# Annual report 2012

## Storebrand Helseforsikring AS

storebrand

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## About the company

Storebrand Helseforsikring AS is 50 %-owned by Storebrand ASA and Munich Health Holding AG (MHH), respectively. The company offers treatment insurance in the corporate and retail markets in Norway and Sweden. Its head office is located at Professor Kohts vei 9, Lysaker, Bærum. The company conducts its business through the head office in Norway and the branch in Sweden.

## Account of the financial statement

The result before tax expense was NOK 47.9 million (NOK 42.7 million).

Gross premiums written was NOK 386.5 million (NOK 332 million), a 16.4 per cent increase, compared with 2011. The corporate sector has seen an increased awareness of medical insurance as one of a number of ways to actively reduce sick leave, which is also reflected in the strong company growth. Premium income for own account was NOK 366.7 million (NOK 319.0 million), and the claims expenses for own account were NOK 233.4 million (NOK 200.0 million) for the year. The claims ratio was 63.6 per cent (62.7 per cent). The increase in the claims ratio, compared with the previous year, was due to a somewhat higher claims frequency and higher disbursement per claim on average.

Insurance-related operating costs were NOK 90.5 million (NOK 85.4 million). The cost ratio was 24.7 per cent, a reduction of 2.1 percentage points, compared with the previous year, which reflects increased efficiency at the company. Through a program for continuous improvement, the cost base will be further streamlined through increased automation of manual transactions.

Storebrand Helseforsikring achieved a financial return of 3.23 per cent (3.85 per cent) for the investment portfolio. The net financial income was NOK 10.9 million (NOK 12.9 million) for the year. The company has a conservative investment strategy, with most of the funds placed in certificates, bonds and money market funds.

Storebrand Helseforsikring is in a tax position.  The tax expense for 2012 was NOK 13.1 million (NOK 5.3 million), with NOK 13.7 million allocated to tax payable.  The result after tax expense is NOK 34.8 million (NOK 37.6 million).

Pursuant to Norwegian accounting legislation, the board confirms that the company meets the conditions for preparing the financial statements on the basis of a going concern assumption.

In the best judgment of the board, the annual financial statement for 2012 has been prepared in accordance with applicable accounting standards, and the information in the financial statement provides a fair and true picture of the company's assets, liabilities, financial standing and results. The board has no knowledge of events of material importance to the 2012 financial statement having occurred after the reporting date.

## Risk

Storebrand Helseforsikring performs constant follow-up and active management of the company's risk.

**Business risk**
Identification and management of business risk is an integral part of the company's managerial responsibilities. Systematic risk assessments are performed at the organization in relation to operational risks and adopted goals and strategies. The risk analyses result in a general risk report with associated risk-reducing measures, which are presented to and reviewed annually by the company's board.

**Financial risk**
Storebrand Helseforsikring's securities portfolio is mainly invested in Norwegian credit papers with a good credit rating and short interest rate duration. Assessment of price risk, interest rate risk and credit risk is essential to management of the securities portfolio. The company conducts regular stress tests to analyse how any unusual market conditions affect the company's securities portfolio. The company checks that the risk level is always appropriate in terms of the company's ability to shoulder risk, and exposure is followed up against the limits set in the company's investment strategy.

**Insurance risk**
Most of the insurance risk at Storebrand Helseforsikring is linked to the development in the cost of medical treatment. To reduce risk, agreements have been entered into with the largest suppliers of health services with which the company collaborates. To dampen the effect of major claims, the company has also taken out an 'excess of loss' policy. The insurance risk is considered low to moderate, with the agreements that have been entered into.

## Capital situation

The company pays particular attention to the levels of equity and primary capital, which are continually and systematically optimized. No new issues have been needed during the year in order to have adequate capital to operate the business.  The board finds that the company's equity and primary capital during the year and as at 31.12.2012 is adequate.

The company's capital adequacy is calculated at 93.0 per cent (102.2 per cent) at the end of the year, and the primary capital is NOK 155.7 million (NOK 147.8 million). The solvency margin was 257.5 per cent (283.9 per cent) as at 31.12.2012. Both the capital adequacy and solvency margin are within the legislative requirements, and are 8 per cent and 100 per cent, respectively. Storebrand Helseforsikring has satisfactory financial soundness.

# The costs programme

Storebrand Helseforsikring AS is part of the Storebrand group, which is a joint-venture company. Operationally, Storebrand Helseforsikring AS is treated as if it were a group company, with integrated and coordinated group functions. Business matters which do not solely affect Storebrand Helseforsikring AS are described in the following, in the section on the costs programme, sustainability and personnel, organization and governing bodies.

In 2012, the Storebrand group established a costs programme to reduce the group's annual costs by some NOK 400 million by 2014. Storebrand Helseforsikring AS is part of this. The programme is important in order to reinforce 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 realization of effects. The most important measures that were implemented in 2012 included reducing the workforce and use of consultants, initiation of offshoring processes 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.

In 2013, many of the measures will deal with transferring work processes to the Baltic region, reorganization, simplification and increasing the efficiency of the group's operations, and renegotiation of major agreements.

# Sustainability

Storebrand's corporate social responsibility focuses on creating business opportunities, while addressing social issues. The group's ambition is to be the Nordic leader in corporate social responsibility, and to be among the world's leaders in sustainable investment. The work is rooted in the group's vision, core values and group principles. The measures applied to achieve the goals can be found in scorecards and action plans for all of the staff and business units

**Ethics and trust**
Trust is the lifeblood of Storebrand, and we set strict requirements on high ethical standards among the group's employees. All employees are measured by their performance, conduct and attitude.

**Environment**
Storebrand works systematically to reduce the company's impact on the environment, through its business activities, investments, procurement and property management. The group places strict environmental requirements on suppliers and companies in which it invests. The group's head office is a low-emission building that uses renewable energy sources like solar energy and district heating. The building is also certified as an Eco-lighthouse.

# Personnel, organization and governing bodies

The group had 44 employees at the end of the year, compared with 46 at the beginning of the year. 31 of these employees (30) are employed in Norway, and 13 of them (16) are employed at the branch in Sweden. The share of women at the company is 79 per cent (85 per cent).

**Equality and diversity**
All of Storebrand's job advertisements state that diversity is important to the company, and that it encourages qualified candidates to apply, irrespective of age, gender, disability, cultural background or sexual orientation. Storebrand's working environment survey is an important tool for measuring the employees' experiences of diversity at Storebrand Helseforsikring, as well as the importance of having this theme on the agenda.

The Storebrand group is committed to increasing the number of women in executive positions at the company. Employee benefits, such as flexible working hours, full salary if they, their children or their parents are ill and during pregnancy, are considered to be important initiatives in the work on equal opportunities. In order to be able to compare salaries between female and male employees, we prepare salary statistics for specified levels and types of positions.

The company's management group consists of 1 woman and 4 men. The company's board consists of 2 woman and 4 men. Both the board and the company's management are aware of society's expectations regarding measures to promote gender equality at the organization and on the board.

**Skills**
The Storebrand group places great emphasis on professional development on every level. Professional development is a key to developing executives and employees.

The common e-Learning platform has increased the visibility and accessibility of the training programmes and has allowed more people to take advantage of the various training programmes offered by the company. The group has developed training plans for various roles in Storebrand, combining professional development in all arenas. A standardised range of courses is also readily available to all employees.

**Working environment and sick leave**
Storebrand has worked systematically for several years to prevent sick leave, and has placed great emphasis on health and satisfaction. Storebrand has been an inclusive workplace enterprise since 2002 and works closely and well with the National Labour and Welfare Administration. Storebrand has its own health clinic, which made a positive impact on reducing the group's sick leave figures. Employees may exercise at a dedicated sports facility during working hours, and the sports club has administrative responsibility for activities at the facility.

No injuries to people, property damage, or accidents of significance were reported at Storebrand in 2012.
Sick leave at Storebrand Helseforsikring in Norway was 5.2 per cent (4.97 per cent) in 2012.

**Board and management changes**

The composition of the board changed during the year. The current board consists of Wolfgang Diels (Chairman), Gunnar Rogstad, Horst Weber, Anna Wahlström, Michael Runnakko and Agnete Lerdahl (employee-representative).

# Prospects for the Future

Storebrand Helseforsikring is a dominant actor in the health insurance market, and has established a market-leading position in high-quality treatment agreements. There is still great competition in the market, with increased pressure on prices and an increased frequency of claims disbursements. Storebrand Helseforsikring has a competitive advantage due to the quality of claims settlement, unlimited liability period, a comprehensive national and international network of high-quality hospitals, and agreements with specialist clinics, and owners with extensive industry experience.

At the end of the year, Storebrand Helseforsikring's total customer base was 103,180 customers (87,809). In 2012, the most important sales channels in Norway were Storebrand's distribution network and brokers. The most important distribution channels in Sweden are SPP, Handelsbanken and brokered channels.

Both the retail and the corporate markets for health insurance are deemed to be profitable. Greater pressure on margins means that one of the main challenges in the future will be to pick solutions that support cost-efficient and profitable operation, and which further reinforce the growth in volume. Storebrand Helseforsikring wants to meet the increased competition in the market with market-adapted products at the right price and level of quality for customers. The market is expected to grow at the present rate for both corporate and privately-paid health insurance.

The board wishes to thank the company's customers for their constant feedback regarding improvements to the company's processes, other business contacts, and the employees for a good collaboration in 2012.

# Allocation of profit for the year:

The 2012 result for Storebrand Helseforsikring AS was NOK 36.0 million (NOK 37.3 million). The board proposes that NOK 27.0 be allocated to dividends.

The profit has been allocated as follows (amounts in NOK million):

| | |
|---|---|
| Transferred to the guarantee reserve | 1.3 |
| Allocated to dividend | 27.0 |
| Transferred to/from other equity | 7.7 |
| Total | 36.0 |

In the Board's opinion the company's equity is satisfactory and reasonable in view of the company's business activities.

Lysaker, 14 March 2013

The Board of Storebrand Helseforsikring AS

Wolfgang Diels
Chairman

Gunnar Rogstad

Horst Weber

Anna Wahlström

Michael Runnakko

Agnete Lerdahl

Bjarke Thorøe
CEO

# Profit and Loss account Storebrand Helseforsikring AS

**1. january - 31. december**

| NOK tusen | Note | 2012 | 2011 |
|---|---|---|---|
| **TECHNICAL ACCOUNTS** | | | |
| PREMIUMS | | | |
| Gross premiums written | | 386,528 | 331,973 |
| - Reinsurers' share | | -2,028 | -1,762 |
| Gross change in reserve for unearned premiums | | -17,754 | -11,229 |
| **Premium income for own account** | **12** | **366,747** | **318,983** |
| Allocation of investment return transferred from the non-technical accounts | | 3,555 | 4,975 |
| CLAIMS EXPENSES | | | |
| Gross claims paid | | -230,170 | -202,945 |
| - Reinsurers' share | | 377 | |
| Gross change in claims reserve | | -3,598 | 2,987 |
| **Claims expenses for own account** | **5,12** | **-233,391** | **-199,957** |
| INSURANCE RELATED OPERATING COSTS | | | |
| Sales costs | | -36,535 | -34,498 |
| Insurance related administration costs | | -54,005 | -50,938 |
| **Insurance related operating costs for own account** | **13,14,15,16,19,20** | **-90,540** | **-85,437** |
| **Other insurance related operatiing cost** | **18** | | **-164** |
| **Balance on the technical account before allocations to security reserve** | | **46,371** | **38,399** |
| Change in security reserve | 26 | -5,846 | -3,621 |
| **Technical profit** | | **40,525** | **34,778** |
| **NON-TECHNICAL ACCOUNTS** | | | |
| Interest and dividend etc from financial assets | | 12,003 | 11,452 |
| Change in value on investments | | -1,488 | 2,580 |
| Realised gain and loss on investments | | 828 | -1,154 |
| Costs associated with administration of investments, including interest expense | | -439 | |
| **Net income from investments** | **11** | **10,905** | **12,878** |
| Allocation of investment return transferred to the technical accounts | | -3,555 | -4,975 |
| Other income/costs | | -12 | |
| **Non-tecnical profit** | | **7,338** | **7,904** |
| **Pre-tax profit** | | **47,863** | **42,681** |
| Tax | 17 | -13,056 | -5,327 |
| **Profit/loss for the year** | | **34,807** | **37,354** |
| Other result elements: | | | |
| Translation differences | | 1,211 | -89 |
| **Total comprehensive income for the year** | | **36,017** | **37,265** |

# Statement of financial position Storebrand Helseforsikring AS

**31. december**

| NOK thousand | Note | 2012 | 2011 |
|---|---|---|---|
| **ASSETS** | | | |
| Deferred tax assets | | | |
| Intangible assets | 18 | 11,697 | 12,515 |
| **Total intangible assets** | | **11,697** | **12,515** |
| | | | |
| FAIR VALUE FINANCIAL ASSETS | | | |
| Bonds and other securities - fixed yield | 23 | 368,494 | 300,225 |
| Financial derivatives | 24 | - | 1,063 |
| Other financial assets | | 3,107 | 1,791 |
| **Total financial assets** | **8,9,21** | **371,600** | **303,079** |
| | | | |
| RECEIVABLES | | | |
| Receivables due from insurance customers | | 89,420 | 81,127 |
| Other receivables | | 4,395 | 786 |
| **Total receivables** | **21,22** | **93,815** | **81,913** |
| | | | |
| OTHER ASSETS | | | |
| Fixed assets | 19 | 1,421 | 1,831 |
| Cash and cash equivalents | 8,21 | 33,490 | 35,058 |
| Tax assets | | 5,060 | 4,460 |
| **Total other assets** | | **39,972** | **41,350** |
| | | | |
| Prepaid costs and accrued income | | 50 | 80 |
| **Total prepaid costs and accrued income** | | **50** | **80** |
| | | | |
| **Total assets** | | **517,133** | **438,937** |

# Statement of financial position Storebrand Helseforsikring AS (cont.)

**31. december**

| NOK thousand | Note | 2012 | 2011 |
|---|---|---|---|
| EQUITY CAPITAL AND LIABILITIES | | | |
| PAID IN CAPITAL | | | |
| Share capital | | 33,000 | 33,000 |
| Share premium reserve | | 122,000 | 122,000 |
| **Total paid in capital** | **28** | **155,000** | **155,000** |
| | | | |
| RETAINED EARNINGS | | | |
| Guarantee reserve | 26 | 14,786 | 13,535 |
| Other retained earnings | | 17,492 | 9,726 |
| **Total retained earnings** | **28** | **32,278** | **23,261** |
| | | | |
| GROSS INSURANSE LIABILITIES | | | |
| Reserve for unearned premiums gross | | 149,171 | 132,968 |
| Claims reserve gross | 5 | 37,980 | 34,737 |
| Security reserve | | 51,976 | 46,601 |
| **Total insurance liabilities gross** | **26** | **239,128** | **214,306** |
| | | | |
| RESERVES FOR LIABILITIES | | | |
| Pension liabilities | 14 | 18,840 | 17,210 |
| Deferred tax | 17,27 | 13,656 | 9,787 |
| **Total reserves for liabilities** | | **32,496** | **26,997** |
| | | | |
| DEBT | | | |
| Due in respect of direct insurance | | 12,135 | 1,175 |
| Share dividends | | 27,000 | |
| Other debt | | 1,733 | 3,905 |
| Debt to connected parties | 30 | 422 | 250 |
| **Total debt** | **27** | **41,291** | **5,330** |
| | | | |
| Accrued costs and deferred income | | 16,940 | 14,043 |
| **Total accrued costs and deferred income** | **27** | **16,940** | **14,043** |
| | | | |
| **Total equity capital and liabilities** | | **517,133** | **438,937** |

Lysaker, 14 March 2013

The Board of Storebrand Helseforsikring AS

Wolfgang Diels
Chairman

Gunnar Rogstad

Horst Weber

Anna Wahlström

Michael Runnakko

Agnete Lerdahl

Bjarke Thorøe
CEO

# Cash flow analysis Storebrand Helseforsikring AS

| NOK thousand | 2012 | 2011 |
|---|---|---|
| **CASH FLOW FROM OPERATIONAL ACTIVITIES** | | |
| Paid-in premiums gross insurance | 387 169 | 322 825 |
| Paid-out claims gross insurance | -229 793 | -202 945 |
| Tax payable for the period | -9 787 | |
| Net receipts/payments operations | -88 989 | -76 980 |
| Net receipts/payments - other operational activities | | 742 |
| **Net cash flow from operational activities before financial assets** | **58 600** | **43 642** |
| | | |
| Net receipts/payments - financial assets | -56,284 | -43,827 |
| **Net cash flow from financial assets** | **2,316** | **-185** |
| | | |
| **Cash flows from investment activities** | | |
| Net receipts/payments – sale/purchase of fixed assets | -2,568 | -1,488 |
| **Net cash flow from investment activities** | **-2,568** | **-1,488** |
| | | |
| **Cash flows from financing activities** | | |
| Payments received for the issuance of share capital | | |
| **Net cash flows from financing activities** | | |
| | | |
| **Net cash flow for the period** | **-252** | **-1,673** |
| | | |
| Net movement in cash and cash equivalent assets | -252 | -1,673 |
| Cash equivalents at the start of the period | 36,849 | 38,522 |
| **Cash and cash equivalent assets at the end of the period** | **36,597** | **36,849** |

# Reconciliation of change in equity

| NOK thousand | Share capital | Share premium reserve | Restatement differences | Admin and guarantee scheme | Other equity | Total equity |
|---|---|---|---|---|---|---|
| **Equity 31.12.10** | **33,000** | **122,000** | **-1,029** | **12,475** | **-25,451** | **140,995** |
| Profit | | | | | 37,355 | 37,355 |
| Re-statement differences | | | -89 | | | -89 |
| Change in guarantee reserve | | | | 1,060 | -1,060 | |
| **Equity at 31.12.11** | **33,000** | **122,000** | **-1,118** | **13,535** | **10,844** | **178,261** |
| Profit | | | | | 34,807 | 34,807 |
| Re-statement differences | | | 1,211 | | | 1,211 |
| Change in quarantee reserve | | | | 1,251 | -1,251 | |
| Share dividend | | | | | -27,000 | -27,000 |
| **Equity at 31.12.11** | **33,000** | **122,000** | **93** | **14,786** | **17,400** | **187,278** |

Shareholders:

| NOK thousand | Number of shares | Nominal value | Share capital |
|---|---|---|---|
| Storebrand ASA | 16.5 | 1,000 | 16,500 |
| Deutsche Krankenversicherung AG | 16.5 | 1,000 | 16,500 |
| **Total share capital** | **33** | | **33,000** |

# Notes Storebrand Helseforsikring AS

## NOTE 1 – ACCOUNTING PRINCIPLES

The annual accounts have been drawn up in accordance with the Norwegian Regulations on Financial Statements etc. for Insurance Companies.

**1 - Use of estimates in preparing the financial statements**
In preparing the accounts, management must make assumptions and estimates which affect the recognised value of assets, liabilities, revenue and costs and also the notes concerning conditional liabilities. Actual amounts may differ from these estimates. See note 2 for further information about this.

**2 - Changes to accounting principles**
During the course of 2012 no amendments were made to the accounting principles.

**3 - Financial instruments**

**3.1 - 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**
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.

**3.2 - 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.

**3.3 - 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

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

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

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

**4 - Accounting for the insurance business**
Storebrand Helseforsikring's insurance contracts are calculated in accordance with the Act on Insurance Activity and associated regulations and accounted for in accordance with the Norwegian Regulations on Financial Statements etc. for Insurance Companies. Under the Act on Insurance Activity, insurance-related provisions must be justifiable and must comply with the minimum requirements.

Insurance premiums are booked as income according to the insurance period. Costs related to claims are recognised when the claims occur.

**4.1 - Technical insurance reserves**
The Norwegian FSA has developed distinct minimum requirements for four types of reserve. These are: a reserve for unearned premiums, a claims reserve, a security reserve and a reinsurance reserve.
The reinsurance provisions are not recognized, but will be deducted from the primary capital for calculation of the capital adequacy and solvency margin.

**4.2 - Unearned premiums (premium reserve)**
The reserve for unearned premiums for own account applies to continuing contracts which are in force at the balance-sheet date. Accrued entitlements are calculated on a pro rata basis and without any deduction for costs.

**4.3 - Claims reserve**
The claims reserve is intended to cover anticipated payment of claims which have been notified but not settled. It also covers anticipated claims associated with losses which have occurred but have not been notified by the end of the accounting period. Claims made but not paid are provided for in their entirety. A calculation of the reserve required is then undertaken for claims incurred but not reported (IBNR) and claims reported but not settled (RBNS). The calculation is done by dividing the business into homogeneous classes. Each separate class is analysed using statistical models. In addition, the claims reserve must include a separate provision for future settlement costs of claims which have occurred but not been settled.

**4.4 – Security reserve**
A reserve to cover fluctuations (possible disasters and extraordinary claims) in the company's claims liability for own account.

**4.5 - Guarantee reserve**
A required provision for non-life insurance companies. The reserve is intended to help ensure that the insured obtains settlement in relation to policies entered. The reserve is included in retained earnings.

**5 - Allocated return on investment**
The Norwegian FSA has produced guidelines for calculating the allocated return on investment. To do this, a technical interest rate is used which is equal to the average interest rate in the relevant accounting year on government bonds with a term to maturity of three years.

**6 - Pension liabilities for own employees**
Until 31.12.2010 Storebrand Helseforsikring had a defined benefit pension scheme for its employees in Norway. The Norwegian defined benefit scheme was closed to new members from 1.1.2011, and existing members could voluntarily choose to transfer to a defined contribution scheme.

**6.1 - Defined 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 23 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.

**6.2 - 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.

**7 - Intangible assets**
Intangible assets with limited service lives are valued at acquisition cost minus accumulated depreciation and any write-downs. The period and method of depreciation are reviewed annually. New intangible assets are included in the statement of financial position if it can be demonstrated that future economic benefits attributable to the asset are likely to accrue to the group. It must also be possible to estimate the cost price of the asset in a reliable manner. The need for write-downs is assessed when there are indications of a fall in value. Otherwise write-downs of intangible assets and reversals of write-downs are dealt with in the same way as described for tangible fixed assets.

**8 - Tangible fixed assets**
The company's tangible fixed assets consist of equipment and fixtures and fittings.

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

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.

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.

**9 - Tax**
The tax cost in the income statement consists of tax payable for the accounting year and changes in deferred tax. Tax is recognised in the income statement, except when it relates to items that are recognised directly against equity. Deferred tax and deferred tax assets are calculated on the differences between accounting and tax values of assets and liabilities. Deferred tax assets are recognised in the statement of financial position where it is considered likely that the company will have sufficient taxable profit in the future to make use of the tax asset.

**10 – Foreign currency**
Figures for the Swedish branch are converted to Norwegian kroner by recalculating the income statement using the average exchange rate for the year in question and by converting the balance-sheet using the exchange rate at the end of the financial year. Any difference arising from the conversion is reflected in the total profit.

## NOTE 2 - IMPORTANT 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 company's critical estimates and judgements that could result in material adjustment of recognised amounts are discussed below.

**Insurance reserves**
The claims reserve is intended to cover anticipated payment of claims notified but not paid. It also covers anticipated claims associated with insured events which have occurred but have not been notified by the end of the accounting period. Estimates of unnotified claims are made on the basis of claims history using methods of assessing risk approved by the Norwegian FSA. It is also intended to cover future costs of settling the anticipated claims.

**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.

## NOTE 3 - RISK MANAGEMENT AND INTERNAL CONTROL

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.

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 audit**
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.

## NOTE 4 – 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 company 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 5 – INSURANCE RISK

Insurance risk is about protecting oneself against financial loss when events occur. Simply put, insurance involves a sharing of risk between many policyholders where the risk reflects probability and impact. For Storebrand Helseforsikring most insurance risk will be associated with developments in the cost of medical treatment which has a direct effect on the company's claims costs. To reduce this risk, agreements have been entered with the largest health services providers with which the company has working relationships. Storebrand Helseforsikring has also entered into a reinsurance agreement with Munich Re, which is the company's reinsurer, to offset the effect of large claims. The company has "excess of loss" protection for 80 per cent of all claims paid above NOK 300,000 per person per year. This means that insurance risk to the company's own account for health insurance is at a low level.

**Developments in insurance claim payments:**

| NOK thousand | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | Total |
|---|---|---|---|---|---|---|---|
| **Calculated gross cost of claims** | | | | | | | |
| At end of the policy year | 65,800 | 116,300 | 144,200 | 181,020 | 206,811 | 241,590 | |
| - one year later | 86,700 | 116,400 | 148,956 | 174,452 | 198,818 | | |
| - two years later | 86,700 | 120,165 | 148,612 | 174,160 | | | |
| - three years later | 77,801 | 120,133 | 148,628 | | | | |
| - four years later | 77,792 | 120,184 | | | | | |
| - five years later | 77,811 | | | | | | |
| Calculated amount 31.12 | | | | | | | |
| Total disbursed to present | 77,811 | 120,178 | 148,601 | 174,077 | 198,322 | 208,739 | 927,728 |
| Claims reserve [1] | | 6 | 27 | 83 | 496 | 32,851 | 33,463 |
| Claims reserve for claims from prior years (before 2007) | | | | | | | 0 |
| **Total trend in claims disbursed** | | | | | | | **33,463** |

[1] Excluding claims handling costs

## NOTE 6 - 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 Helseforsikring's portfolio consists of interest-bearing investments, and is therefore mainly exposed to changes to the interest rate markets. The duration of the portfolio is 0.49. The low duration, together with active follow-up of the portfolio's credit risk means that the exposure to market risk is deemed to be low.

## NOTE 7 - 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 Helseforsikring's insurance liabilities are usually known long before they fall due, but a solid liquidity buffer is still important for withstanding unforeseen events.

At the same time company-specific liquidity strategies have been drawn up 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 strategy defines limits for allocations to various types of asset and means that Storebrand Helseforsikring generally has money market investments which can be sold if necessary.

**Undiscounted cash flows for financial liabilities**

| NOK thousand | 0-6 months | 6-12 months | 1-3 years | 3-5 years | > 5 years | Total | Booked value |
|---|---|---|---|---|---|---|---|
| Insurance reserves - P&C insurance [1)] | 119,211 | 6,634 | 1,479 | 159 | | 127,483 | 127,483 |
| Other current liabilities | 58,231 | | | | | 58,231 | 58,231 |
| **Total financial liabilities 2012** | **177,441** | **6,634** | **1,479** | **159** | | **185,714** | **185,714** |
| **Total financial liabilities 2011** | **122,597** | **5,744** | **1,281** | **138** | | **129,760** | **129,760** |

[1)] *Including 60 per cent of premium reserve*

## NOTE 8 - CREDIT RISK

Credit risk is the risk of incurring losses due to counterparty's unwillingness or inability to meet its obligations. Maximum limits for credit exposure to individual debtors and for overall credit exposure within rating categories are set by the Board. Particular attention is paid to diversification of credit exposure to avoid concentrating credit risk on any particular debtors or sectors. Changes in the credit rating of debtors are monitored and followed up.

**Credit risk by counterparty**

| Bonds and other fixed-income securities at fair value<br>Category of issuer or guarantor<br>NOK thousand | AAA<br>Fair value | AA<br>Fair value | A<br>Fair value | BBB<br>Fair value | NIG<br>Fair value | Total<br>Fair value |
|---|---|---|---|---|---|---|
| Government and government guaranteed bonds | 35,042 | 85,834 | | | | 120,876 |
| Credit bonds | | | 99,232 | 123,953 | 17,150 | 240,336 |
| Mortage and asset backed bonds | 7,282 | | | | | 7,282 |
| Supranational organisations | | | | | | 0 |
| **Total interest-bearing securities stated by rating** | **42,324** | **85,834** | **99,232** | **123,953** | **17,150** | **368,494** |
| Non interest bearing securities in bond fund managed by Storebrand | | | | | | |
| **Total 2012[1)]** | **42,324** | **85,834** | **99,232** | **123,953** | **17,150** | **368,494** |
| **Total 2011[1)]** | **67,422** | **57,769** | **127,049** | **47,555** | **429** | **300,225** |

[1)] *Excluding underlying investments in external funds*

| Counterparties<br>NOK thousand | AA<br>Fair value | A<br>Fair value | Total<br>Fair value |
|---|---|---|---|
| Derivatives 2012 | | | |
| Of which derivatives in bond fund managed by Storebrand | | | |
| **Total excluding derivatives in bond fund 2011** | | **1,063** | 1,063 |
| **Bank deposit 2012** | **16,685** | **19,912** | **36,597** |
| **Bank deposit 2011** | **32,606** | **4,244** | **36,849** |

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

## NOTE 9 - 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. 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.

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.

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.

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.

| NOK thousand | Quoted prices | Observable assumptions | Non-observable assumptions | 2012 | 2011 |
|---|---|---|---|---|---|
| **Bonds and other fixed income securities** | | | | | |
| - Government and government guaranteed bonds | 29,531 | 91,345 | | 120,877 | 114,434 |
| - Credit bonds | | 240,335 | | 240,335 | 178,892 |
| - Mortage and asset backed bonds | | 7,282 | | 7,282 | |
| - Bond funds | | | | | 6,900 |
| **Total bonds and other fixed income securities** | **29,531** | **338,962** | | **368,494** | **300,225** |
| **Total bonds and other fixed income securities 2010** | **53,212** | **247,013** | | | **300,225** |
| **Derivatives:** | | | | | |
| - Currency derivatives | | -17 | | -17 | 1,063 |
| **Total derivatives** | | **-17** | | **-17** | **1,063** |
| **Total derivatives 2011** | | **1,063** | | | **1,063** |

## NOTE 10 - SEGMENT REPORTING

Breakdown between operations in Norway and Sweden:

| | Norway | | Sweden | | Total | |
|---|---|---|---|---|---|---|
| NOK thousand | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Premiums for own account | 179,231 | 149,671 | 187,516 | 169,312 | 366,747 | 318,983 |
| Claims for own account | -102,691 | -85,577 | -130,700 | -114,380 | -233,391 | -199,957 |
| Insurance-related operating expenses | -47,002 | -42,383 | -43,5450 | -43,218 | -90,552 | -85,601 |
| Change in sequrity reserve | -3,679 | -1,166 | -2,167 | -2,455 | -5,846 | -3,621 |
| Net income from investments | 10,905 | 12,575 | | 304 | 10,905 | 12,878 |
| **Profit before tax** | **36,763** | **33,119** | **11,100** | **9,562** | **47,863** | **42,682** |
| Assets | 436,610 | 369,164 | 80,522 | 69,773 | 517,133 | 438,937 |
| Liabilities | 182,545 | 127,559 | 147,309 | 133,633 | 329,854 | 261,192 |

## NOTE 11 - NET INCOME FROM DIFFERENT CLASSES OF FINANCIAL INSTRUMENT

Net income and profit from financial assets at fair value where there has been a change in value through profit and loss account:

| NOK thousand | 2012 | 2011 |
|---|---|---|
| Interest bank | | 742 |
| Interest bonds and other fixed-income securities at fair value | 12,003 | 11,123 |
| **Total interest income financial assets** | **12,003** | **11,865** |
| Revaluation bonds and other fixed-income securities at fair value | -408 | 1,125 |
| Revaluation derivatives | -1,080 | 1,455 |
| **Total revaluation on investments** | **-1,488** | **2,580** |
| Profit on bonds and other fixed-income securities at fair value | -441 | -1,116 |
| Profits on derivatives | 1,269 | 94 |
| Currency gains, other | | -132 |
| **Total gains and losses on financial assets** | **828** | **-1,154** |
| **Management expenditure** | **-439** | **-414** |
| **Net income from financial assets** | **10,905** | **12,878** |

## NOTE 12 - INSURANCE PROFIT AND LOSS

| NOK thousand | 2012 | 2011 |
|---|---|---|
| **Premiums that have fallen due** | | |
| Gross premiums written | 386,528 | 331,973 |
| Ceded premiums | -2,028 | -1,762 |
| **Premiums that have fallen due, net retention** | **384,500** | **330,212** |
| | | |
| **Gross business** | | |
| Earned premiums | 368,775 | 320,744 |
| Losses incurred | -233,768 | -199,957 |
| Insurance-related gross operating costs | -90,540 | -82,608 |
| **Technical result** | **44,467** | **38,180** |
| | | |
| **Ceded business** | | |
| Earned premiums | -2,028 | -1,762 |
| Losses incurred | 377 | |
| **Technical result** | **-1,651** | **-1,762** |
| | | |
| **Technical result, net retention** | **42,815** | **36,418** |
| | | |
| **Losses incurred, net retention** | | |
| Incurred this year | -241,590 | -206,913 |
| Incurred in previous years | 8,199 | 6,956 |
| **Total for the financial year** | **-233,391** | **-199,957** |

## NOTE 13 - INSURANCE RELATED SALES AND ADMINISTRATION COSTS

| NOK thousand | 2012 | 2011 |
|---|---|---|
| Personnel costs | 4,874 | 6,365 |
| Commissions | 30,010 | 25,426 |
| Other sales costs | 1,651 | 2,707 |
| **Total insurance-related sales costs** | **36,535** | **34,499** |
| Personell costs | 13,222 | 15,821 |
| Other insurance-related operating costs | 40,783 | 35,117 |
| **Total insurance-related operating costs** | **90,540** | **85,437** |

## NOTE 14 - PENSION COSTS AND LIABILITIES

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 2012, 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 thousand | 2012 | 2011 |
|---|---|---|
| Present value of insured pension benefit liabilities | 13,958 | 15,295 |
| Pension assets as fair value | -8,954 | -6,724 |
| Net pension liability/surplus for the insured schemes | 5,004 | 8,571 |
| Present value of the uninsured pension liabilities | 6,073 | 6,835 |
| Unrecognised deviations from estimates, including employers' National Insurance contributions | 7,763 | 1,804 |
| **Net pension liabilities in the statement of financial position** | **18,840** | **17,210** |

Provision for employment taxes are included in the gross obligation.

**Booked in the statement of financial position**

| NOK thousand | 2012 | 2011 |
|---|---|---|
| Pension assets | | |
| Pension liabilities | 18,840 | 17,210 |

### Changes in the net defined benefit pension liability in the period

| NOK thousand | 2012 | 2011 |
|---|---|---|
| Net pension liability at 01.01. | 21,540 | 18,133 |
| Net pension cost recognised in the period | 3,492 | 3,489 |
| Interest on pension liabilities | 659 | 741 |
| Experience adjustments | -5,409 | -489 |
| Profit/loss on curtailment | | -96 |
| Pension paid | -253 | -237 |
| **Net pension liability at 31.12.** | **20,030** | **21,540** |

### Changes in the fair value of pension assets in the period

| NOK thousand | 2012 | 2011 |
|---|---|---|
| Fair value of pension assets at 01.01 | 6,724 | 6,420 |
| Expected return | 269 | 285 |
| Experience adjustments | 166 | -1,629 |
| Profit/loss on curtailment | | -34 |
| Premium paid | 1,794 | 1,682 |
| **Net pension assets at 31.12** | **8,954** | **6,724** |

| | |
|---|---|
| **Expected premium payments (pension assets) in 2013** | **2,200** |
| **Expected premium payments (contributions) in 2013** | **200** |
| **Expected AFP early retirement scheme payments in 2013** | **300** |

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

| | Storebrand Life Insurance | |
|---|---|---|
| | 2012 | 2011 |
| Properties and real estate | 17% | 17% |
| Bonds at amoritsed cost | 35% | 38% |
| Secured and other lending | 2% | 2% |
| Shares and units | 14% | 22% |
| Bonds at fair value | 18% | 14% |
| Other fixed-income securities | 14% | 6% |
| Other short-term financial assets | | 1% |
| **Total** | **100%** | **100%** |

The table shows the percentage asset allocation of pension assets at year-end managed by Storebrand Life Insurance.

| | | |
|---|---|---|
| The book (realised) investment return on assets | **5.8%** | **4.5%** |

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

| NOK thousand | 2012 | 2011 |
|---|---|---|
| Payments into the defined contribution plan in the period | 1,687 | 63 |
| Current service cost | 3,492 | 3,489 |
| Interest on pension liabilities | 659 | 741 |
| Expected return on pension assets | -269 | -285 |
| Experience adjustments | -205 | -226 |
| Profit/loss on curtailment | | -43 |
| **Net pension cost booked to profit and loss account in the period** | **5,365** | **3,739** |

Main assumptions used when calculating net pension liability at 31.12.:

| | Storebrand Life Insurance | |
|---|---|---|
| | 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 % | 3.8 % |
| 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.

**Actuarial assumptions:**
In Norway, there are standardised assumptions for mortality/disability trends, and other demographic factors, that have been prepared by Finance Norway. 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 as a whole, and falling turnover with increasing age is assumed.

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

Net pension liability at 31.12.:

| NOK thousand | 2012 | 2011 |
|---|---|---|
| Discounted current value of defined benefit pension liabilities | 20,030 | 21,540 |
| Fair value of pension assets | 8,954 | 6,724 |
| **Deficit/surplus** | **11,077** | **14,816** |

## NOTE 15 – SALARY AND BENEFITS FOR EXECUTIVES

Bjarke Thorøe is the Managing Director of Storebrand Helseforsikring AS. He has received no remuneration from the company other than his ordinary salary. He has a bonus arrangement linked to the company's financial performance and his individual contribution. The annual bonus level is NOK 600,000 (100%) and may rise to a maximum of NOK 1,050,000 (175%). The Managing Director is a member of Storebrand's pension scheme. At the end of the employment relationship the Managing Director has six months' notice. The company is under no obligation to give the Managing Director any special compensation payment at the end of the employment relationship.

| NOK thousand | Ordinary salary | Bonus paid | Other benefits 1) | Number of shares held 2) | Pension accrued for the year 5) | Discounted present value of pension 5) | Loan 3) | Interest rate at 31.12.12 | Repayment period 4) |
|---|---|---|---|---|---|---|---|---|---|
| **Senior employees** | | | | | | | | | |
| Bjarke Thorøe | 1,514 | 373 | 144 | | 433 | 2,912 | 3,500 | 2,25% | 2036 |
| **Total 2012** | **1,514** | **373** | **144** | | **433** | **2,912** | **3,500** | | |
| Total 2011 | 1,460 | 613 | 148 | | 558 | 3,245 | 3,630 | | |

*1) Comprises company car, telephone, insurance, concessionary interest rate, and other taxable benefits.*
*2) The summary shows the number of shares in Storebrand ASA owned by the relevant person, their close family and companies in which they have a controlling interest, cf. RL, section 7-26.*
*3) Loans to executives and Board members are subject to the same terms as employee loans, i.e. up to NOK 3.5 million at 80 per cent of ordinary market interest. The conditions for granting loans to employees have changed in the course of 2011 and the limit for employee loans has been increased to NOK 3.5 million.*
*4) The year represents the year agreed for repayment.*
*5) Employees in Norway are members of Storebrand's pension scheme. The defined benefit scheme was closed to new employees from 1 January 2011. From the same date a contributory pension scheme was introduced which applies from 1 January 2011 and also to those employees who chose to transfer from the defined benefit to the defined contribution scheme. For a more detailed description of the pension schemes, see note 14.*

The company has no obligations to the chairman of the Board on termination or adjustment of his office. Members of the Board and the audit committee receive no remuneration other than their fees. The company pays for directors' liability insurance for its Board members.

| NOK thousand | Remuneration |
|---|---|
| Board of Directors | 100 |
| Control Commitee | 225 |
| **Total 2012** | **325** |
| Total 2011 | 325 |

## NOTE 16 – AUDITOR'S REMUNERATION

**Remuneration paid to Deloitte AS and related companies**

| | 2012 | | | |
|---|---|---|---|---|
| | | of this Deloitte | | |
| NOK thousand | Total | Norway | Sweden | Total 2011 |
| Statutory audit | 267 | 191 | 76 | 304 |
| **Total** | **267** | **191** | **76** | **304** |

The amounts above is excluding vat.

## NOTE 17 - TAX

### Reconciliation of expected and actual tax charge

| NOK thousand | 2012 | 2011 |
|---|---|---|
| Ordinary pre-tax profit | 47,863 | 42,682 |
| | | |
| *Permanent differences* | | |
| Dissolution of admin reserve and implementation of settlement reserve | | 5,302 |
| Change in guarantee reserve | -1,251 | -1,060 |
| +/- Other permanent differences | 17 | 15 |
| Change in temporary differences | 2,141 | -636 |
| **Tax base for the year** | **48,770** | **46,304** |
| Loss carry forward/Used carry forward | | -11,349 |
| **The year's tax basis for tax payable [1)]** | **48,770** | **34,955** |
| Tax rate | 28% | 28% |

### Tax charge

| NOK thousand | 2012 | 2011 |
|---|---|---|
| Payable tax [1)] | 13,656 | 9,787 |
| Change in deferred tax | -599 | -4,460 |
| **Total tax charge** | **13,056** | **5,327** |

### [1)] Payable tax in the balance sheet

| NOK thousand | 2012 | 2011 |
|---|---|---|
| Payable tax in profit and loss account | 13,656 | 9,787 |
| **Payable tax in the balance sheet** | **13,656** | **9,787** |

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

| NOK thousand | 2012 | 2011 |
|---|---|---|
| **Tax increasing temporary differences** | | |
| Operating assets | 533 | 580 |
| Securities | 329 | 1,817 |
| **Total tax increasing temporary differences** | **862** | **2,397** |
| | | |
| **Tax reducing temporary differences** | | |
| Accrued pension liabilities | -18,840 | -17,210 |
| Restatement differanses branch | -93 | -1,118 |
| **Total tax reducing temporary differences** | **-18,933** | **-18,327** |
| **Net deferred tax assets/deferred tax before losses carried forward** | **-18,071** | **-15,930** |
| **Temporary differences not eligible for deferred tax** | | |
| **Net basis for deferred tax/tax assets** | **-18,071** | **-15,930** |
| **Net deferred tax asset/liability** | **-5,060** | **-4,460** |

**Reconciliation of expected and actual tax charge**

| NOK thousand | 2012 | 2011 |
|---|---|---|
| Ordinary pre-tax profit | 47,863 | 42,682 |
| Expected tax on income at nominal rate | -13,402 | -11,951 |
| Tax effect of: | | |
| permanent differences | 345 | -4 |
| write-down of deferred tax assets | | 8,113 |
| Change in technical insurance reserves posted to equity | | -1,485 |
| **Tax charge** | **-13,056** | **-5,327** |
| Effective tax rate | 27% | 12% |

## NOTE 18 – INTANGIBLE ASSETS

| NOK thousand | IT- systems | 2012 | 2011 |
|---|---|---|---|
| Acquisition cost 01.01 | 46,039 | 46,039 | 43,537 |
| Additions in the period: | | | |
| Purchased separately | 2,627 | 2,627 | 2,503 |
| **Acquisition cost 31.12** | **48,667** | **48,667** | **46,039** |
| Accumulated depreciation & write-downs 01.01 | -33,524 | -33,524 | -30,695 |
| Amortisation in the period | -3,446 | -3,446 | -2,829 |
| **Accumulated depreciation & write-downs 31.12** | **-36,970** | **-36,970** | **-33,524** |
| **Carrying amount 31.12** | **11,697** | **11,697** | **12,515** |

The company's insurance system is regarded as an intangible asset which has a remaining service life until 2015.

## NOTE 19 – TANGIBLE FIXED ASSETS

| NOK thousand | Equipment | Fixtures & fittings | 2012 | 2011 |
|---|---|---|---|---|
| Carrying amount 01.01 | 329 | 1,502 | 1,831 | 3,385 |
| Additions | 16 | | 16 | 1 |
| Disposals | | -10 | -10 | -1,014 |
| Depreciation | -146 | -270 | -416 | -539 |
| Currency differenses from converting foreign units | | | | -1 |
| **Carrying amount 31.12** | **200** | **1,222** | **1,421** | **1,831** |
| Acquisition cost opening balance | 684 | 2,140 | 2,824 | 4,122 |
| Acquisition cost closing balance | 701 | 2,130 | 2,831 | 2,825 |
| Accumulated depreciation and write-downs opening balance | 355 | 638 | 993 | 736 |
| Accumulated depreciation and write-downs closing balance | 501 | 909 | 1,410 | 993 |

| Depreciation method: | Straight line |
|---|---|
| Depreciation plan and financial lifetime: | |
| Equipment | 3-4 years |
| Fixtures & fittings | 8 years |

## NOTE 20 – OPERATIONAL LEASES FOR OPERATING EQUIPMENT

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

| NOK thousand | Minimum lease payment <1 year | Minimum lease payment 1-5 years | Minimum lease payment >5 years |
|---|---|---|---|
| Lease < 1 year | 7 | | |
| Lease 1 - 5 years | 83 | 157 | 4 |
| Lease > 5 years | 2,194 | 8,775 | 11,565 |
| **Total 2012** | **2,284** | **8,932** | **11,569** |
| Total 2011 | 2,090 | 7,487 | 10,343 |

### Amount through profit and loss account

| NOK thousand | 2012 | 2011 |
|---|---|---|
| Lease payments through profit and loss account | 3,323 | 3,049 |

Includes leasing agreement for Lysaker Park, renting local DKV premises in Stockholm, leasing of photocopiers and coffee machines

## NOTE 21 – CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

| NOK thousand | Loans and receivables | Fair value | Liabilities at amortised cost | Total |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Bank deposits | 36,597 | | | 36,597 |
| Bonds and other fixed-income securities | | 368,494 | | 368,494 |
| Accounts receivable and other short-term receivables | 93,815 | | | 93,815 |
| Derivatives | | | | |
| **Total financial assets 2012** | **130,412** | **368,494** | | **498,905** |
| **Total financial assets 2011** | **118,842** | **301,288** | | **420,130** |
| | | | | |
| **Financial liabilities** | | | | |
| Derivatives | | 17 | | 17 |
| Other current liabilities | | | 58,231 | 58,231 |
| **Total financial liabilities 2012** | | | **58,231** | **58,248** |
| **Total financial liabilities 2011** | | | **19,373** | **19,373** |

## NOTE 22 – CUSTOMER RECEIVABLES AND OTHER SHORT TERM RECEIVABLES

| NOK thousand | 2012 | 2011 |
|---|---|---|
| Accounts receivable | 89,420 | 81,127 |
| Pre-paid commissions | 50 | 80 |
| Other current receivables | 4,395 | 786 |
| **Carrying amount 31.12** | **93,865** | **81,993** |

### Age distribution for accounts receivable, etc 31.12 (gross)

| NOK thousand | 2012 | 2011 |
|---|---|---|
| Receivables not fallen due | 89,420 | 79,391 |
| Past due 1 - 30 days | | 1,736 |
| Past due 31 - 60 days | | |
| Past due 61 - 90 days | | |
| Past due › 90 days | | |
| **Gross accounts receivable/receivables from reinsurance** | **89,420** | **81,127** |
| Provsions for losses 31.12 | | |
| **Net accounts receivable/receivables from reinsurance** | **89,420** | **81,127** |

## NOTE 23 – BONDS AND OTHER SECURITIES WITH FIXED RETURN

| | 2012 | | 2011 |
|---|---|---|---|
| NOK thousand | Acquisition cost | Fair value | Fair value |
| Government and government guaranteed bonds | 120,060 | 120,876 | 114,434 |
| Credit bonds | 237,406 | 240,336 | 178,892 |
| Mortage and asset backed bonds | 7,231 | 7,282 | |
| Bond funds | | | 6,900 |
| **Total bonds and other fixed-income securities** | **364,697** | **368,494** | **300,225** |
| | | | |
| Modified duration | | 0.48 | 0.90 |
| Average effective yield | | 2.46% | 2.81% |

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 24 – DERIVATIVES

**Nominal volume**

Financial derivatives are linked to underlying amounts which are not reported in the statement of financial position. In order to quantify a derivative position, reference is made to such underlying amounts described as the underlying nominal principal, nominal volume and the like. Nominal volume is arrived at differently for different classes of derivatives, and provides some indication of the size of the position and risk the derivative creates. Gross nominal volume mainly gives an indication of the amount, while net nominal volume gives an impression of risk positions. 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. For currency derivatives, a long position results in a positive change in value if the relevant exchange rate strengthens against the NOK. Figures for average gross nominal volume are based on daily calculations of gross nominal volume.

| NOK thousand | Gross nominal volume [1] | Average nominal volume [2] | Net nominal volume [1] | Fair value [1] Assets | Fair value [1] Liabilities |
|---|---|---|---|---|---|
| Currency derivatives | 71,902 | 62,068 | 71,902 | | 17 |
| **Total derivatives 2012** | **71,902** | **62,068** | **71,902** | | 17 |
| Total derivatives 2011 | 52,233 | 62,223 | 52,233 | 1,063 | |

The above table includes net positions in indirect investments.

[1] Values 31.12.

[2] Average for the year.

## NOTE 25 – CURRENCY EXPOSURE

| **Financial assets and liabilities in foreign currencies** | Balance sheet items excl. currency derivatives | Currency derivatives | Net position | |
|---|---|---|---|---|
| NOK thousand | Net on balance sheet | Net sales | in currency | in NOK |
| SEK | -78,113 | 71,902 | -6,211 | -5,311 |
| **Total net position foreign currency 2012** | | | | **-5,311** |
| **Total net position foreign currency 2011** | | | | -9,575 |

## NOTE 26 – TECHNICAL INSURANCE RESERVES

| NOK thousand | 2012 | 2011 |
|---|---|---|
| **Gross insurance liabilities** | | |
| **Balance 01.01** | 214,306 | 202,249 |
| Change in premium and claims reserves | 21,352 | 8,242 |
| Change in security reserve | 5,846 | 3,621 |
| Exchange rate changes | -2,375 | 194 |
| **Balance 31.12.** | **239,128** | **214,306** |

**Assets and liabilities**

| NOK thousand | 2012 | 2011 |
|---|---|---|
| Receivables concerning insurance contracts | 89,420 | 81,127 |
| **Total assets** | **89,420** | **81,127** |
| Premium reserve | 149,171 | 132,968 |
| Claims reserve | 37,980 | 34,737 |
| - of which RBNS | 19,540 | 16,710 |
| - of whitch IBNR | 13,923 | 13,895 |
| - of which settlement costs | 4,517 | 4,132 |
| Security resserve | 51,976 | 46,601 |
| Liabilities concerning insurance contracts | 12,135 | 1,175 |
| **Total liabilities** | **251,263** | **215,481** |

**Technical insurance reserves**

| NOK thousand | 2012 | 2011 |
|---|---|---|
| Non-earned gross premiums | 149,171 | 132,969 |
| *The Norwegian FSA's minimum requirement* | *149,171* | *132,969* |
| Gross claims reserves | 37,980 | 34,737 |
| *The Norwegian FSA's minimum requirement* | *34,863* | *31,982* |
| Security reserve | 51,976 | 46,601 |
| *The Norwegian FSA's minimum requirement* | *51,976* | *45,562* |

**Technical insurance reserves classified as other equity:**

| NOK thousand | 2012 | 2011 |
|---|---|---|
| Provision for guarantee reserve | 14,786 | 13,535 |
| *The Norwegian FSA's minimum requirement* | 14,786 | 13,535 |

## NOTE 27 – CURRENT LIABILITIES

| NOK thousand | 2012 | 2011 |
|---|---|---|
| Accounts payable | 1,512 | 1,608 |
| Accrued expenses/appropriations | 13,887 | 14,043 |
| Governmental fees and tax withholding | 3,053 | 1,941 |
| Liabilities in connection with direct insurance | 12,135 | 1,175 |
| Share dividends | 27,000 | |
| Period tax liabilities | 11,686 | 9,787 |
| Other current liabilities | 2,613 | 606 |
| **Carrying amount 31.12** | **71,886** | **29,161** |

## NOTE 28 – CAPITAL ADEQUACY AND SOLVENCY

Non-life insurance companies follow the same capital adequacy rules as life insurance companies, banks and other financial institutions. The requirement is for 8 per cent primary capital in relation to the risk-weighted statement of financial position total.

**Specification of the capital adequacy:**

| NOK thousand | 2012 | 2011 |
|---|---|---|
| Share capital | 33,000 | 33,000 |
| Share premium account | 122,000 | 122,000 |
| Other retained earnings | 17,492 | 9,726 |
| **Total equity** | **172,492** | **164,726** |
| Intangible assets | -16,757 | -16,976 |
| **Net primery capital** | **155,736** | **147,750** |
| | | |
| **Calculation base by class of risk weighting** | **499,826** | **421,354** |
| Risk weight 0% | 35,042 | 64,758 |
| Risk weight 10% | 7,282 | |
| Risk weight 20% | 364,054 | 265,417 |
| Risk weight 50% | | 80 |
| Risk weight 100% | 93,998 | 91,099 |
| Weighted assets in the balance sheet | 167,537 | 144,222 |
| Weighted interest rate and FX contracts | | 317 |
| Risk weighted calculation base | 167,537 | 144,539 |
| **Capital adequacy ratio** | **93.0%** | **102.2%** |

### Solvency margin

| NOK thousand | 2012 | 2011 |
|---|---|---|
| Solvency margin demand | 69,575 | 59,636 |
| Solvency margin capital | 179,125 | 169,292 |
| **Solvency margin** | **257.5%** | **283.9%** |

### Specification of solvency margin capital

| NOK thousand | 2012 | 2011 |
|---|---|---|
| Net primary capital | 155,736 | 147,750 |
| Counting security reserve | 23,389 | 21,542 |
| **Solvency capital** | **179,125** | **169,292** |

## NOTE 29 – NUMBER OF EMPLOYEES

| | 2012 | 2011 |
|---|---|---|
| Number of employees at 31.12. | 44 | 46 |
| Average number of employees | 45 | 47 |
| Fulltime equivalent positions at 31.12. | 43 | 45 |
| Average number of fulltime equivalents | 44 | 46 |

## NOTE 30 – TRANSACTIONS WITH CLOSE ASSOCIATES

Storebrand Helseforsikring is a joint venture company owned by Storebrand ASA (50%) and Munich Health Holding AG (50%).

Transactions with close associates are included among the products and services offered by the companies to external customers. The transactions are entered into on commercial terms. For the Storebrand companies this includes occupational pensions, medical/personal injury insurance, leasing of premises, investment management, purchase and sale of services. Munich Re is Storebrand Helseforsikring's reinsurer.

For more detail, see information on executives in note 14.

| NOK thousand | 2012 | | | | 2011 | | | |
|---|---|---|---|---|---|---|---|---|
| | Purchase of services | Commission costs | Receivables | Liabilities | Purchase of services | Commission costs | Receivables | Liabilities |
| Munich Re | | | | | 9 | | | 250 |
| Münich Health Holding AG | | | | 13,500 | | | | |
| Storebrand ASA | | | | 13,500 | | | | |
| Storebrand Baltic | 3,876 | | | 345 | 2,793 | | | 300 |
| Storebrand Bank ASA | | | | | | 6 | | 2 |
| Storebrand Finansiell Rågivning AS | | 11 | | | | 2,661 | | 254 |
| Storebrand Livsforsikring AS | 14,618 | 6,611 | 1,600 | 5,292 | 12,204 | 6,116 | 1,429 | 5,242 |
| Storebrand Forsikring AS | 2,200 | | | | 1,644 | | | |
| Storebrand Kapitalforvaltning AS | | | | | | | | |
| Storebrand Pensjonstjenester AS | | | | | 12 | 662 | | |
| **Total** | **20,694** | **6,622** | **1,600** | **32,638** | **16,653** | **9,446** | **1,429** | **6,048** |

# Words and expressions

**Insurance profit/loss**
Premium income less cost of claims and operating costs.

**Risk profit/loss**
Premium income less cost of claims.

**Cost ratio**
Operating costs as a percentage of accrued premiums.

**Claims ratio**
Claims paid as a percentage of accrued premiums.

**Combined ratio**
Cost ratio plus claims ratio.

**Own account**
Amounts added/subtracted for re-insurance.

**Reinsurance**
Transfer of part of the risk to another insurance company.

**Insurance-related returns (non-life insurance)**
For a more detailed description of insurance-related returns and accrual of of premiums and claims, see note 1 - Accounting principles.

**IBNR reserves (Incurred but not reported)**
Provision for claims for insured risks which have occurred but have not been reported to the insurance company.

**RBNS reserves (Reported but not settled)**
Provisions for settlement of claims notified but not yet settled.

**Duration**
Average remaining period of an income stream from interest-bearing securities. Modified duration is calculated on the basis of the duration and reflects value sensitivity to underlying interest rate changes.

Deloitte.

Deloitte AS
Karenslyst allé 20
Postboks 347 Skøyen
NO-0213 Oslo
Norway

Tel: +47 23 27 90 00
Fax: +47 23 27 90 01
www.deloitte.no

Translation from the original Norwegian version

To the Annual Shareholders' Meeting of Storebrand Helseforsikring AS

# INDEPENDENT AUDITOR'S REPORT

## Report on the Financial Statements

We have audited the accompanying financial statements of Storebrand Helseforsikring AS, which comprise the balance sheet as at December 31, 2012, and the income statement, showing a profit of NOK 36.017.000, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

*The Board of Directors and the Managing Director 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.

*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 Helseforsikring AS 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 the allocation of the profit*

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

*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, March 14, 2013
Deloitte AS

Ingebret G. Hisdal
State Authorised Public Accountant (Norway)

[Translation has been made for information purposes only]

# Control Committee declaration for 2013

STOREBRAND HELSEFORSIKRING AS

The control committee of Storebrand Helseforsikring AS has reviewed the board's proposed annual accounts for 2012.

The company has received the auditor’s report and the control committee considers that the presented annual accounts can be determined as the annual accounts for Storebrand Helseforsikring AS for the year 2012.

Lysaker, 21 March 2013

Kim Dobrowen
Chairman of the control committee

47289 Grafisk senter 03/2013

storebrand

Storebrand Helseforsikring AS
Professor Kohtsvei 9, P.O. Box 500, N-1327 Lysaker, Norway
Telephone: +47 22 31 50 50, www.storebrand.com/ir

MILJØMERKET 241 Trykkeri 674
foto: johner