16**	**-4**	**724**

Goodwill is tested annually for impairement.

IMPAIRMENT INTANGIBLE ASSETS AND GOODWILL

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. SPP is regarded as a single cash flow generating unit, and 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. In addition to the coming three-year period, cash flows are projected for the period from 2016 to 2020 based on growth in the various result elements of between -15 per cent and 3 per cent per annum. A stable growth rate of 3 per cent is also assumed for calculation of the terminal value. The primary drivers 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 7.8 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 25 | Classification of financial assets and liabilities

STOREBRAND LIVSFORSIKRING AS

NOK million	Loans and receivables	Bonds held to maturity	Fair value, trading	Fair value	Available for sale	Liabilities amortised cost	Total
Financial assets							
Bank deposits	3,328						3,328
Equities and units				26,932			26,932
Bonds and other fixed-income securities	55,713	10,718		86,649			153,080
Lending to customers	3,846						3,846
Customer receivables and other short-term receivables	2,510						2,510
Derivatives			980				980
Total financial assets 2012	**65,397**	**10,718**	**980**	**113,581**			**190,675**
Total financial assets 2011	**72,540**	**8,152**	**538**	**88,816**	**5,162**		**175,207**
Financial liabilities							
Subordinated loan capital						6,643	6,643
Derivatives			206				206
Other current liabilities						4,655	4,655
Total financial assets 2012			**206**			**11,298**	**11,504**
Total financial assets 2011			**1,518**			**11,756**	**13,273**

STOREBRAND LIVSFORSIKRING GROUP

NOK million	Loans and receivables	Bonds held to maturity	Fair value, trading	Fair value	Available for sale	Liabilities amortised cost	Total
Financial assets							
Bank deposits	6,923						6,923
Equities and units				72,211			72,211
Bonds and other fixed-income securities	55,713	10,718		179,924			246,355
Lending to customers	3,846						3,846
Customer receivables and other short-term receivables	4,317						4,317
Derivatives			3,000				3,000
Total financial assets 2012	**70,800**	**10,718**	**3,000**	**252,134**			**336,652**
Total financial assets 2011	**79,082**	**8,152**	**5,466**	**223,126**	**5,162**		**320,987**
Financial liabilities							
Subordinated loan capital						6,643	6,643
Derivatives			755				755
Other current liabilities						6,763	6,763
Total financial assets 2012			**755**			**13,407**	**14,162**
Total financial assets 2011			**2,197**			**17,261**	**19,457**

Note 26 | Fair value of financial assets and liabilities at amortised cost

STOREBRAND LIVSFORSIKRING GROUP

	2012		2011	
NOK million	Booked value	Fair value	Booked value	Fair value
Assets				
Loans and receivables:				
Lending to customers, amortised cost	3,846	3,804	3,015	3,000
Bonds held to maturity	10,718	11,688	8,152	8,484
Bonds at amortised cost	55,713	59,968	64,310	65,735
Financial liabilities				
Subordinated loan capital, amortised cost	-6,643	-6,667	6,813	6,816

Lending to customers/liabilities to financial institutions/debt raised by issuance of securities
The fair value of lending to customers subject to variable interest rates is recognised as book value. However, the fair value of lending to corporate customers with margin loans is slightly lower than book value since some loans have lower margins than they would have had, had they been taken up at year end 2012. The shortfall is calculated using a discounted difference between the agreed margin and the current market price over the remaining term to maturity. Fair value is also adjusted for individual write-downs.

Bonds at amortised cost
As a general rule, the fair value of bonds is based on prices obtained from Reuters and Bloomberg. Bonds that are not quoted regularly will normally be valued on the basis of recognised theoretical models. The latter is particularly true for bonds denominated in NOK. These sorts of valuations are based on discount rates consisting of swap interest rates plus a credit premium. The credit premium will often be issuer specific and normally based on a consensus of credit spreads quoted by a selected brokerage house. The impariment tests carried out have resulted in no need for write.downs in 2012.

Subordinated loan capital
The fair value of subordinated loan capital is determined on the basis of registered sales of the bonds and quoted prices from brokers. All prices are quality assured in relation to EOM (end of month) reports from brokers.

Note 27 | Real estate

Booked value of investment real estate [1]

NOK million	2012	2011
Booked value 01.01	28,784	27,098
Supply due to purchases	701	2,078
Supply due to additions	585	582
To owner used real estate	-437	
Disposals	-190	-1,244
Net write-ups/write-downs	-700	265
Currency differences	-21	5
Booked value 31.12	**28,723**	**28,784**

[1] Consists of investment real estate in Storebrand Livsforsikring Group.

Real estate type

NOK million	2012	2011	Duration of lease (years)	m²	Leased amount in [1]
Office buildings (including parking and storage)					
Oslo-Vika/Filipstad Brygge	6,205	6,044	7	140,900	92
Rest of Greater Oslo	8,168	7,746	5	495,570	93
Rest of Norway	2,459	2,719	13	179,535	99
Office buildings in Sweden	729	853	14	36,500	100
Shopping centres (including parking and storage)	10,103	10,321	4	483,129	94
Multi-storey car parks	650	654	4	27,393	100
Cultural/conference centres and commercial in Sweden	359	399	20	18,700	100
Other	50	49			
Total investment real estate	**28,723**	**28,784**		**1,381,727**	
Real estate for own use	2,231	1,460	8	70,641	87
Total real estate	**30,954**	**30,245**		**1,452,368**	

[1] The leased amount is calculated in relation to floor space.

Geographical location

NOK million	2012	2011
Oslo- Vika/Filipstad Brygge	6,855	6,698
Rest of Greater Oslo	10,709	9,652
Rest of Norway	11,411	12,594
Sweden	1,929	1,252
Other	50	49
Total real estate	**30,954**	**30,245**

It is not agreed further purchases or sales of real estate in 2012.
NOK 227 million in Storebrand and SEK 72 million in SPP has been committed but not drawn on in international real estate funds.

CALCULATION OF FAIR VALUE FOR REAL ESTATE

Investment properties are valued at fair value. Fair value is the amount an asset could be sold for in a transaction at arm's length between well informed, voluntary parties. Investment properties consists mainly of office buildings and shopping centres.

CASH FLOW

An internal cash flow model is used to calculate fair value. The individual properties' net cash flows are discounted by an individual required rate of return. In the case of office buildings, a future income and costs picture is estimated for the first 10 years, and a final value calculated at the end of that 10 year period, based on market rents and normal operating costs for the property. The net income cash flow takes into account existing and future reductions in income resulting from vacancy, necessary investments and an assessment of the future changes in market rents. Storebrand's average occupancy rate in its office properties portfolio is 95-98 per cent. Most contracts are for 5 or 10 years. The cash flows from these tenancy agreements (contractual rent) are included in the valuations. A forecast model has been developed to estimate long-term, future non-contractual rent. The model is based on historical observations from Dagens Næringsliv's property index (adjusted by CPI) as well as market estimates. A long-term, time-weighted average is calculated for the annual observations in which the oldest observations are afforded the least weight. Short-term, non-contractual rent forecasts are based on current market rents and conditions.

REQUIRED RATE OF RETURN

An individual required rate of return is set for each property. The required rate of return should be viewed in relation to the property's cash flow. Cash flows are determined on the basis of data about the market's required rate of return, including transactions and valuations. The required rate of return is divided into the following components:

Composition of the required rate of return:

Risk free interest rate

Risk markup, adjusted for:

- Type of property
- Location
- Structual standard
- Environmental standard
- Contract duration
- Quality of tenant
- All other information about property values, the market and the individual property

In the case of shopping centres, the property's value is calculated based on a market yield. In cases where it is known significant changes will occur to the expected cash flow in later years, this is taken account of in the valuation.

EXTERNAL VALUATIONS

To ensure that every property will be taxated as a minimum every third year, there is a methodic approach in order to choose a representative selection of property to taxate every quarter. As per 31 December 2012, valuations had been obtained for approximately 95 per cent of Storebrand's property portfolio in Norway.

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

The real estates are valued on the basis of the following effective required rate of return (incl. 2.5% inflation):

Segment	Required rate of return %		Fair value (NOK million)	
	2012	2011	2012	2011
Office buildings (including parking and storage):				
Oslo-Vika/Filipstad Brygge	7.35 - 8.95	7.20 - 8.70	6.855	6.698
Rest of Greater Oslo	7.54 -9.72	7.70 - 9.79	9.558	9.206
Rest of Norway	8.07 -9.70	8.40 - 9.75	2.459	2.719
Shopping centre portfolio	7.60 - 9.70	7.74 - 9.25	10.103	10.321
Office buildings Sweden	7.00 - 9.00	7.00 - 9.00	1.570	853
Culture and conference Sweden	7.00 - 9.00	7.00 - 9.00	359	399
Other			50	49

SENSITIVITIES

Valuations are particularly sensitive to changes in the required rate of return and assumed future cash flows. A change of 0.25 per cent in the required rate of return, where everything else remains the same, would result in a change in value in the real estate portfolio in Norway of approximately 1 billion. Around 25 per cent of a real estate's cash flow is linked to signed leases. This means that changes in the uncertain components of the cash flow of 1 per cent result in a change in value of 0.75 per cent

Note 28 | Parent company's holding of equities in subsidiaries and associated companies

NOK million	Interest in %	Voting interest in %	Booked value 31.12	
Company			**2012**	**2011**
Aktuar Systemer AS, Professor Kohts vei 9, 1327 Lysaker	100.0	100.0	6	6
Storebrand Pensjonstjenester AS, Professor Kohts vei 9, 1327 Lysaker	100.0	100.0	7	5
AS Værdalsbruket, 7660 Vuku	74.9	74.9	54	54
Storebrand Eiendom AS, Professor Kohts vei 9, 1327 Lysaker	100.0	100.0	12	12
Storebrand Holding AB, Stockholm	100.0	100.0	8,337	5,942
Storebrand Finansiell Rådgivning AS, Professor Kohts vei 9, 1327 Lysaker	100.0	100.0	194	194
Storebrand Eiendom Holding AS, Professor Kohts vei 9, 1327 Lysaker	100.0	100.0	30,216	30,811
Storebrand Eiendom Indirekte AS, Professor Kohts vei 9, 1327 Lysaker	100.0	100.0	2,639	2,699
Storebrand Realinvesteringer AS, Professor Kohts vei 9, 1327 Lysaker	100.0	100.0	1	1
Storebrand Baltic UAB, Litauen				5
Benco Insurance Holding BV, Nederland	90.0	90.0	825	825
Foran Real Estate, Latvia	97.1	97.1	541	543
Subsidiaries			**42,832**	**41,096**

Evoco UAB, Litauen				4
Jointly-controlled companies				**4**
Norsk Pensjon AS, Hansteensgate 2, 0253 Oslo	25.0	25.0	4	4
Associated companies Storebrand Livsforsikring AS			**4**	**4**
Total investment in subsidiaries and associated companies			**42,836**	**41,103**
Subsidiaries classified as equities at fair value in the collective portfolio				
SBL Direct Investments 2006-2008 Ltd - Class B-1	100	100	158	183
SBL Vintage 1999 Ltd - Class B-1	100	100	67	109
SBL Vintage 2001 Ltd - Class B-1	100	100	16	14

Associated companies Storebrand Livsforsikring Group

NOK million	Interest in %	Aquisition cost	Booked value 01.01	Addition/ disposal	Share of profit	Share of other income and expences	Booked value 31.12
Norsk Pensjon AS	25.0	5	4				4
Inntre Holding AS	34.3	2	42	-1	-1		41
Formuesforvaltning AS	14.7	78	79		-2		76
Handelsboderna i Sverige Fastighets AB	50.0	6	22		-2	3	23
NREP Logistics ab (publ)	47.5	6	83		37	-29	92
Visit Karlstad AB	15.0	1	1	-1			0
Associated companies Storebrand Livsforsikring Group		**99**	**231**	**-1**	**32**	**-26**	**236**

Receivables for associated companies

NOK million	**2012**	**2011**
Formuesforvaltning AS	69	69
Handelsboderna i Sverige Fastighets AB	168	124
NREP Logistics AB (publ)	428	304
Total	**665**	**497**

Income from associated companies

NOK million	**2012**	**2011**
Share of profit	32	
Interest income	42	25
Realised change in value	-1	
Unrealised change in value	-29	43
Total	**45**	**68**

Note 29 | Bonds at amortised cost

Loans and receivables

	2012				2011	
NOK million	Nominal value	Acquisition cost	Booked value	Fair value	Booked value	Fair value
Government and government guaranteed bonds	15,783	15,924	16,213	17,091	25,619	26,063
Credit bonds	10,211	10,286	10,444	11,145	12,638	12,901
Mortage and asset backed bonds	18,950	18,984	19,491	21,417	16,555	16,873
Supranational and agency	9,332	9,309	9,566	10,316	9,499	9,898
Total bonds classified as loans and receivables	**54,276**	**54,503**	**55,713**	**59,968**	**64,310**	**65,735**
Modified duration (interest rate sensitivity)				5.9		5.1
Average effective yield			5.0%	3.7%	5.7%	4.5%

Bonds held to maturity

NOK million	2011 Nominal value	Acquisition cost	Booked value	Fair value	2011 Booked value	Fair value
Credit bonds	1,000	1,003	1,046	1,083		
Mortage and asset backed bonds	9,134	9,135	9,309	10,218	8,152	8,484
Supranational and agency	350	348	363	387		
Total bonds held to maturity	**10,484**	**10,486**	**10,718**	**11,688**	**8,152**	**8,484**
Modified duration (interest rate sensitivity)				7.6		7.4
Average effective yield			4.8%	3.7%	4.9%	4.4%

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 AS Acquisition cost	Fair value	Storebrand Livsforsikring Group Acquisition cost	Fair value
NORWEGIAN FINANCE INDUSTRY				
DnB	29	31	32	34
Gjensidige Forsikring ASA	3	4	3	4
Convexa Capital IV - -B-shares	3	5	3	5
Convexa Capital IV - -C-shares	3	2	3	2
Convexa Capital IV - D-shares	3		3	
Help Forsikring AS	28	32	28	32
NMI AS	8	8	8	8
NMI Frontier Fund KS	18	17	18	17
NMI Global Fund KS	29	28	29	28
Norstat Holding AS			25	
Norstat Holding AS, class B			33	23
Norstat AS A-shares			3	3
Total	**126**	**128**	**188**	**156**
OTHER NORWEGIAN EQUITIES				
Glava	35	113	35	113
Green Resources			78	42
Nordic Capital Partner II	44	43	44	43
Norsk Tillitsmann	1	28	1	28
Orkla	19	20	20	21
Phonect AS			19	27
Raufoss næringspark			164	181
Statoil ASA	89	82	97	89
Storebrand Privat Investor ASA	26	25	26	25
Telenor	39	44	40	46
Yara International	29	30	30	32
Ziebel As - Pref shares B			23	23
Other	167	178	180	198
Total	**448**	**564**	**758**	**870**
Total Norwegian Equities	**573**	**692**	**946**	**1 026**
Of which listed Norwegian equities	342	358	359	374

NOK million	Storebrand Livsforsikring AS Acquisition cost	Storebrand Livsforsikring AS Fair value	Storebrand Livsforsikring Group Acquisition cost	Storebrand Livsforsikring Group Fair value
AUSTRALIA				
BHP Billiton AUD	3	4	26	27
Commonwealth Bank of Australia	3	3	15	21
Other	22	22	154	161
Total	**28**	**28**	**195**	**209**
BERMUDA				
Renaissancere Holdings	23	21	23	22
Other	21	7	51	33
Total	**43**	**28**	**74**	**54**
CAYMAN ISLANDS				
SBL Direct Investments 2006-2008 Ltd - Class B-1	136	158		
Wynn Macau Ltd	80	83	3	4
Total	**216**	**241**	**3**	**4**
CURACAO				
Schlumberger	3	3	21	22
Total	**3**	**3**	**21**	**22**
DENMARK				
NordEnergie Renewables AS	60	61	60	61
Other	6	7	25	32
Total	**66**	**68**	**85**	**92**
FRANCE				
Sanofi	2	2	22	26
Other	32	32	217	191
Total	**34**	**34**	**239**	**217**
IRELAND				
LGT Crown European Buyout Opportunities II			181	180
Other	4	4	33	38
Total	**4**	**4**	**215**	**219**
LUXEMBOURG				
Millicom Intl. Cellular SDR			45	37
Subsea 7 S A	22	23	23	24
Other	1	1	15	9
Total	**23**	**24**	**82**	**70**
NEW ZEALAND				
Taumata Plantations Ltd.	638	640	638	640
Other			2	2
Total	**638**	**640**	**640**	**642**
GREAT BRITAIN				
Astrazeneca SEK			69	68
BP Plc	4	3	40	29
GlaxoSmithkline	3	3	25	24
HSBC Holdings GB	5	5	45	42
Royal Dutch Shell A London	3	3	29	30
Vodafone Group	4	3	30	28
Other	64	68	354	382
Total	**83**	**85**	**591**	**604**

NOK million	Storebrand Livsforsikring AS Acquisition cost	Fair value	Storebrand Livsforsikring Group Acquisition cost	Fair value
SWITZERLAND				
ABB SE			79	72
Nestle	7	7	39	50
Novartis	4	4	27	32
Roche Holding Genuss	4	4	26	31
Other	24	25	117	125
Total	**38**	**39**	**288**	**308**
SWEDEN				
Alfa Laval			33	49
Assa Abloy B			48	88
Atlas Copco A	1	3	67	126
Atlas Copco B			35	59
Bergvik Skog AB			247	930
Boliden Limited B			21	31
Electrolux B			33	44
Elekta B			15	37
ERICSSON NAMN-B	1	1	215	196
Getinge Industrier B			41	61
Hennes & Mauritz B	1	1	229	257
Hexagon B SEK			39	42
Industrivaerden A			25	30
Investor AB-A			27	35
Investor AB-B			60	77
Kinnevik Investment B			24	30
Lundin Petroleum			15	36
NC6 ConvaTec			17	29
Nordea Bank AB			170	161
Sandvik	1	1	88	110
Scania B			33	42
Skandinaviska Enskilda Banken A	1	1	78	95
Skanska B	1		46	47
Skf Svenska Kullager Fabrikker B		1	45	64
Svenska Celloulosa B			58	84
Svenska Handelsbanken A			95	122
Swedbank AB A-shares	1	1	18	30
Swedbank AB A-shares			42	83
Tele2 B	1	1	58	60
Volvo A			58	73
Volvo B	1	1	96	108
Other	7	2	351	335
Total	**15**	**12**	**2,422**	**3,567**
GERMANY				
Siemens	2	2	19	21
Other	24	26	180	185
Total	**26**	**29**	**199**	**206**

NOK million	Storebrand Livsforsikring AS Acquisition cost	Fair value	Storebrand Livsforsikring Group Acquisition cost	Fair value
USA				
Abbott Laboratories	3	3	20	23
Apple Inc	16	14	54	106
AT&T Inc	5	5	33	35
Autoliv	1	1	22	25
Bank of America Corp	3	4	42	27
Chevron Corp	5	5	36	46
Cisco Systems	3	3	29	24
Citigroup	3	3	32	25
Coca-Cola	7	7	31	36
Exxon Mobil	10	9	78	85
General Electric	6	5	45	47
Google Class A	9	10	36	44
Home Depot	3	3	12	21
Intel	3	3	23	22
International Business Machine (IBM))	5	5	32	45
J.P Morgan Chase and Co	4	4	36	35
Johnsen & Johnsen	8	8	43	45
McDonalds	6	6	20	24
Merck & Co	4	3	25	27
Microsoft	6	5	48	44
Oracle Corporation	4	4	22	29
Pepsico Inc	7	7	28	28
Pfizer	5	5	31	40
Procter & Gamble	9	9	43	45
Qualcomm	3	3	20	24
Verizon Communications	6	6	25	30
Wells Fargo	5	5	35	37
Zimmer Holdings	288	220	290	222
Other	308	311	1,560	1,825
Total	**745**	**676**	**2,751**	**3,065**
Other foreign equities not specified	**250**	**221**	**2,266**	**2,297**
Total foreign equities	**2,211**	**2,131**	**10,069**	**11,577**
Of which listed international equities	953	965	7,529	8,352
Total equities	**2,784**	**2,823**	**11,015**	**12,602**
FUND UNITS				
Aberdeen Dynamic European Property FOF II			405	110
Aberdeen Emerging Market Small Companies			104	109
Aberdeen European Shopping Property Fund	5	5	293	162
AEW European Property Investors			64	30
AIPP Asia			171	161
AXA Alternative Property Income Venture			174	162
AXA European Office Income Venture			133	70
AXA European Retail Income Venture			203	108
Blackrock Global Allocation			38	38
Blackrock US Small and Mid Cap Opportunities Fund			63	63
Blackrock World Gold			28	24
Blackrock World Mining Fund			71	60
Carlye Europe Real Estate Partners L.P. II			201	52

NOK million	Storebrand Livsforsikring AS Acquisition cost	Storebrand Livsforsikring AS Fair value	Storebrand Livsforsikring Group Acquisition cost	Storebrand Livsforsikring Group Fair value
Carlyle Europe Real Estate Partners L.P. III			230	238
CS Infra SICAR			665	630
Delphi Europe	89	88	89	88
Delphi Global	1,177	1,293	1,177	1,293
Delphi Nordic	148	145	148	145
Delphi Norge	373	390	373	390
East Capital Eastern Europe	21	20	255	258
East Capital Russian Fund	16	15	170	164
EISER Infrastructure Capital Equity Partners 1-B	368	310	368	310
Enter Sverige	1	1	637	656
EPISO			86	70
EQT IV ISS Co-Investment LP	40	50	40	50
Fidelity Asian Special Situations			403	437
Fidelity China Focus Fund			151	151
Fidelity Emerging Europe, Mid East & Africa			34	39
Fondsfinans Spar	22	24	22	24
Frogmore Real Estate Partners L.P.			157	45
Grainger Gres1			199	145
Heitman European Property Partners III			134	70
Henderson PFI			142	139
Herkules Private Equity (GP-I) Limited	7	23	7	23
Invesco Global Real Estate	61	64	94	98
Invesco GT PRC (Kina)	61	58	61	58
J.W. Childs III, L.P.	22	27	22	27
JP Morgan Global Focus Fund			339	314
Knighthead Offshore Fund Ltd	26	25	26	25
Lannebo Mixfond			71	75
Lannebo Småbolag	2	3	234	251
Lasalle Euro Growth II			93	46
Lynx Dynamic			107	102
Macquarie European Infrastructure Fund II - Eqfund	370	381	370	381
Macquarie Global Property Advisors Asia Fund III			121	112
Menlo Ventures IX	66	29	66	29
Mobilis Aktiv			51	50
Msdw Sicav Latin America	27	25	27	25
Navigera Aktie 1			377	381
Navigera Balans 1			478	480
Navigera Tillväxt 1			407	415
Odin Offshore	6	6	29	28
Parvest Global Environment			29	31
Rockspring TransEuro Property Ltd. Partnership III			72	33
Schroder Frontier Markets			21	21
SHB Amerikafond			52	59
SHB Europa Selektiv			114	120
SHB Indienfond			193	171
SHB IT-fond			20	21
SHB Latinamerikafond			274	324
SHB Läkemedelsfond			71	77
SHB Norden Aggressiv			32	35
SHB Nordiska småbolagsfond			191	215
SHB Tillväxtmarknadsfond			200	251
Skagen Global Fund	677	786	1,156	1,301
Skagen Kon-Tiki	937	957	1,368	1,403
SPP Aktiefond Europa			493	514

NOK million	Storebrand Livsforsikring AS Acquisition cost	Fair value	Storebrand Livsforsikring Group Acquisition cost	Fair value
SPP Aktiefond Global Sustainability			223	234
SPP Aktiefond Japan			99	89
SPP Aktiefond Sverige	2	2	1,283	1,574
SPP Aktiefond USA	1	1	520	568
SPP Beta Emerging Markets SRI			104	105
SPP Bygga			604	631
SPP Emerging Markets SRI	799	766	1,776	1,668
SPP Generation 40-tal			740	902
SPP Generation 50-tal			4,682	5,477
SPP Generation 60-tal			6,174	6,930
SPP Generation 70-tal			2,449	2,757
SPP Generation 80-tal			204	220
SPP Global Topp 100			171	178
SPP Mix			199	199
SPP Obligationsfond			49	55
SPP Penningmarknadsfond			74	77
Storebrand Aksje Innland	1,138	1,240	1,138	1,240
Storebrand Asia Pacific Indeks I	319	345	319	345
Storebrand Delphi Europé			26	26
Storebrand Delphi Global			144	148
Storebrand Delphi Nordic			84	85
Storebrand Emerging Private Equity Markets 2007 B3	340	356	340	356
Storebrand Emerging Private Equity Markets B3	150	210	150	210
Storebrand Europa I	722	669	722	669
Storebrand Global	200	183	200	183
Storebrand Global Indeks I	4,270	4,805	4,270	4,805
Storebrand Global Quant Equity	808	791	808	791
Storebrand Horizon C3			101	103
Storebrand Indeks All Markets	349	365	349	365
Storebrand Indeks New Markets	69	69	69	69
Storebrand International Private Equity IV - B2	196	346	196	346
Storebrand International Private Equity IX - B3	31	33	138	174
Storebrand International Private Equity V Ltd - B3	509	619	509	619
Storebrand International Private Equity VI Ltd -B3	633	759	633	759
Storebrand International Private Equity VIII LtdB3	1,056	1,249	1,314	1,580
Storebrand International Private Equity X - B-3	149	138	207	192
Storebrand International Private Equity XI - B-3	158	147	191	178
Storebrand International Private Equity XII - B-4	110	101	135	123
Storebrand Multi Strategy Limited - class C-4			145	148
Storebrand Multi Strategy Limited - class C-5			487	519
Storebrand Multi Strategy Limited - XXL	304	376	304	376
Storebrand Nord Amerika I	1,187	1,376	1,187	1,376
Storebrand Nordic Private Equity III Ltd.	95	106	114	128
Storebrand Norge	99	99	99	99
Storebrand Norge I	1,101	1,124	1,101	1,124
Storebrand Norge Institusjon	598	619	598	619
Storebrand Norwegian Private Equity 2006 Ltd. - B3	193	255	193	255
Storebrand Norwegian Private Equity 2007 Ltd. - B3	98	127	98	127
Storebrand Optima Norge A	126	125	126	125
Storebrand Privat Investor ASA			143	159
Storebrand Selecta Limited - Class C-0	23	24	23	24
Storebrand Selecta Limited - Class C-3	295	383	295	383
Storebrand Selecta Limited - Class C-6			63	65
Storebrand Selecta Limited - Class C-7			272	301

NOK million	Storebrand Livsforsikring AS Acquisition cost	Fair value	Storebrand Livsforsikring Group Acquisition cost	Fair value
Storebrand Special Opportunities II Ltd. - B3	444	461	444	461
Storebrand Special Opportunities II Ltd. - B4	50	61	50	61
Storebrand Special Opportunities Ltd. - C3	176	151	176	151
Storebrand Trippel Smart	202	206	202	206
Storebrand Vekst	63	62	63	62
Storebrand Verdi	159	175	181	202
Storebrand WGA Health Care	44	47	44	47
T. Rowe Price US Large Cap Value Equity			56	57
T.Rowe Price Asian ex-Japan Equity	39	49	39	49
T.Rowe Price Global Em mkt. Eq. - class 1	49	48	49	48
Trygghet 75			1,110	1,107
Trygghet 80			936	937
Trygghet 85			222	223
Trygghet 90			72	73
Wand Partners	64	52	64	52
Other	412	265	1,453	1,028
Total	**22,351**	**24,109**	**56,500**	**59,608**
Total equities and other units	**25,136**	**26,932**	**67,515**	**72,210**

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

STOREBRAND LIVSFORSIKRING AS

NOK million	2012 Aqcusition cost	2012 Fair value	2011 Fair value
Government and government guaranteed bonds	8,532	8,552	3,651
Credit bonds	14,272	14,284	8,810
Mortage and asset backed bonds	12,515	12,617	8,021
Supranational and agency	719	722	
Bond funds	50,564	50,474	35,266
Total bonds and other fixed income securities	**86,602**	**86,649**	**55,748**

STOREBRAND LIVSFORSIKRING GROUP

NOK million	2012 Aqcusition cost	2012 Fair value	2011 Fair value
Government and government guaranteed bonds	49,248	50,432	46,104
Credit bonds	24,869	25,062	19,872
Mortage and asset backed bonds	40,467	41,020	31,907
Supranational and agency	3,651	3,647	2,202
Bond funds	58,916	59,762	42,955
Total bonds and other fixed income securities	**177,151**	**179,924**	**143,040**

	Storebrand Livsforsikring AS	SPP Livförsäkring AB	Euroben Life and Pension
Modified duration (interest rate sensitivity)	2.3	2.1	4.9
Average effective yield	2.1%	1.3%	1.5%

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.

NOTE 32 | Financial derivatives

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 derivative contracts are related to underlying amounts which are not capitalised in the statement of financial position. In order to quantify a derivative position, reference is made to underlying concepts such as nominal principal, nominal volume, etc. Nominal volume is arrived at differently for different classes of derivatives, and gives an indication of the size and of the position and risk the derivative creates. Gross nominal volume principally indicates the size of the exposure, whilst net nominal volume gives an 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. A long position in a currency derivative produces a gain if the currency strengthens against NOK. Figures for average gross nominal volume are based on daily calculations of gross nominal volume.

STOREBRAND LIVSFORSIKRING AS

	Gross nominal volume [1]	Average nominal volume [2]	Net nominal volume [1]	Fair value [1]	
NOK million				**Assets**	**Liabilities**
Equity derivatives	146	1,503	-146		
Interest rate derivatives	9,517	29,434	6,776	484	-96
Currency derivatives	38,050	62,600	-23,635	496	-110
Total derivatives 2012				**980**	**-206**
Total derivatives 2011				538	-1,518

[1] Values as per 31.12

[2] Average for the year

STOREBRAND LIVSFORSIKRING GROUP

	Gross nominal volume [1]	Average nominal volume [2]	Net nominal volume [1]	Fair value [1]	
NOK million				**Assets**	**Liabilities**
Equity derivatives	237	1,764	-237		
Interest rate derivatives	81,895	103,006	40,717	2,288	-638
Currency derivatives	47,437	70,988	-17,044	712	-117
Total derivates 2012				**3,000**	**-755**
Total derivates 2011				5,466	-2,197

[1] Values as per 31.12

[2] Average for the year

Note 33 | Currency exposure

Financial assets and liabilities in foreign currencies

	Storebrand Livsforsikring AS				Storebrand Livsforsikring Group			
	Balance sheet items excl. currency derivatives	**Currency derivatives**	**Net position**		**Balance sheet items excl. currency derivatives**	**Currency derivatives**	**Net position**	
NOK million	**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	5	-44	-39	-223	36	-67	-31	-177
CAD	9	-67	-58	-323	52	-101	-49	-272
CHF	6	-30	-24	-146	61	-30	31	190
DKK	7	-35	-27	-27	135	-35	100	100
EUR	69	-334	-265	-1,938	619	-742	-123	-877
GBP	10	-100	-90	-814	116	-173	-57	-515
HKD	26	-98	-72	-51	111	-98	13	10
INR	2		2	2	2		2	2
LTL	169		169	1	169		169	1
JPY	1,268	-11,429	-10,161	-654	7,370	-15,747	-8,377	-539
NZD	139	-139		1	140	-139	1	4
SEK [1]	18,649	-7,025	11,624	10,080	161,569	1,653	163,222	139,769
SGD	1	-8	-6	-28	10	-8	2	10
USD	845	-2,049	-1,204	-6,702	1,949	-2,830	-881	-4,880
NOK [2]	10,721		10,721	10,721	10,721		10,721	10,721
Insurance liabilities SPP and BenCo i SEK								-129,102
Total net position foreign currency 2012				**9,897**				**14,443**
Total net position foreign currency 2011				**6,312**				**13,051**

[1] 4,5 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 11 billion.

CURRENCY

STOREBRAND LIFE INSURANCE

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. Currency hedging of investments in the subsidiary Storebrand Holding AB have been reduced since 2011, and currency hedging has not been used for the subsidiary BenCo since 2011.

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

NOK million	Storebrand Livsforsikring AS 2012	Storebrand Livsforsikring AS 2011	Storebrand Livsforsikring Group 2012	Storebrand Livsforsikring Group 2011
Bank deposits in company portfolio	109	139	126	192
Bank deposits collective customer portfolio	1,454	1,036	3,462	4,542
Bank deposits investment choice customer portfolio	357	841	397	905
Other financial assets	**1,920**	**2,016**	**3,985**	**5,639**

Note 35 | Real estat for own use and tangible fixed assets

STOREBRAND LIVSFORSIKRING AS

NOK million	Equipment	Vehicles	Fixtures & fittings	2012	2011
Booked value 01.01	**30**	**1**	**29**	**60**	**95**
Additions	26			26	5
Disposals					-14
Depreciation	-23		-5	-28	-26
Booked value 31.12	**33**	**1**	**24**	**58**	**60**
Acquisition cost opening balance	100	2	44	146	165
Acquisition cost closing balance	97	1	42	141	146
Accumulated depreciation and write-downs opening balance	-69	-1	-16	-86	-70
Accumulated depreciation and write-downs closing balance	-64	-1	-18	-83	-86

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

STOREBRAND LIVSFORSIKRING GROUP

Tangible fixed assets

NOK million	Equipment	Vehicles	Fixtures & fittings	Real estate	2012	2011
Booked value 01.01	**38**	**2**	**38**	**289**	**366**	**353**
Additions	30		18	7	55	13
Disposals			-1	-1	-2	-15
Revaluation booked in balance sheet				20	20	22
Acquired via mergers, acquisitions, etc						3
Depreciation	-27	-1	-9		-37	-32
Write-ups due to write-downs in the period				4	4	
Write-ups/ write-downs in the period						10
Currency differences from converting foreign units				-16	-16	14
Other changes			-2		-2	-2
Booked value 31.12	**40**	**1**	**45**	**303**	**388**	**366**
Acquisition cost opening balance	117	3	94	289	504	455
Acquisition cost closing balance	118	3	78	303	502	504
Accumulated depreciation and write-downs opening balance	-80	-2	-56	0	-138	-102
Accumulated depreciation and write-downs closing balance	-79	-2	-33	0	-114	-137

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

Real estate for own use (fair value) [1)]

NOK million	2012	2011
Booked value 01.01	**1,460**	**1,380**
Additions	461	53
Depreciation	-50	-49
Write-ups due to depreciation in the period	50	49
Write-ups/write-downs in the period	-86	27
Currency differences from converting foreign units	-3	
Other changes	399	
Booked value 31.12	**2,231**	**1,460**
Acquisition cost opening balance	1,479	1,426
Acquisition cost closing balance	2,510	1,479
Accumulated depreciation and write-downs opening balance	-19	-46
Accumulated depreciation and write-downs closing balance	-279	-19

[1)] Real estate for own use, also see note 27.

Note 36 | Tangible fixed assets – operational leasing

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 1 - 5 years	2	5	
Leases for over 5 years	63	253	116
Total	**66**	**258**	**116**

Amount through profit and loss account

NOK million	2012	2011
Lease payments through profit and loss account	69	55

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

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	3		
Leases 1 - 5 years	12	27	
Leases for over 5 years	104	192	324
Total	**120**	**219**	**324**

Amount through profit and loss account

NOK million	2012	2011
Lease payments through profit and loss account	124	104

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

NOTE 37 | Other assets – biological assets

NOK million	2012	2011
Booked value 01.01	**616**	**589**
Additions due to purchases/new planting (forest)	6	29
Currencey differences	-30	-3
Change in fair value less sales expenses	6	1
Booked value 31.12	**599**	**616**

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

	Group pension private insurance	Group pension public insurance	Group life insurance	Endow-ment insurance	Annuity/ pension insurance	Non-life insu-rance	Storebrand Livs-forsikring AS		BenCo		SPP		Storebrand Livs-forsikring Group	
NOK million							2012	2011	2012	2011	2012	2011	2012	2011
Premium reserve	149,166	22,114	567	8,469	16,656		196,972	183,163	12,441	12,357	108,672	105,774	318,084	301,294
- of which RBNS	373	46	100	45	9		573	628					573	628
- of which IBNR	272	3	207	44	12		538	464					538	464
- of which premium income received in advance	782		112	56	6		956	858					956	858
Additional statutory reserves	4,297	645		251	553		5,746	5,442					5,746	5,442
Market value adjustment reserve	835	134	5	20	31	2	1,027						1,027	
Premium fund	2,669	863					3,532	3,921					3,532	3,921
Deposit fund	326						326						326	
Pensioners' surplus fund	22						22	8					22	8
Claims reserve	60	3	374	315	8		760	690	2	1	75	83	837	774
- of which RBNS	37	3	297	157	4		498	451					498	451
- of which IBNR	24		76	158	4		262	239		1		83	262	323
Conditional bonus									2,638	2,622	8,626	7,417	11,264	10,038
Other technical reserves						731	731	648					731	648
Total insurance liabilities	**157,375**	**23,759**	**945**	**9,055**	**17,248**	**733**	**209,116**	**193,872**	**15,081**	**14,980**	**117,373**	**113,274**	**341,570**	**322,125**

Endowment

NOK million	Profit allocation	Not eligible for profit allocation	Investment choice	2012	2011
Premium reserve	3,847	854	3,768	8,469	9 ,778
Additional statutory reserves	251			251	220
Market value adjustment reserve	20			20	
Claim reserve	209	106		315	280
Total insurance liabilities	**4,327**	**960**	**3,768**	**9,055**	**10,278**

Annuity/pension insurance

NOK million	Profit allocation	Investment choice	2012	2011
Premium reserve	13,811	2,845	16,656	17,274
Additional statutory reserves	553		553	445
Market value adjustment reserve	31		31	
Claim reserve	7	1	8	7
Total insurance liabilities	**14,402**	**2,846**	**17,248**	**17,725**

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	2012	2011
Premium reserve	53 428	5,417	69,446	20,292	583	149,166	134,668
Additional statutory reserves	2 053	202	2,043			4,297	4,138
Market value adjustment reserve	568		264		3	835	
Premium fund	2 339	309	22			2,669	3,142
Deposit fund	326					326	
Pensioners' surplus fund	22					22	8
Claims reserve	27		13		20	60	58
Total insurance liabilities	**58 763**	**5,928**	**71,788**	**20,292**	**606**	**157,375**	**142,015**

Group pension public insurance

NOK million	Defined benefit without investment choice	Defined benefit with investment choice	2012	2011
Premium reserve	19,732	2,381	22,114	20,945
Additional statutory reserves	590	55	645	639
Market value adjustment reserve	134		134	
Premium fund	686	177	863	778
Claims reserve	3		3	7
Total insurance liabilities	**21,145**	**2,614**	**23,759**	**22,369**

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

Trend on claims and benefits disbursed

NOK billion	Storebrand Livsforsikring AS	BenCo	SPP
0-1 year	-9	-6	-2
1-5 years	-13	-13	-2
More than 5 years	-180	-98	-4

Non-life insurance

	Storebrand Livsforsikring AS	
NOK million	2012	2011
Reinsurance share of technical insurance reserves	171	203
Total assets	**171**	**203**
Premium reserve	37	13
Claims reserve	524	479
- of which RBNS	76	44
- of which IBNR	449	435
Security reserve	170	156
Total assets	**731**	**648**
Market value adjustment reserve	2	
Total insurance liabilities	**733**	**648**

Market value adjustment reserve

NOK million	2012	2011	Change 2012
Equities and units	701		701
Bond and other fixed income securities	325		325
Total	**1,027**		**1,027**

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	Storebrand Livsforsikring AS 2012	Storebrand Livsforsikring AS 2011
Booked value 01.01	**154,956**	**5,208**		**689**	**3,640**	**648**	**165,142**	**165,746**
Changes in insurance obligations recognised in the Profit and Loss account								
2.1 Net realised reserves	7,192	387	1,027	70	74	115	8,865	-561
2.2 Profit on the return					155		155	256
2.3 The risk profit allocated to the insurance agreements								163
2.4 Other allocation of profit	3						3	90
2.5 Changes in insurance obligations from comprehensive income	-12					-32	-44	-3
Total changes in insurance obligations recognised in the Profit and Loss account	**7,183**	**387**	**1,027**	**70**	**229**	**83**	**8,979**	**-55**
Non-realised changes in insurance liabilities								
3.1 Transfers between funds	129	-106			-47		-24	412
3.2 Transfers to/from the company					-428		-428	-960
Total non-realised changes in insurance liabilities	**129**	**-106**			**-475**		**-452**	**-549**
Booked value 31.12	**162,268**	**5,489**	**1,027**	**760**	**3,394**	**731**	**173,669**	**165,142**

Insurance obligations in life insurance - contractual obligations continue

NOK million	BenCo 2012	SPP 2012	Storebrand Livsforsikring Group 2012	Storebrand Livsforsikring Group 2011
Booked value 01.01	**13,629**	**81,379**	**260,151**	**256,910**
Changes in insurance obligations recognised in the Profit and Loss account				
2.1 Net realised reserves	486	1,567	10,918	3,897
2.2 Profit on the return			155	256
2.3 The risk profit allocated to the insurance agreements				163
2.4 Other allocation of profit			3	90
2.5 Changes in insurance obligations from comprehensive income			-44	-3
2.6 Re-statement differences	-237	-1 413	-1,650	656

Total changes in insurance obligations recognised in the Profit and Loss account	**249**	**154**	**9,381**	**5,059**
Non-realised changes in insurance liabilities				
3.1 Transfers between funds			-24	412
3.2 Transfers to/from the company	-364	-641	-1 434	-2,230
Total non-realised changes in insurance liabilities	**-364**	**-641**	**-1 457**	**-1,818**
Booked value 31.12	**13 514**	**80,892**	**268,075**	**260,151**

Insurance obligations in life insurance - investment choice portfolio separately

NOK million	**Premium-reserve**	**Additional statutory reserves**	**Claims allocation**	**Premium-, deposit-, and pension surplus fund**	**Storebrand Livsforsik-ring AS 2012**	**Of which with multi-annual guarantee return**	**Storebrand Livsforsik-ring AS 2012**
Booked value 01.01	**28,207**	**233**	**1**	**289**	**28,730**	**5,780**	**25,648**
Changes in insurance obligations recognised in the Profit and Loss account							
2.1 Net realised reserves	6,541	-45		7	6,503	806	3,432
2.2 Profit on the return				25	25		4
2.3 The risk profit allocated to the insurance agreements							7
2.4 Other allocation of profit							
Total changes in insurance obligations recognised in the Profit and Loss account	**6,541**	**-45**		**32**	**6,528**	**806**	**3,443**
Non-realised changes in insurance liabilities							
3.1 Transfers between funds	-45	69			24		-412
3.2 Transfers to/from the company				166	166	-104	51
Total non-realised changes in insurance liabilities	**-45**	**69**		**166**	**190**	**-104**	**-361**
Booked value 31.12	**34,703**	**257**	**1**	**487**	**35,447**	**6,482**	**28,730**

Insurance obligations in life insurance - investment choice portfolio separately continue

NOK million	**BenCo 2012**	**SPP 2012**	**Storebrand Livsforsikring Group 2012**	**Storebrand Livsforsikring Group 2011**
Booked value 01.01	**1,350**	**31,895**	**61,974**	**59,016**
Changes in insurance obligations recognised in the Profit and Loss account				
2.1 Net realised reserves	1	5,542	12,046	3,140
2.2 Profit on the return			25	4
2.3 The risk profit allocated to the insurance agreements				7
2.4 Other allocation of profit				
2.5 Re-statement differences	-24	-574	-599	227
Total changes in insurance obligations recognised in the Profit and Loss account	**-23**	**4,968**	**11,472**	**3,378**
Non-realised changes in insurance liabilities				
3.1 Transfers between funds			24	-430
3.2 Transfers to/from the company	241	-382	25	10
Total non-realised changes in insurance liabilities	**241**	**-382**	**49**	**-419**
Booked value 31.12	**1,567**	**36,481**	**73,495**	**61,974**

Note 40 | Other liabilities

NOK million	Storebrand Livsforsikring AS 2012	Storebrand Livsforsikring AS 2011	Storebrand Livsforsikring Group 2012	Storebrand Livsforsikring Group 2011
Other liabilities	83	81	174	173
Minority Storebrand Eiendomsfond KS [1]			2,022	1,540
Received collateral	468	227	1,717	4,340
Debt broker	248	2,841	248	468
Other liabilities	66	306	789	824
Total	**866**	**3,454**	**4,951**	**7,346**

[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 8.

Note 41 | Hedge accounting

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 instruments/items hedged - fair value hedging

	2012				2011			
		Booked value [1]				Booked 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	3,366	253		-42	3,366	309		-14
Subordinated loan capital	-3,366		-4,040	41	-3,366		-3,608	8

[1] Booked value at 31.12

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 instruments/items hedged - fair value hedging

	2012				2011			
		Booked value [1]				Booked 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	3,366	253		-42	3,366	309		-14
Subordinated loan capital	-3,366		-4,040	41	-3,366		-3,608	8

[1] Booked value at 31.12

CURRENCY HEDGING OF NET INVESTMENT IN SPP

In 2012, 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. The net amount recognised in comprehensive income in 2012 is - 84 NOK million. 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

	2012			2011		
		Booked value [1]			Booked value [1]	
NOK million	Contract/ nominal value	Assets	Liabilities	Contract/ nominal value	Assets	Liabilities
Currency derivatives	-6 582		-6	-6 364		-136
Underlying items		13 880			12 761	

[1] Booked value at 32.12

Note 42 | Collateral

Collateral pledged and received	Storebrand Livsforsikring AS		Storebrand Livsforsikring Group	
NOK million	**2012**	**2011**	**2012**	**2011**
Collateral pledged in connection with derivatives trading	914	717	2,209	2,047
Collateral received in connection with derivatives trading	-468		-1,717	-4,113
Received collateral for Security Lending Programme J.P. Morgan		-343		-343
Total collateral	**447**	**374**	**492**	**-2,410**

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

Note 43 | Contigent liabilities

	Storebrand Livsforsikring AS		Storebrand Livsforsikring Group	
NOK million	**2012**	**2011**	**2012**	**2011**
Undrawn amounts of committed lending facilities	1,068	1,990	1,068	1,990
Uncalled residual liabilities concerning limitied partnership	3,715	3,597	5,317	5,898
Total contigent liabilities	**4,783**	**5,587**	**6,385**	**7,888**

SPP Livförsäkring AB (SPP), a wholly owned subsidiary of Storebrand Holding AB, which in turn is 100% owned by Storebrand Livsforsikring AS, is being sued under a writ of summons dated 16 June 2010, by Svenskt Näringsliv (Confederation of Swedish Enterprise) et al. with a demand for compensation in the amount of approximately SEK 3.7 million plus interest and costs. The allegation is that SPP is obliged to pay supplementary pensions (värde-säkringsbelopp) pursuant to the provisions in the so-called "ITP Plan", and "associated agreements", as well as the Alecta Pension Insurance Board resolution on such index regulation. The plaintiffs also allege that SPP is obliged to index-regulate paid-up policies (fribrevsuppräkna) for the period 2003 – 2006 in accordance with what Alecta has done (but which SPP has not done).

The Stockholm District Court passed its judgement on 9 March 2012. The Court found for SPP, and awarded it costs of SEK 10.4 million plus interest from the time of the judgement and until payment is made. The judgement is unanimous. On 29 March 2012, Svenskt Näringsliv et.al. appealed the judgement to the Svea Court of Appeal, with a concurrent application for a permit to have the case be fully tested by the appeals court. On 24 April 2012, the Appeals Court notified the appellants that the case has been granted a hearing.

The appeal is expected to be heard during May 2013. The appeal is focused on questions of principle that are important beyond the case in question, and a negative outcome is assumed to have a significant economic effect on the portfolio. Based on an overall assessment of the case, including the District Court's judgment, and based on external legal reviews, it is regarded as very unlikely that the judgement will be in favour of the appellants. Therefore, no provisions have been made relating to this lawsuit.

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

	2012	
NOK mill	**Sale/purchase of services**	**Receivables/liabilities [1]**
Group companies:		
Storebrand ASA	111	1
Storebrand Bank ASA	101	3
Storebrand Kapitalforvaltning AS	-39	-14
Storebrand Fondene AS	19	14
Storebrand Forsikring AS	68	5
Storebrand Baltic NUF	-22	
Other:		
Liability minority real estate fund		-2 022

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

Note 45 | Capital adecuacy

NOK million	Storebrand Livsforsikring AS 2012	Storebrand Livsforsikring AS 2011	Storebrand Livsforsikring Group 2012	Storebrand Livsforsikring Group 2011
Share capital	3,540	3,430	3,540	3,430
Other equity	14,652	12,854	13,579	12,070
Equity	**18,192**	**16,285**	**17,119**	**15,500**
Hybrid tier 1 capital	1,500	1,500	1,500	1,500
Conditional bonus [1]				3,024
Interest adjustment insuracereserves SPP [2]			-1,454	
Goodwill and other intangible assets	-108	-91	-5,589	-6,062
Risk equalisation fund	-640	-469	-640	-469
Capital adequacy reserve [2]			-141	-121
Deduction for investments in other financial institutions	-18	-13	-2	-3
Other	-30	-7	-31	66
Core (tier 1) capital	**18,896**	**17,205**	**10,760**	**13,435**
Hybrid tier 1 capital				
Perpetual subordinated loan capital	4,901	5,024	4,901	5,024
Capital adequacy reserve [2]			-141	-121
Deduction for investments in other financial institutions	-18	-13	-2	-3
Tier 2 capital	**4,883**	**5,011**	**4,757**	**4,900**
Net primary capital	**23,779**	**22,216**	**15,517**	**18,336**
Calculation base by class of risk weighting	**242,831**	**228,622**	**373,981**	**356,501**
Risk weight 0%	50,907	49,187	87,558	87,456
Risk weight 10%	40,773	31,382	66,598	54,037
Risk weight 20%	33,705	33,144	54,768	53,048
Risk weight 50%	5,797	4,465	7,957	7,003
Risk weight 100%	83,190	86,156	88,583	95,335
Risk weight 150%	4,785	5,347	5,271	5,971
Assets held in respect of life insurance contracts with investment choice	23,673	18,940	63,246	53,651
Weighted assets in the statement of financial position	**103,224**	**104,516**	**122,142**	**125,453**
Weighted interest rate and FX contracts	3,977	4,084	6,162	7,582
Cross holding deduction for shares in other financial institutions	-36	-26	-287	-247
Unrealised gains on financial current assets	-772		-772	
Risk weighted calculation base	**106,393**	**108,574**	**127,245**	**132,787**
Capital adequacy ratio	**22.4%**	**20.5%**	**12.2%**	**13.8%**
Core (tier 1) capital ratio	**17.8%**	**15.8%**	**8.5%**	**10.1%**

[1] In connection with Storebrand Life Insurance's 2007 acquisition of SPP, the Financial Supervisory Authority of Norway placed a condition on its approval by giving a time limited approval to include parts of the conditional bonus as primary capital. This approval ended on 01.04.2012.

[2] In previous years, Storebrand has included accounting equity for the Swedish activity as a basis for calculating solvency and capital adequacy. As of the second quarter of 2012, Storebrand has changed the method by including solvency capital, which is calculated pursuant to Swedish capital adequacy rules, in the calculation of the consolidated solvency margin and consolidated capital adequacy. The Swedish subsidiary SPP AB has previously used a 10-year interest rate curve (government interest rate and housing interest rate) for the discounting of insurance obligations. SPP has used a 30-year yield curve as a basis as from second quarter of 2012.

Note 46 | Solvency margin

	Storebrand Livsforsikring AS		Storebrand Livsforsikring Group	
NOK million	**2012**	**2011**	**2012**	**2011**
Solvency margin demand	7,538	7,198	11,595	11,376
Solvency margin capital	25,905	23,800	18,775	18,322
Solvency margin	**343.6%**	**330.7%**	**161.9%**	**161.1%**

Specification of solvency margin capital

	Storebrand Livsforsikring AS		Storebrand Livsforsikring Group	
NOK million	**2012**	**2011**	**2012**	**2011**
Net primary capital	23,779	22,216	15,517	18,336
50% of additional statutory reserves	2,873	2,721	2,873	2,721
50% of risk equalisation fund	320	235	320	235
Counting security reserve	65	54	65	54
Conditional bonus				-3,024
Reduction in Tier 2 capital eligible for inclusion in solvency capital	-1,132	-1,426		
Solvency capital	**25,905**	**23,800**	**18,775**	**18,322**

See fotnote 2 in note 45.

Note 47 | Return on capital

STOREBRAND LIVSFORSIKRING AS

	2012		2011		2010		2009		2008	
	Booked return	**Market return**	**Booked return**	**Market return**	**Booked return**	**Market return**	**Booked return**	**Market return**	**Booked return**	**Market return**
Contractual obligations total	5.6%	6.2%	4.6%	3.4%	4.9%	6.1%	4.6%	4.6%	2.0%	-0.2%
As portfolio:										
Group defined benefit extra cautious							4.2%	4.9%	7.1%	4.7%
Group defined benefit low	5.9%	6.1%	6.4%	4.5%	4.5%	5.5%	4.2%	4.6%	4.0%	1.7%
Group defined benefit standard	5.8%	6.8%	4.5%	2.8%	4.6%	6.5%	5.0%	4.8%	2.0%	-0.2%
Group defined benefit high	5.7%	7.1%	4.7%	2.2%	4.9%	7.4%	5.3%	5.4%		
Swedish branch	4.9%	5.6%	5.9%	4.8%	3.8%	4.9%				
Paid-up policies	5.4%	5.7%	4.7%	3.8%	4.9%	6.0%	4.6%	4.5%	0.9%	-1.3%
Individual	5.7%	6.0%	3.6%	3.2%	6.0%	6.0%	4.0%	4.3%	2.6%	-0.1%

	2012	**2011**	**2010**	**2009**	**2008**
Return on capital company portfolio	5.4%	5.1%	5.8%	5.2%	3.0%

Note 48 | Number of employees

	Storebrand Livsforsikring AS		Storebrand Livsforsikring Group	
	2012	**2011**	**2012**	**2011**
Number of employees 31.12	918	900	1,667	1,717
Average number of employees	923	899	1,636	1,686
Fulltime equivalent positions 31.12	902	880	1,638	1,676
Average number of fulltime equivalents	905	869	1,603	1,646

Actuary report

Storebrand Livsforsikring AS
INSURANCE FUND AND RISK EQUALISATION FUND

With reference to the annual report for 2012 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, 12 February 2013

Translation - not to be signed

Arne Kristian Hove
Chief Actuary

Decleration 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 2012 financial year and as per 31 December 2012.

The annual financial statements were prepared in accordance with the Norwegian Annual Accounts Regulations for Insurance Companies 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 2011 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 2011. 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, 12 February 2013
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

Audit report

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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, showing a comprehensive income of MNOK 1.357, and the financial statements of the group, showing a comprehensive income of MNOK 1.128. The financial statements of the parent company and the financial statements of the group comprise the statement of financial position as at December 31, 2012, the statement of comprehensive income, the statement of changes in equity, 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, 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.

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

Deloitte.

Opinion

In our opinion, the financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of Storebrand Livsforsikring AS and of the group as at December 31, 2012, 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.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report and statement of corporate governance principles and practices

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 and statement of corporate governance principles and practices concerning the financial statements, 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 12, 2013
Deloitte AS

Ingebret G. Hisdal (signed)
State Authorised Public Accountant (Norway)

Control committees statement

Storebrand Livsforsikring AS
CONTROL COMMITTEE'S STATEMENT – 2012

At its meeting on 26 February 2013, the Control Committee of Storebrand Livsforsikring AS has reviewed the Board of Director's proposed Annual Report and Accounts for 2012 of Storebrand Livsforsikring AS.

With references to the auditor's report of 12 February 2012 the Control Committee recommends that the Annual Reports and Accounts proposed be adopted as the Annual Report and Accounts of Storebrand Livsforsikring AS for 2012.

Lysaker, 26 February 2013

Translation - not to be signed

Elisabeth Wille
Chairman of the Control Committee

Board of representatives statement

Storebrand Livsforsikring AS
BOARD OF REPRESENTATIVES' STATEMENT – 2012

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.

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, 4 March 2013

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
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 4.

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 DERIVATES
Credit derivates are financial contracts that transfer all or part of the credit risk assosiated with loans, bonds or similiar instruments from the purchaser of the protection (seller of the risk) to the seller of the protection (purchaser of the risk). Credit derivates are tradable instruments that make it possible to transfer the credit risk assosiated with particular assets to a third party without selling the asset.

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.

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