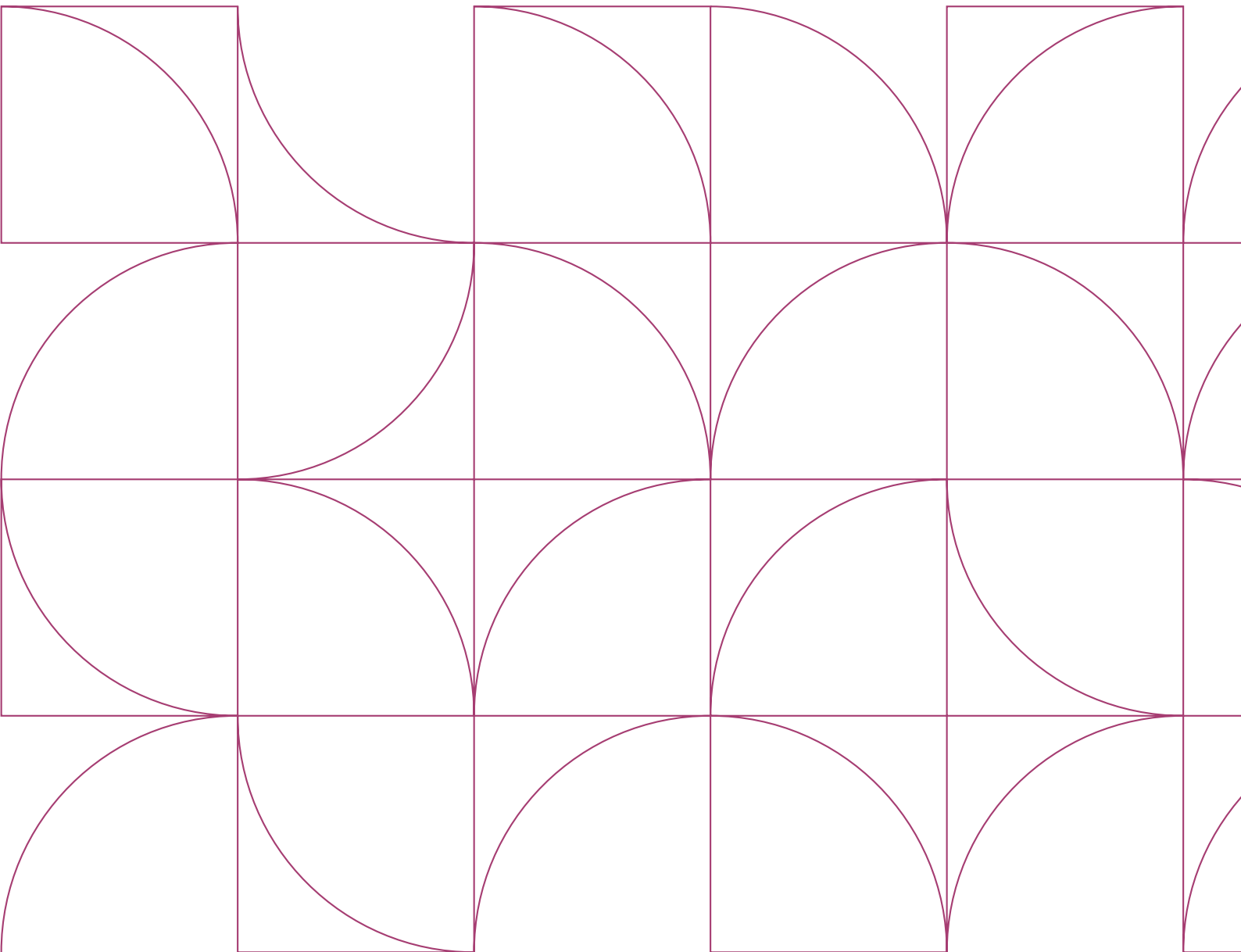


2010 Market Consistent Embedded Value

Supplementary information – 9 March 2011

 storebrand



Market Consistent Embedded Value

Supplementary information regarding Market Consistent Embedded Value 2010 of the life insurance business of Storebrand Group

MAIN FEATURES

- Embedded value of Storebrand Life Group was NOK 30,599 million at year-end 2010.
- The total embedded value earnings for the financial year 2010 were NOK 3,167 million, representing 11.1% return on the opening embedded value. The operating earnings were NOK 2,334 million, representing an operating return of 8.2%.
- The value of new business written in 2010 was NOK 841 million (at point of sale).
- The embedded value calculations are compliant with EEV Principles using a market consistent approach and have been reviewed externally by Towers Watson.

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I. INTRODUCTION

This document discloses the 2010 Market Consistent Embedded Value (MCEV), hereby denoted embedded value, for Storebrand Life Group. It includes business written in Storebrand Livsforsikring AS (SBL) and the Swedish life insurance business SPP Livförsäkring AB (SPP). The value of Euroben Life & Pension Limited has been fully consolidated into the results shown for SPP.

An embedded value is a present value of cash flow calculation estimating the value of the company excluding any value attributable to future new business. The calculation of embedded values requires a number of assumptions with respect to the business, operating, demographic, and economic conditions, as well as factors determined by financial markets. Although the operating and

demographic assumptions used represent estimates which Storebrand considers reasonable, actual future operating conditions and actual future experience may vary from that assumed in the calculation of the embedded value, and such variations may be material. Consequently, the inclusion of embedded value information herein should not be regarded as a statement by Storebrand, Towers Watson, or any other person, that the stream of future after-tax profits used to determine the embedded value will be achieved with certainty.

II. RESULTS FOR STOREBRAND LIFE GROUP

All results are presented in NOK.

The total embedded value as at 31 December 2010 for the life insurance business of Storebrand Life Group after capital movements is NOK 30,599 million. The value of in-force business (VIF) at year-end 2010 is NOK 21,648 million while shareholder surplus is NOK 8,951 million. The VIF includes the present value of future shareholder profits (PVFP) in a

certainty equivalent scenario (including profits arising in the asset management companies of Storebrand Group induced by its life insurance business), an allowance for the time value of options and guarantees (TVOG), frictional costs of holding required capital (FCRC) and an allowance for cost of residual non-hedgeable risks (CNHR).

Embedded value for Storebrand Life Group

The following table shows the embedded value at year-end 2010 and the published embedded value at year-end 2009:

NOK million	MCEV 2009	MCEV 2010
Total shareholder surplus at market value	8,896	8,951
comprising		
- Free surplus	1,992	1,671
- Required capital	6,904	7,280
VIF	19,588	21,648
comprising		
- PVFP	30,405	33,226
- TVOG	-6,847	-7,766
- FCRC	-162	-159
- CNHR	-3,808	-3,653
Total embedded value	28,484	30,599
<i>Look through value included in the PVFP</i>	<i>3,495</i>	<i>3,498</i>

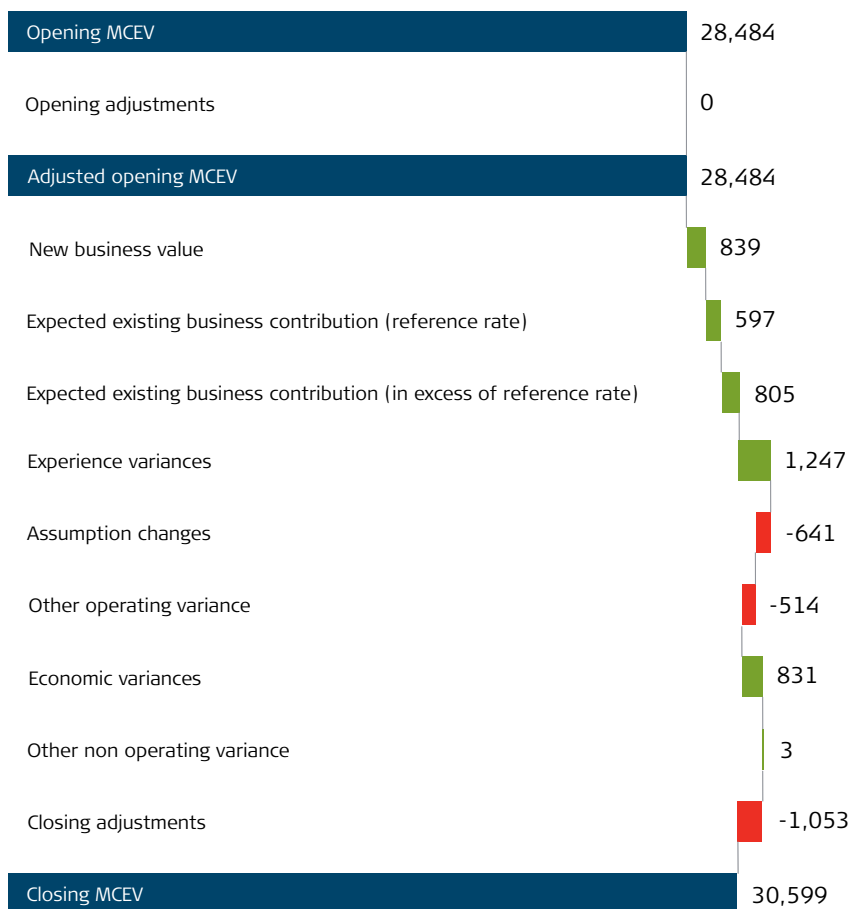
An implied discount rate (IDR) of 9.2% at year-end 2010 has been derived for Storebrand Life Group (8.9% for SBL and 10.0% for SPP). The approach for deriving the IDR is described in Section V.

The current tax legislation in Norway leads to an effective tax rate of 0% for profits arising in SBL and the group's asset management companies. As an effect of the holding company structure in Sweden, whereby part of the profits can be transferred to the group as a tax-free group

contribution, it is expected that the effective tax rate for profits arising in SPP will be 0%. Therefore, a tax rate of 0% has also been applied for SPP.

2010 Embedded value earnings analysis

The following chart shows the embedded value earnings:



The following table shows the movements in the embedded value in 2010:

NOK million	Analysis of MCEV earnings			
	Free surplus	Required capital	VIF	Total MCEV
(1) Opening MCEV	1,992	6,904	19,588	28,484
(2) Opening adjustments	0	0	0	0
(3) Adjusted opening MCEV	1,992	6,904	19,588	28,484
(4) New business value	-491	189	1,141	839
(5) Expected existing business contribution (reference rate)	146	0	452	597
(6) Expected existing business contribution (in excess of ref. rate)	652	0	153	805
(7) Transfers from VIF and required capital to free surplus	1,114	-62	-1,052	0
(8) Experience variances	722	-7	532	1,247
(9) Assumption changes	0	0	-641	-641
(10) Other operating variance	-235	47	-325	-514
(11) Operating MCEV earnings	1,908	166	260	2,334
(12) Economic variances	-549	-80	1,460	831
(13) Other non operating variance	0	0	3	3
(14) Total MCEV earnings	1,359	87	1,722	3,167
(15) Closing adjustments	-1,679	289	338	-1,053
(16) Closing MCEV	1,671	7,280	21,648	30,599

Detailed description of embedded value earnings

1) Opening MCEV: *Published embedded value at year-end 2009.*

2) Opening adjustments: *Adjustments to the published embedded value from the previous year-end.*

No adjustments have been made to published results from year-end 2009.

3) Adjusted opening MCEV: *Embedded value at year-end 2009 after opening adjustments.*

4) New business value: *Value of new business (VNB) in 2010 based on year-end 2010 assumptions.*

The capital and cash consumption by the new business is NOK -491 million (shown in "Free Surplus") comprising capital required for solvency purposes of NOK 189 million and NOK 302 million relating to acquisition costs (including commissions, etc.) for the new business.

Note that VNB as shown in the embedded value earnings is based on year-end 2009 exchange rates and includes the unwinding to the year end. VNB at point of sale is NOK 841 million.

5) Expected existing business contribution (reference rate): *This item reflects the unwinding of the discounting included in the present value components. Additionally, the risk free return on the shareholder surplus is shown in the free surplus column.*

The total expected existing business contribution of NOK 597 million comprises the unwinding of the value of in-force of NOK 452 million and the risk free return on the shareholder surplus of NOK 146 million.

6) Expected existing business contribution (in excess of reference rate): *The existing business contribution in excess of reference rate reflects the additional return on the opening MCEV in line with management expectations for the business. In this step "real world" returns described in Section VI are assumed for the first year (2010). Also, the excess return includes the release of the allowance for options and guarantees (TVOG) and non-hedgeable risks (CNHR) for the year 2010.*

The total expected return over risk-free rate at the end of 2010 was NOK 805 million.

In total, the expected existing business contribution (points 5 and 6 above) amount to NOK 1,402 million which represents an expected return of 4.9% on the opening MCEV.

7) Transfers from VIF and required capital to free surplus: *Profits for 2010 that were capitalized at the previous year-end are moved from the VIF into the shareholder surplus. There is no impact on the embedded value earnings as these profits were expected to emerge at the previous year-end. This item also includes the expected development of the required capital with a corresponding movement in the free surplus.*

The transfer from VIF to the free surplus amounts to NOK 1,052 million. Additionally, the required capital has decreased by NOK 62 million with a corresponding increase in the free surplus.

8) Experience variances: *These variances result from deviations of actual from expected profits due to operational and actuarial considerations. Experience variances consist of effects on the 2010 profits (shown in the column "Free surplus") and effects on the future profits (shown in the column "VIF").*

The total experience variances amount to NOK 1,247 million comprising a positive contribution from SBL of NOK 210 million and a positive contribution from SPP of NOK 1,037 million.

The NOK 210 million positive variance for SBL is mainly caused by lower transfers than expected for some products. Impacts from better administration results and lower risk results than expected are also included herein.

For SPP, the NOK 1,037 million positive variance comprises NOK 295 million caused by better risk results for disability than expected and NOK 451 million from a one-off release in tax reserve. Higher premium payments than expected also contribute to this positive variance with NOK 300 million.

9) Assumption changes: *Changes in actuarial and operational assumptions from 2009 to 2010, which affects the VIF only.*

The total effect of changes in assumptions for the group in 2010 amounts to NOK -641 million. The main items are changes in expense and charge assumptions which amount to NOK 938 million and lower expected margins on mortality for annuity business contributing with a negative effect of NOK -1,082 million on group level.

In addition, for SBL, lapse assumptions for group pension have been increased. This gives a negative effect of NOK -345 million.

An increase in the assumed paid-up rates at SPP for Unit Linked (UL) and the IF portfolio decreases the value by NOK 198 million.

10) Other operating variance: *This item comprises changes in management policies for profit sharing, investment strategy, etc. Additionally, this item includes model improvements and corrections.*

The total other operating variance amounts to NOK -514 million. The main drivers are corrections and model improvements of NOK -522 million, and changes in the investment and crediting strategies of positive NOK 119 million. In the latter, SBL contributes positive NOK 627 million from de-risking in the profit sharing portfolios and SPP NOK -508 million from multiple model corrections.

11) Operating MCEV earnings: *Sum of items 4) to 10). These earnings are under management control in contrast to economic earnings.*

The total operating MCEV earnings amount to NOK 2,334 million representing a return on the opening MCEV of 8.2%.

12) Economic variances: *The economic variances are divided into effects on the 2010 profit and all future profits. The variances in the shareholder surplus comprise the impact of the investment performance in 2010 on shareholder profits and movements in the required capital. The change in VIF represents the effect on future profits from the change in the economic environment during 2010.*

Total economic variances in 2010 amount to NOK 831 million, mainly caused by improved economic conditions. The positive impact on future profits of NOK 1,460 million was partially offset by low performance of hedging assets in 2010 and other negative effects resulting in a variance of NOK -629 million in the shareholder surplus.

13) Other non-operating variance: *Regulatory changes implemented in 2010 and other non-operating changes are shown in this item (e.g. changes in tax laws or other business related laws).*

The other non-operating variances amount to NOK 3 million, caused by minor changes in the methodology.

14) Total MCEV earnings: *Sum of items 11) to 13).*

The movements from 31 December 2009 to 31 December 2010 show MCEV total earnings of NOK 3,167 million. This represents a return of opening MCEV of 11.1%, divided into economic variances and other non-operating variances of 2.9% and operating earnings of 8.2%.

15) Closing adjustments: *Under this item, changes in the exchange rate to NOK, dividends and other capital movements are shown.*

Closing adjustments in aggregate amount to NOK -1,053 million comprising NOK -850 million dividend to Storebrand

ASA from SBL, NOK -161 million profits from asset management, and finally the effect of the change in the exchange rate between the Norwegian and Swedish currency.

16) Closing MCEV: *MCEV for the Storebrand Life Group at year-end 2010.*

Value of new business (VNB)

The following table shows the consolidated value of new business written in 2010:

New business margins

NOK million	
VNB	
comprising	
- PVFP	1,365
- TVOG	-338
- FCRC	-5
- CNHR	-180
Total VNB	841
<i>Look through value included in the PVFP</i>	197

The following table shows the new business margins for the business written in 2010:

NOK million	
VNB	841
Regular premiums	1,493
Single premiums	8,097
APE	2,302
APE margin (%)	37 %
PVNB	24,827
PVNB margin (%)	3.4 %

The implied discount rate for the new business amounts to 8.2%, the internal rate of return 22.2%.

Sensitivities for Storebrand Life Group

The following sensitivities have been carried out for the embedded value and the VNB. The sensitivities reflect changes in single assumptions unless stated otherwise.

Sensitivities 1 & 2:

A parallel shift of 100 basis points is applied to the starting yield curve. The market values of bonds are adjusted accordingly. It should be noted that a 100 basis points parallel shift for the entire yield curve has been reflected. (The extrapolation method described in Section VI has not been applied to the shifted curve.)

Sensitivities 3 & 4:

The initial market values of all equity and property holdings are reduced by 10% (in Sensitivity 4 only equity market values have been reduced). Dynamic risk management do not apply to this sudden shock, but contributes to reduced risk in the portfolios for the remaining projection period.

Sensitivity 5:

The implied volatilities at evaluation date for equity and property are increased by 25%.

Sensitivity 6:

The implied volatilities at evaluation date for swaptions are increased by 25%.

Sensitivity 7:

Future maintenance expenses are reduced by 10%.

Sensitivity 8:

Future lapse rates are reduced by 10%.

Sensitivity 9:

Mortality rates are reduced by 5% going forward for annuity business only.

Sensitivity 10:

Mortality rates are reduced by 5% going forward for life business only.

Sensitivity 11:

Salary and expense inflation rates are increased by 50 basis points.

Sensitivity 12:

Required capital set to be equal to the minimum level of required solvency capital. It should be noted that for Norway the minimum is given by the banking requirement (Basel 1) which equals 4,186 million. For Sweden 100% of the EU minimum solvency requirement has been allowed for in this sensitivity under which the required capital amounts to NOK 2,178 million.

The following table shows the sensitivity results for the embedded value at year-end 2010:

NOK million	Total MCEV	Change	in %
Base	30,599		
1. 100 basis point pa increase in the interest rate	32,322	1,724	6 %
2. 100 basis point pa decrease in the interest rate	24,902	-5,697	-19 %
3. 10% decrease in equity/property capital	27,238	-3,360	-11 %
4. 10% decrease in equity capital	28,722	-1,876	-6 %
5. 25% increase in equity/property implied volatilities	29,773	-826	-3 %
6. 25% increase in swaption implied volatilities	28,670	-1,929	-6 %
7. 10% decrease in maintenance expenses	32,765	2,166	7 %
8. 10% proportionate decrease in lapse rates	31,556	957	3 %
9. Mortality rates -5% - annuity business	29,820	-779	-3 %
10. Mortality rates -5% - life business	30,631	32	0 %
11. Salary and expense inflation + 0.5%	31,011	412	1 %
12. Required capital equal to minimum level of solvency capital	30,618	19	0 %

The table below shows the sensitivity results of VNB:

NOK million	Total VNB	Change	in %
Base	841		
1. 100 basis point pa increase in the interest rate	843	1	0 %
2. 100 basis point pa decrease in the interest rate	714	-127	-15 %
3. 10% decrease in equity/property capital	803	-39	-5 %
4. 10% decrease in equity capital	820	-21	-3 %
5. 25% increase in equity/property implied volatilities	834	-8	-1 %
6. 25% increase in swaption implied volatilities	818	-23	-3 %
7. 10% decrease in maintenance expenses	884	43	5 %
8. 10% proportionate decrease in lapse rates	930	89	11 %
9. Mortality rates -5% - annuity business	803	-38	-5 %
10. Mortality rates -5% - life business	843	2	0 %
11. Salary and expense inflation + 0.5%	919	78	9 %
12. Required capital equal to minimum level of solvency capital	842	0	0 %

III. RESULTS BY COMPANY

In this section the embedded value results are shown for SBL and SPP separately on a legal entity basis.

The table below shows the embedded value for SBL, SPP and the consolidated embedded value at year-end 2010:

NOK million	MCEV 2010 Storebrand	MCEV 2010 SPP	MCEV 2010 Consolidated
Total shareholder surplus at market value	15,582	5,644	8,951
comprising			
- Free surplus	11,351	1,789	1,671
- Required capital	4,230	3,855	7,280
VIF	16,392	5,256	21,648
comprising			
- PVFP	25,410	7,817	33,226
- TVOG	-6,226	-1,540	-7,766
- FCRC	-97	-62	-159
- CNHR	-2,694	-959	-3,653
Total embedded value	31,974	10,900	30,599
Look through value included in the PVFP	2,693	806	3,498

Results for SBL

The embedded value shown below for SBL reflects its value before consolidation at year-end 2009 and 2010. In order to derive the embedded value shown for Storebrand Life Group above the embedded value of SPP has to be added and the book value of SPP deducted.

The following table shows the embedded value for SBL at year-end 2009 and 2010:

NOK million	MCEV 2009	MCEV 2010
Total shareholder surplus at market value	15,716	15,582
comprising		
- Free surplus	11,417	11,351
- Required capital	4,299	4,230
VIF	15,431	16,392
comprising		
- PVFP	24,649	25,410
- TVOG	-6,048	-6,226
- FCRC	-112	-97
- CNHR	-3,058	-2,694
Total embedded value	31,147	31,974
<i>Look through value included in the PVFP</i>	<i>2,743</i>	<i>2,693</i>

The following table shows the VIF for SBL by portfolio:

NOK million	Total	Fee based business	20/80	35/65	DC/UL	Risk
VIF						
comprising						
- PVFP	25,410	11,280	5,949	625	5,553	2,003
- TVOG	-6,226	-2,889	-2,593	-744	0	0
- FCRC	-97	-42	-44	-6	-3	-3
- CNHR	-2,694	-860	-1,082	-119	-601	-31
Total VIF	16,392	7,488	2,229	-243	4,949	1,969
<i>Look through value included in the PVFP</i>	<i>2,693</i>	<i>917</i>	<i>1,099</i>	<i>115</i>	<i>558</i>	<i>4</i>

The following table shows the VNB for SBL by portfolio:

NOK million	Total	Fee based business	20/80	35/65	DC/UL	Risk
VNB						
comprising						
- PVFP	1,084	615	114	0	264	91
- TVOG	-302	-227	-76	0	0	0
- FCRC	-4	-2	-1	0	0	0
- CNHR	-140	-53	-32	0	-54	-2
Total VNB	637	333	6	0	210	89
<i>Look through value included in the PVFP</i>	<i>131</i>	<i>50</i>	<i>31</i>	<i>0</i>	<i>50</i>	<i>0</i>

Fee based business: Defined benefit group pension schemes

20/80: Paid-up policies from DB schemes with 20/80 profit sharing

35/65: Traditional life and saving business with 35/65 profit sharing

DC/UL: Defined contribution and Unit Link

Risk: Individual risk products and group life

The following table shows the new business margins for 2009 (as published) and 2010:

NOK million	2009	2010
Fee based business, 20/80 and 35/65		
VNB	161	338
PVNBP	5,311	11,180
Regular premiums	116	263
Single premiums	2,700	5,152
APE	386	778
APE margin (%)	42 %	43 %
Margin on PVNBP (%)	3.0 %	3.0 %
DC/UL		
VNB	113	210
PVNBP	5,362	7,426
Regular premiums	317	322
Single premiums	2,186	2,177
APE	535	540
APE margin (%)	21 %	39 %
Margin on PVNBP (%)	2.1 %	2.8 %
Risk		
VNB	74	89
PVNBP	372	454
Regular premiums	104	127
Single premiums	0	0
APE	104	127
APE margin (%)	71 %	70 %
Margin on PVNBP (%)	19.9 %	19.6 %
Total		
VNB	348	637
PVNBP	11,044	19,060
Regular premiums	537	712
Single premiums	4,886	7,329
APE	1,026	1,445
APE margin (%)	34 %	44 %
Margin on PVNBP (%)	3.2 %	3.3 %

Sensitivities for SBL

The following table shows the sensitivity results for the MCEV of SBL:

NOK million	Total MCEV	Change	in %
Base	31,974		
1. 100 basis point pa increase in the interest rate	32,994	1,020	3 %
2. 100 basis point pa decrease in the interest rate	27,509	-4,465	-14 %
3. 10% decrease in equity/property capital	29,713	-2,261	-7 %
4. 10% decrease in equity capital	31,166	-808	-3 %
5. 25% increase in equity/property implied volatilities	31,447	-527	-2 %
6. 25% increase in swaption implied volatilities	30,175	-1,798	-6 %
7. 10% decrease in maintenance expenses	33,375	1,402	4 %
8. 10% proportionate decrease in lapse rates	32,607	633	2 %
9. Mortality rates -5% - annuity business	31,620	-353	-1 %
10. Mortality rates -5% - life business	32,006	32	0 %
11. Salary and expense inflation + 0.5%	32,750	776	2 %
12. Required capital equal to minimum level of solvency capital	31,975	1	0 %

The following table shows the sensitivity results for the VNB of SBL:

NOK million	Total VNB	Change	in %
Base	637		
1. 100 basis point pa increase in the interest rate	633	-4	-1 %
2. 100 basis point pa decrease in the interest rate	525	-112	-18 %
3. 10% decrease in equity/property capital	587	-51	-8 %
4. 10% decrease in equity capital	620	-18	-3 %
5. 25% increase in equity/property implied volatilities	627	-11	-2 %
6. 25% increase in swaption implied volatilities	593	-44	-7 %
7. 10% decrease in maintenance expenses	647	9	1 %
8. 10% proportionate decrease in lapse rates	671	34	5 %
9. Mortality rates -5% - annuity business	603	-34	-5 %
10. Mortality rates -5% - life business	639	2	0 %
11. Salary and expense inflation + 0.5%	678	41	6 %
12. Required capital equal to minimum level of solvency capital	637	0	0 %

Results for SPP

The MCEV for SPP at year-end 2009 and 2010 are shown below. The values include the value of SPP's Irish subsidiary Euroben Life & Pension Limited.

NOK million	MCEV 2009	MCEV 2010
Total shareholder surplus at market value	4,936	5,644
comprising		
- Free surplus	1,484	1,789
- Required capital	3,452	3,855
VIF	4,157	5,256
comprising		
- PVFP	5,756	7,817
- TVOG	-799	-1,540
- FCRC	-51	-62
- CNHR	-750	-959
Total embedded value	9,093	10,900
Look through value included in the PVFP	752	806

The value of in-force business for SPP by product is shown in the following table:

NOK million	Total	KF	IF	UL	Risk	Euroben
VIF						
comprising						
- PVFP	7,817	2,612	638	3,889	394	284
- TVOG	-1,540	-414	-1,122	0	0	-4
- FCRC	-62	-16	-41	-4	0	0
- CNHR	-959	-405	-402	-151	0	0
Total VIF	5,256	1,777	-928	3,733	394	280
Look through value included in the PVFP	806	70	86	650	0	0

The following table shows the VNB for SPP by product:

NOK million	Total	KF	IF	UL	Risk
VNB					
comprising					
- PVFP	281	47	-33	263	5
- TVOG	-36	-23	-13	0	0
- FCRC	-1	0	0	-2	0
- CNHR	-40	-2	-4	-34	0
Total VNB	204	22	-50	227	5
Look through value included in the PVFP	65	0	2	63	0

The negative value for IF business is caused by negative administration and risk results.

The following table shows the 2010 new business margins for SPP:

NOK million	Total	KF	IF	UL	Risk
VNB	204	22	-50	227	5
Regular premiums	780	14	92	645	29
Single premiums	768	0	546	223	0
APE	857	14	147	667	29
APE margin (%)	24 %	157 %	-34 %	34 %	17 %
PVNB	5,767	383	749	4,467	168
PVNB margin (%)	4 %	6 %	-7 %	5 %	3 %

KF: Defined benefit business with profit sharing

IF: Defined contribution business with guarantees and profit sharing

UL: Unit linked products

Risk: Disability policies

Euroben: Irish subsidiary with DB business

Sensitivities for SPP

The following table shows the sensitivity results for the MCEV of SPP:

NOK million	Total MCEV	Change	in %
Base	10,900		
1. 100 basis point pa increase in the interest rate	11,604	704	6 %
2. 100 basis point pa decrease in the interest rate	9,668	-1,232	-11 %
3. 10% decrease in equity/property capital	9,800	-1,100	-10 %
4. 10% decrease in equity capital	9,831	-1,069	-10 %
5. 25% increase in equity/property implied volatilities	10,601	-299	-3 %
6. 25% increase in swaption implied volatilities	10,770	-130	-1 %
7. 10% decrease in maintenance expenses	11,664	764	7 %
8. 10% proportionate decrease in lapse rates	11,224	324	3 %
9. Mortality rates -5% - annuity business	10,475	-425	-4 %
10. Mortality rates -5% - life business	10,900	0	0 %
11. Salary and expense inflation + 0.5%	10,536	-364	-3 %
12. Required capital equal to minimum level of solvency capital	10,918	18	0 %

The following table shows the sensitivity results for the VNB of SPP:

NOK million	Total VNB	Change	in %
Base	204		
1. 100 basis point pa increase in the interest rate	209	5	3 %
2. 100 basis point pa decrease in the interest rate	189	-15	-7 %
2. 10% decrease in equity/property capital	216	12	6 %
4. 10% decrease in equity capital	200	-4	-2 %
5. 25% increase in equity/property implied volatilities	207	3	2 %
6. 25% increase in swaption implied volatilities	225	21	10 %
7. 10% decrease in maintenance expenses	238	34	16 %
8. 10% proportionate decrease in lapse rates	259	55	27 %
9. Mortality rates -5% - annuity business	200	-4	-2 %
10. Mortality rates -5% - life business	204	0	0 %
11. Salary and expense inflation + 0.5%	241	37	18 %
12. Required capital equal to minimum level of solvency capital	204	0	0 %

IV. IFRS RECONCILIATION AND STOREBRAND GROUP MCEV

Storebrand Group MCEV 2010 and IFRS reconciliation

The following table shows a reconciliation of the IFRS equity for the life insurance business to embedded value at year-end 2010:

NOK million	
IFRS equity Storebrand Life Group	16,555
NGAAP adjustments	
- Security reserve non-life	-150
- Administration reserve non-life	17
- group contribution NGAAP (provision)	-850
NGAAP equity Storebrand Life Group	15,572
- Total consolidation SBL Group	490
NGAAP equity Storebrand Life	16,063
MCEV adjustments	
- Risk smoothing fund	-287
- Market value dept adjustments	-112
- Intangible assets	-82
Shareholder surplus Storebrand Life	15,582
- Less book value of SPP and other consolidation effects	-12,275
- Shareholder surplus SPP	5,645
Group shareholder surplus in MCEV	8,951
- VIF SPP	5,256
- VIF SBL	16,392
Total Life Group MCEV	30,599

The table below shows the derivation of the group MCEV for the Storebrand Group (including the covered and non-covered business) as well as the movements in the group MCEV in the year 2010. The movements of the Group MCEV are shown separately for the covered and the non-covered business. The IFRS life segment is the covered life business. Other segments such as the banking, asset management and other businesses (including eliminations) have been similarly included at their IFRS value.

The earnings for the asset management business reflect NOK 161 million less profit than IFRS reporting. This represents asset management profits for managing covered business assets that has been modelled with the covered business MCEV.

NOK million	IFRS Segment Life	Banking, Asset Management and Other (incl. eliminations)	Group MCEV
Opening Group MCEV	28,484	1,915	30,399
Opening adjustments	0	0	0
Adjusted opening values	28,484	1,915	30,399
Operating earnings	2,334	-149	2,185
Non-operating earnings	834	0	834
Total earnings	3,167	-149	3,019
Other movements in IFRS equity	0	-65	-65
Closing adjustments	-1,053	1,011	-42
Closing Group MCEV	30,599	2,712	33,311

V. METHODOLOGY

Embedded Value: Is a present value of cash flow calculation of the value of the company excluding any value attributable to future new business. It comprises the sum of shareholder surplus and the value of business in force (VIF). The VIF comprises the present value of future profits in a certainty equivalent scenario (PVFP) (including profits arising in the asset management companies of Storebrand Group which are induced by its life insurance business), an allowance for the time value of options and guarantees (TVOG), frictional costs of holding required capital (FCRC) and an allowance for cost of residual non-hedgeable risks (CNHR).

The shareholder surplus for SBL is based on the published shareholder assets under NGAAP. For SPP, the shareholder surplus equals the shareholder equity less intangible assets and less tax assets. In the consolidation, the book value of SPP in the books of SBL is deducted from the sum of the shareholder surplus derived as above.

The PVFP is the present value of the projected stream of future after-tax profits that are expected to be generated by the policies in force at the valuation date, taking into account all assets backing policyholder liabilities. The profits are determined on local GAAP using a deterministic projection (with a certainty equivalent scenario).

The stream of future after-tax profits is determined using best estimate assumptions for future operating conditions regarding such items as expenses, taxation, lapse, mortality, and morbidity rates. Economic assumptions are further described in Section VI.

Embedded value earnings: The embedded value earnings are defined as the change in embedded value, after adjustments for any capital movement, such as dividends or capital injections. The embedded value earnings are divided into the following categories: the expected return (unwinding of discounting and excess return above the reference rate), the value of new business and experience variances, assumption changes, other operational variances, economic variances, and other non-operating variances. The sum of the first five components listed above is referred to as embedded value operating earnings.

Covered business: The business covered in the embedded value reporting is the business written within and legally contained in Storebrand Livsforsikring AS and SPP. Additionally, profits arising in the group's asset management companies, Storebrand Kapitalforvaltning AS and Storebrand Eiendom, which arise from the life insurance business of Storebrand Group have been included. No other sources of profits from the life insurance business within Storebrand Group are considered.

In-force business and new business: For the purposes of the embedded value, the in-force business is defined as existing policies including future renewals on existing policies for individual business, and existing schemes for group business. New members of existing group schemes have been allowed for implicitly by assuming leaving members are replaced by new members joining. New business is defined as new individual policies written in 2010, and for group business, new business relates to new schemes or schemes which are transferred to the Storebrand Group from another insurer in 2010.

New business value: The new business value is defined as the after-tax value derived from new business excluding funds that are not yet booked, including the impact of initial acquisition expenses, an allowance for TVOG, FCRC, and CNHR, and the present value of profits arising in the group's asset management companies which are induced by the new business written. The time value of options and guarantees has been derived as the marginal impact of the new business on the time value of options and guarantees (as described in more detail below) of business in-force. It is calculated at point of sale and based on end-year assumptions.

Frictional cost of holding required capital: The frictional cost of holding required capital only reflects the frictional investment management costs as an effective tax rate of 0% has been assumed for both SBL and SPP (see Section VI for further details).

Required capital: For both SBL and SPP the internal capital requirement is equivalent to 150% of the EU minimum solvency requirements. The required capital is assumed to be released in line with the run off of the business in-force.

In the consolidated embedded value at year-end 2010, the required capital shown reflects the actual group solvency requirement and not the sum of the required capital of SBL and SPP.

Cost of residual non-hedgeable risks (CNHR): The CNHR is an allowance for risks that have not been allowed for elsewhere in the calculations. Where possible, the estimated impact of these risks on the embedded value has been assessed and included directly in the CNHR. Where no direct assessment of the impact of these risks has been possible, a cost of capital approach has been applied based on an estimated risk capital for the risks. The risk capital has mainly been estimated based on QIS5 capital requirements, and a charge of 4% per annum has been applied for most risks.

The CNHR includes an allowance for the illiquidity of the Norwegian and Swedish swap markets. This is calculated based on a cost of capital approach. The corresponding risk

capital is calculated by shifting the illiquid part of the yield curve. The risk capital is projected with an appropriate risk driver, and a charge of 4% is applied to quantify the contribution to the CNHR.

The total CNHR is equivalent to an annual charge of 2.5% on the diversified risk capital for non-hedgeable risks (2.2% at year-end 2009).

Participating business: Bonuses to policyholders are derived based on the companies' individual profit sharing strategy. Regulatory constraints are appropriately reflected.

Time value of options and guarantees (TVOG): The TVOG (including guaranteed return and the right of policyholders to receive minimum profit sharing) has been determined using a stochastic model of the underlying with-profit business. It is defined as the difference between the present value of future profits in a certainty equivalent scenario and the average over 1000 market-consistent stochastic scenarios.

For the new business, the TVOG is determined by means of a marginal method, i.e. by attributing to the new business the impact of the new business written during the year on the TVOG of the entire portfolio.

The financial options evaluated comprise the interest rate guarantees and the impact of local profit-sharing regulations. No other financial options have been evaluated; specifically, no dynamic policyholder behaviour has been assumed but instead has been considered as part of the allowance for residual non-hedgeable risks.

Reinsurance and debt: There are only non-material amounts of reinsurance in Storebrand Life Group. An adjustment has been made to the shareholder surplus to reflect the difference between the book value of the subordinated loans in SBL and the corresponding market value. The adjustment to the shareholder surplus at year-end 2010 amounts to NOK -112 million.

Look-through adjustments: Profits arising in Storebrand's asset management companies which are induced by the group's life insurance business have been considered in the VIF at year-end 2010 and in the VNB written in 2010.

Deterministic projections: A detailed deterministic model has been used to determine the projected future shareholder cash flows based on a certainty equivalent scenario, where it is assumed that all assets earn the risk-free rate of return and all cash flows are discounted with the risk-free rate.

Stochastic projections: A Monte-Carlo simulation using market consistent scenarios was used to evaluate the effect of volatility in the capital markets on the earnings of the covered business.

Allowance is made for management actions, including the investment strategy and solvency based dynamic risk management, as well as crediting and buffer capital strategy based on the current profit-sharing strategy adopted by the Storebrand Life Group. The underlying principles are in line with the strategies developed and executed in recent years, applying CPPI (Constant Proportion Portfolio Insurance) and OBPI (Option Based Portfolio Insurance).

Implied discount rate (IDR) and internal rate of return (IRR):

The implied discount rate is derived as the discount rate which, if applied to projected shareholder profits using real world economic assumptions as described in Section VI including an allowance for the cost of holding capital, leads to the same embedded value or VNB calculated via a direct MCEV approach as described above.

The IRR is derived as the discount rate which, if applied to projected shareholder profits generated by the new business using real world economic assumptions and including an allowance for the cost of holding capital, leads to a discounted value of zero.

VI. ASSUMPTIONS

Economic assumptions

Storebrand does not consider the quoted swap rates for NOK and SEK beyond 10 years as a robust basis for embedded value calculations or other valuations. Research performed by Storebrand shows a lack of liquidity in the Norwegian and Swedish swap market. In 2008, the following approach was developed by Storebrand, and has been adopted for statutory reserving in SPP (note that the solvency accounting does not reflect this). Consequently, this approach has also been adopted for the embedded value calculations.

The following approach to setting the reference rates (for NOK and SEK) has been adopted in the embedded value at year-end 2010:

- Market interest rates are applied to the liquid part of the interest rate curve up to 10 years.
- A long-term equilibrium level is applied from 20 years and onwards, where the market is not functioning well. This equilibrium level is based on assumptions for growth in real economy, inflation and a risk premium.
- Linear interpolation is used between 10 years and 20 years.

No liquidity premiums have been added to the reference rate derived as described above.

The spot yield curve table below shows the risk free yields by currency (including the quoted 20-year and 30-year rates which are assumed to be non-liquid):

Year	2009				2010			
	NOK		SEK		NOK		SEK	
	mark to market	mark to model	mark to market	mark to model	mark to market	mark to model	mark to market	mark to model
1	2.7 %	2.7 %	0.8 %	0.8 %	2.8 %	2.8 %	2.3 %	2.3 %
2	3.5 %	3.5 %	1.6 %	1.6 %	3.1 %	3.2 %	2.6 %	2.6 %
3	3.9 %	3.9 %	2.2 %	2.2 %	3.4 %	3.4 %	2.8 %	2.8 %
5	4.3 %	4.3 %	2.9 %	2.9 %	3.8 %	3.9 %	3.2 %	3.2 %
10	4.8 %	4.8 %	3.7 %	3.7 %	4.5 %	4.5 %	3.7 %	3.7 %
20	5.0 %	5.1 %	4.1 %	4.4 %	4.9 %	5.0 %	4.0 %	4.4 %
30	4.9 %	5.1 %	4.1 %	4.4 %	4.7 %	5.0 %	3.9 %	4.4 %

The stochastic scenarios have been calibrated to implied volatilities of swaptions at the money. The economic scenario generator (ESG) used for generating the scenarios simulates rates and returns on a monthly basis. A set of correlated normal random samples is created based on a specified correlation matrix. The first random sample generated at each time is for the short rate process (a Cox-Ingersoll-Ross model), which in turn guides the movement of the other asset classes. Asset class returns are produced with no allowance for an asset class specific risk. The stochastic element is then applied by means of the multivariate standard normal samples already derived.

The model parameters are usually calibrated to the market conditions at the valuation dates, i.e. swaption prices and equity option prices.

The table below shows implied volatilities for options on 1 year swaps at the money for various option maturities: Various equity indices are considered in the stochastic models. Equity volatilities are based on implied volatilities of equity options at the money. Real estate volatility is based on historic market data.

Year	2009		2010	
	NOK	SEK	NOK	SEK
1	28.4 %	46.4 %	25.6 %	32.1 %
5	15.9 %	19.1 %	18.4 %	23.1 %
10	11.7 %	15.0 %	14.2 %	19.1 %

The following table shows volatility assumptions used for generating stochastic scenarios:

Year	2009				2010			
	SBL			SPP	SBL			SPP
	Int eq	Dom eq	Real estate	Int and dom eq	Int eq	Dom eq	Real estate	Int and dom eq
1	22.8 %	25.0 %	7.0 %	22.7 %	21.4 %	22.7 %	7.0 %	20.5 %
10	28.6 %	28.5 %	6.5 %	27.8 %	26.9 %	25.4 %	6.5 %	25.6 %

Real world assumptions for IDR and IRR calculations

For the calculation of IDRs and IRRs the following risk premiums have been added to the interest rates used in the certainty equivalent projection:

	2009	2010
Risk premiums by asset class		
- equity	3.5 %	3.5 %
- corporate bonds / loans	0.5 %	0.5 %
- real estate	1.8 %	1.8 %
- cash	-0.5 %	-0.5 %

Inflation

Price inflation for SPP has been set equal to implied inflation for the Swedish market. This implied inflation in Sweden equals approximately 50% of the implied forward rates. For SBL, price inflation is set to be 50% of the 1-year forward rate as a proxy for implied inflation which is not available for the Norwegian market.

Salary inflation is assumed to be 1.9 percentage points above price inflation and is based on an analysis of historic spreads.

Expenses

The expenses incurred have been subdivided by line of business and fully allocated into investment, acquisition and maintenance expenses. Maintenance expenses are expressed as per-policy expenses and are assumed to increase with price inflation.

The costs of SPP's and SBL's own pension schemes have been reflected on local GAAP basis (which for SBL and SPP equals the IFRS basis).

There are no material services provided by other group companies other than the one reflected in the look-through value. Also, there are no material expenses at the holding level that would have to be attributed and none have been taken into account.

No productivity gains are anticipated in the embedded value assumptions. There are no material overhead expenses incurred in other entities.

Actuarial assumptions

The assumptions for mortality and morbidity, lapses and paid-up rates are based on recent company experience, and have been reviewed for 2010.

Future decrease in mortality for annuity business has been taken into account.

Tax

In line with current legislation, a tax rate of 0% has been used for SBL and profits arising from asset management. For SPP an effective tax rate of 0% has been used due to the holding company structure in Sweden which allows for tax free group contributions. Asymmetries in taxation for SBL due to volatility of the financial results are reflected in the TVOG. For profits arising in SPP subsidiary Euroben Life & Pension Limited a tax rate of 8% has been applied.

Exchange rates

An exchange rate of 0.8091 has been applied to amounts in SEK at year-end 2009 and 0.8646 at year-end 2010 consistent with the annual accounts of Storebrand Group.

Statement of the Board of Directors

The Board of Directors confirms that the embedded value as at 31 December 2010, and the embedded value earnings including the value added by new business in 2010, have been determined using methodology and assumptions which are compliant with EEV principles. The embedded value results have been approved by the Board of Directors at the last board meeting.

Towers Watson Opinion

Storebrand has performed its embedded value calculations with regard to the European Embedded Value Principles using a market consistent approach as described in this supplementary disclosure document. Towers Watson has reviewed Storebrand's methodology, assumptions and results and has provided the following opinion.

"Towers Watson has reviewed the methodology and assumptions used to determine the 2010 embedded value results. The review covered the European Embedded Value as at 31 December 2010, the value of 2010 new business, the analysis of 2010 embedded value earnings and the sensitivities of the embedded value and new business value.

Towers Watson has concluded that the methodology and assumptions used comply with the EEV Principles and Guidance, and in particular that:

- the methodology makes allowance for the aggregate risks in the covered business through the methodology as described in this supplementary disclosure document, which includes a stochastic allowance for the cost of financial options and guarantees, and a level of required capital based on regulatory and internal capital requirements and an allowance for the cost of non-hedgeable risks;
- the operating assumptions have been set with appropriate regard to past, current and expected future experience;
- the economic assumptions used are internally consistent and consistent with observable, reliable market data; and
- for participating business, the assumed bonus rates and the allocation of profit between policyholders and shareholders are consistent with the projection assumptions, established company practice and local market practice.

Towers Watson has also performed limited high-level checks on the results of the calculations and has confirmed that any issues discovered do not have a material impact on the disclosed embedded values as at 31 December 2010 and the 2010 new business values. Towers Watson has not, however, performed detailed checks on the models and processes involved.

In arriving at these conclusions, Towers Watson has relied on data and information provided by Storebrand ASA. This opinion is made solely to Storebrand ASA in accordance with the terms of Towers Watson's engagement letter. To the fullest extent permitted by applicable law, Towers Watson does not accept or assume any responsibility, duty of care or liability to anyone other than Storebrand ASA for or in connection with its review work, the opinions it has formed, or for any statement set forth in this opinion."

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