Annual report 2011

storebrand

Content

In brief 2
Key figures 2
Interview with the CEO 4
Highlights of 2011 7
Our vision 8
Our values 9

ABOUT STOREBRAND
Storebrand Group 12
Greater responsibility for our own pension 16
Sustainable investments 18
Shareholder matters 22
History of Storebrand 24

REPORT OF THE BOARD OF DIRECTORS AND CORPORATE GOVERNANCE
Report of the Board of Directors 28
Corporate Governance 54
Board of Directors 64
Members of Storebrand's corporate bodies 66
Management 67

ACCOUNTS AND NOTES
STOREBRAND GROUP
Profit and loss account 72
Statement of total comprehensive income 73
Statement of financial position 74
Reconsiliation of Storebrand Group's equity 76
Cash flow analyses 78
Notes 80

STOREBRAND ASA
Profit and loss account 154
Statement of financial position 155
Cash flow statement 156
Notes 157

Declaration by the members of the Board and the CEO 169
Independent auditor's report 170
Statement of the Control Committee and The Board of Representatives 172
Auditor's report on corporate sustainability 173
Storebrand's corporate sustainability work – scorecard 174

Terms and expressions 176
Storebrand Group companies 178

In brief

The Storebrand Group is made up of the business areas life and pension, asset mangement, bank and insurance. The group's head office is at Lysaker and the company has also established life insurance, asset management and health insurance activities in Sweden. Storebrand is the Nordic region's leading provider of life insurance and pensions, and offers a comprehensive range of products to retail customers, corporate customers, municipalities and the public sector.

HISTORY
Storebrand can trace its history back to 1767. The company has provided occupational pensions to Norwegian employees since 1917, the same year Storebrand's subsidiary SPP was established in Sweden. Storebrand Bank ASA opened for business in 1996, and in 2006 the group relaunched its property and casualty insurance business as a service for the retail market and selected segments of the corporate market.

AMBITION
Storebrand shall be a leader in long-term savings and insurance. In order to achieve this, Storebrand's ambition is to be a leader in corporate social responsibility and sustainable investments. To illustrate how corporate social responsibility is integrated in our core operations, the group reports on financial and non-financial goals and results in the group's annual report.

EMPLOYEES
At the end of 2011 there were 2,221 employees in the group, compared with 2,182 at the start of the year. Women represent 49 per cent of our employees. The average age of our employees is 44 and the average seniority is 9 years. All employees of Storebrand are treated equally, regardless of age, gender, disability, religious beliefs, cultural differences or sexual orientation.

CUSTOMERS
There are 1.8 million people who have a customer relationship with Storebrand. Our vision is to serve them so well that we are "Recommended by our customers".

Key figures

NOK million	2011	2010	2009	2008	2007
Group result before amortisation and tax[1]	1,279	1,612	1,245	1,310	2,020
Storebrand Life Insurance	481	783	759	348	1,635
SPP	291	410	487	831	na
Asset Management	293	333	240	218	138
Bank	213	162	63	68	235
Insurance	281	155	-49	0	na
Other activities	-278	-231	-255	-155	12

Return on equity (%)[2]	6%	11%	8%	-9%	24%
Solvency margin (%)	161%	164%	170%	160%	136%
Total assets (NOK million)	401,442	390,414	366,159	372,212	381,837
Equity capital (NOK million)	18,777	18,417	17,217	16,158	19,241
Earnings per ordinary share (NOK)	1.51	3.30	2.08	-5.01	7.95
Dividend per ordinary share (NOK)	0.00	1.10	0.00	0.00	1.20

3.8%

Sick leave in the Storebrand Group was 3.8 per cent in 2011. No change from last year.

At the end of 2011 there were 2,221 employees in Storebrand. This corresponds to an increase of 1.8 per cent during 2010.

13.

Storebrand qualified for the Dow Jones Sustainability Index for the 13th year in a row.

All the investments in Storebrand's funds and portfolios have been assessed in accordance with our sustainability criteria.

1. Result figures for 2007 have not been translated for the financial statement layouts used from 2008. Figures for 2010 and 2011 are translated as a result of adjustments in the group structure.
2. Adjusted for write-downs and amortisation of intangible assets, after tax.

Retail | Corporate

Closer customer relationships

The eurozone crisis, low interest rates and weak global growth made 2011 a challenging year for players in the financial sector. Extensive regulatory changes are being implemented for European life insurance companies at the same time – changes that Storebrand are monitoring closely. In order to become more customer-oriented, the group launched a new vision at the start of the year, CEO Idar Kreutzer tells us in this interview.

"In Norway alone there are between

60–80,000

new employees every year in companies that offer occupational pensions from Storebrand."

NEW CUSTOMER-ORIENTED VISION

Storebrand has recently changed its vision to "Recommended by our customers". Why?

– This is part of the group's customer orientation. We see that Norwegian employees are gaining more influence over company-paid pensions, and our new vision and position takes this into account. "Recommended by our customers" is an ambitious and motivating vision.

We are taking a position that is customer-oriented, purposeful and specific. Our customer promises shall make it clear to our customers what they can expect from their encounter with Storebrand and act as guidelines for our employees. Our corporate customers are clear about the fact that good information and guidance to employees is an important and integral part of corporate deliveries. This strengthens customer satisfaction and improves the quality of the deliveries at the same time.

What will the practical consequences of the new vision be in relation to the day-to-day work of our employees?

– We are making many changes as a result of our new vision: One example will be how customers can contact us on the phone. Today our customers have different points of contact for the various product areas. In the future customers will encounter a combined Storebrand with an overview of their entire customer relationship – from occupational pensions to insurance and funds.

Another example is how we have redesigned our customer front end. Our customers can choose how they would like to contact us: by phone, online, chat or meeting in person with an advisor. We have also neutralised the incentive system for our advisers. Remuneration focuses on meeting the needs of the customers, rather than on the product the customer purchases.

IMPORTANCE OF THE RETAIL MARKET IS GROWING

Storebrand's stated aim is to grow in the retail market. The group will establish a leading direct position, and our existing customers are the primary target group. Storebrand has a small share of the retail market and a large share of the corporate market. Why focus on the retail market?

– We have 1.8 million customers in Norway and Sweden with occupational pensions, health insurance and paid-up policies, as well as retail market customers. In Norway alone there are between 60,000 and 80,000 new employees every year in companies that offer occupational pensions from Storebrand. We are the leaders in Norway within defined contribution pensions, with a market share of approximately 29 per cent. This corporate relationship is a strategically important relationship that gives us a point of contact with the employees. We are to become an even better partner to individuals, and the customers and Storebrand will both benefit from this.

Storebrand already has good solutions for insurance, savings and banking services that combined cover our customers' overall needs. We must do better at telling our customers that they are doing the right thing when they take advantage of more of the products we offer. Last year we were ranked as the world's most sustainable asset manager by the World Bank and Financial Times. Where the money is invested is something that an increasing number of customers are concerned about. We have participated in the development and signed on to the social responsibilities in the UN Global Compact and the UN Principles for Responsible Investment.

The changes in the pension system call for a shift towards the retail market?

– Precisely. The employees have more choices, and these choices are of great importance to their future financial security. We must illustrate the consequences of these choices. There is a great need for information – and a great need for savings.

Better guidance for employees in companies with a pension from Storebrand also strengthens our position as a leading occupational pension provider in the Nordic market.

FINANCIAL RESULTS IMPACTED BY THE EUROZONE CRISIS

How would you describe Storebrand's financial results for 2011?

– Our results have been clearly affected by the unrest in the financial markets in the second half of the year. At the same time, it is satisfying to note that the customers' return has been very competitive. We also see that Storebrand's ongoing efficiency improvement, automation and cost control efforts are continuing to show results. There has been significant growth in productivity in the business.

As we enter into 2012 our results will be marked by the fact that we have lower assets under management than expected as a result of the falling market. This means that Storebrand at the end of 2011 is behind on its plan to reach its result target in 2013. In order to compensate for this situation, cost measures are being implemented earlier and more extensively than planned.

The Board of Directors has decided to propose to the Annual General Meeting that the entire annual result for 2011 will be used to strengthen the company's equity and that no dividend will be paid.

"

Our results have been clearly affected by the unrest in the financial markets in the second half of the year. At the same time, it is satisfying to note that the customers' return has been very competitive.

Storebrand has worked a great deal with making its earnings model more robust against fluctuations in the financial markets. Can you elaborate on this?
– We have actively shifted our business away from guaranteed business to business with lower capital requirements and greater earnings stability, which consists typically of fund-based products. Our efficiency improvement and automation efforts also result in higher earnings and greater robustness for our business. We also see that Storebrand Insurance is delivering strong and stable results in a business that is growing.

To illustrate what this means, we have designed a new reporting layout for the group profit in which we combine all of the most stable profit elements and isolate the more volatile elements. The most stable portion of our earnings – the result before profit sharing and loan losses – has increased over the last five years from an annual result of NOK 277 million in 2006 to around NOK 1.6 billion in 2011.

Risk management is important in turbulent times like now. What is being done here?
– Storebrand has assets under management of over NOK 400 billion, which has been placed in various sectors of the financial market. Risk management is a core competence for a business like ours. It has contributed to securing a good return for our customers in turbulent times and making the business more robust against fluctuations in the market.

Dynamic risk management ensures that the risk inherent in the portfolios with interest rate guarantee is adapted to the buffer capital continuously. These portfolios with guarantee are divided into various subportfolios according to their risk-bearing capacity, and the risk is managed accordingly. It is satisfying to note that our risk management is working according to plan during these turbulent times.

Our defined contribution portfolios are governed by long-term investment strategies, and we have been net buyers of shares throughout the entire period of decline.

We are experiencing record low interest rates. This is negative for life insurance companies that must guarantee a specific annual minimum return. What investment opportunities does Storebrand have in a situation with low interest rates over a long period of time?
– This is a problem that we are working on a great deal. We have been very successful with our strategy to increase our robustness by locking in approximately 40 per cent of our customer funds with interest rate guarantee in bonds at amortised cost that is held to maturity. These have an average duration of five years and an average return of around 5 per cent.

In Norway, we were able to reinvest Storebrand's assets at an average interest rate around 5 per cent in 2011. This level gives us a reassuring margin in relation to the guaranteed interest rate, which is around 3.4 per cent on average.

REGULATORY FRAMEWORK IS BEING RECAST

The life insurance industry finds itself in a period where extensive changes are being made to the regulations. Keywords here are the pension reform and Solvency II. The industry is very clear that the current business regulations for life insurance with an annual guaranteed return are not adapted to Solvency II. The authorities are working on adapting the Norwegian regulations to the European regulations, but a great deal of work remains. What changes to the regulations will be required?
– The Banking Law Commission's report on paid-up policies and capital requirements (NOU 2012:3) points to the need to change the framework for defined-contribution occupational pensions, and provides important guidelines for the currently ongoing work on new product regulations. The Commission also proposes voluntary investment choice for paid-up policies, which we consider to be a positive development. This will provide paid-up policy customers with a better opportunity for the long-term management of their pension assets than at present. Certain other measures that we support have also been proposed, but given the current low interest rates, the effect of these measures is inadequate. - When the report was presented, the Minister of Finance said that it provides a good basis for analysis for the future work on new pension products. We share this view, says Kreutzer.

There are three factors that we believe to be very important, says Kreutzer, and he lists:

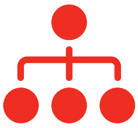
- Firstly: The new occupational pension regulations must be formed in a way that enables us to offer attractive and competitive insurance-based products that are adapted to the Solvency II regulations. It is also important that we have transitional regulations that ensure continuity between the current system and the new products.

Secondly, the availability of long-term interest rate risk in the Norwegian market is far too limited in relation to the long-term capital requirements facing the life insurance companies under the new capital adequacy regulations. This is also a topic in the Banking Law Commission's report, and it must be prioritised by the authorities.

Thirdly, an assessment should be made of changes to the guarantee structure with guarantees that last for several years, coupled with a relaxation of the limitations on the use of buffer capital, thus enabling additional statutory reserves to be more broadly utilised and increasing the opportunity to build buffer capital.

What happens if the Norwegian regulations are not adapted to Solvency II?
– Everyone will lose if the regulations are not adapted to Solvency II. As a consequence of this the life insurance companies will be required to significantly reduce the risk in their portfolios. This will mean that the customers will receive lower pensions through a lower expected return, companies will have more expensive pension schemes and the industry will be faced with unnecessarily high capital requirements. We are working actively with the authorities to ensure a regulatory framework for occupational pensions that will facilitate good solutions for all the parties.

Highlights of 2011



A reorganisation of the group will make it easier to be a customer in Storebrand.

30

In 2011 it was 30 years since Storebrand Fondene was established.

Storebrand Growth tops the list of the best Norwegian equity funds in 2011.

JANUARY

Easier for the customers
A new search engine at storebrand.no provides users with more accurate search results and a more streamlined experience of our websites.

FEBRUARY

Advertising films and pension calculator
In order to raise the awareness and preference of Storebrand's pension products, we are releasing three advertising films and a pension calculator.

9th most sustainable company in the world
When the year's Global 100 list was presented at the World Economic Forum in Davos, Storebrand was ranked as the most sustainable insurance company in the world. Overall we came in 9th place of the 100 most sustainable companies in the world. The list was first introduced in 2005, and Storebrand has previously qualified in 2006 and 2007.

MARCH

New group organisation
The reorganisation of the group will make it easier to be a customer in Storebrand. The group's executive management team is being reduced from ten to six people and a new management forum, the executive management, is established. The executive management is composed of 30 people, including the Group's executive management team. The new model strengthens the interaction across national borders and paves the way for efficient balance sheet management.

Capital markets day
On capital markets day analysts and investors have the opportunity to meet the group's executive management team. This year's presentations focused on Storebrand's position in a growing Nordic market.

Launching "My consumption"
Storebrand Bank is the first to launch the service "My consumption". The service is very well received by both customers and non-customers. "My consumption" shows that through good and useful solutions, we provide customers with an overview and control of their own finances.

JUNE

The most sustainable of the year
Storebrand won the award for Sustainable Asset Owner of the Year by the Financial Times and International Finance Corporation (a member of the World Bank Group).

Storebrand Fondene 30 years anniversary
In 2011 it has been 30 years since Storebrand Fondene was established, under the name Norfond at that time. Storebrand Fondene (Norfond) was the very first Norwegian asset management company. The company was founded based on a new law allowing private persons to be able to save in funds. Today Storebrand Fondene manages over 40 funds, and two new funds have been launched in connection with the 30 year jubilee.

JULY

Collaboration with Fryshuset in Sweden
SPP is working closely with Fryshuset to disseminate knowledge on personal finance and pensions to young people and socially disadvantaged groups.

SEPTEMBER

Storebrand in social media
Maintaining a presence in social media is now part of Storebrand's strategy to come closer to the retail market. From September Storebrand is on Facebook, Twitter, the blog "Money and Pension" and on YouTube.

Sustainable company
For the 13th time in a row, Storebrand qualifies for the Dow Jones Sustainability Index as one of the ten per cent most sustainable companies in the world.

OCTOBER

The best in Scandinavia at climate reporting
Storebrand's climate reporting qualified again for the Leadership Index of the Carbon Disclosure Project (CDP), which represents 550 of the world's largest institutional investors with total assets under management of USD 71,000 billion.

DECEMBER

Storebrand Growth – best Norwegian equity fund
Storebrand Growth tops the list of the best Norwegian equity funds in 2011. Even though the fund has shown negative returns in 2011, no other Norwegian fund has performed better – despite the financial instabilities.

New vision
Storebrand adopts changes to the group's vision and core values. The new vision is: "Recommended by our customers". The three core values that will form the foundation of our day-to-day decision making are trustworthy, straight-forward and forward-thinking.

Our vision:

[**Vision:** Image of the future, a dream to aspire to. Have visions about something big.]

Recommended by our customers

Values:

[**Value:** Emotional characteristics that are observed in the conduct of the organisation. Shall reflect the culture and priorities of the organisation.]

Trustworthy
Straightforward
Forward-thinking

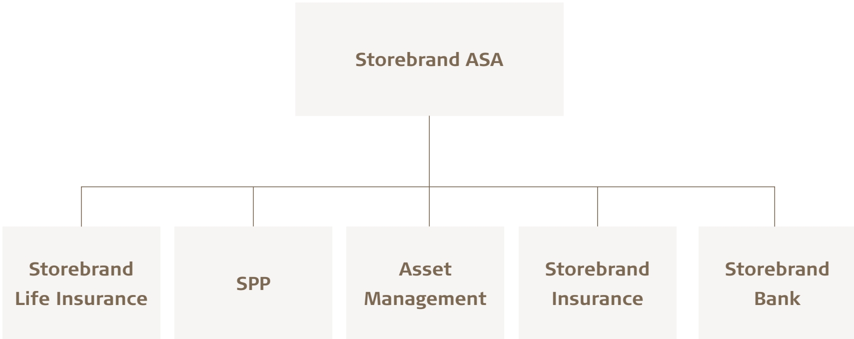
About Storebrand

Retail

Storebrand has 1.8 million customers in Norway and Sweden with occupational pensions, health insurance and paid-up policies, as well as retail market customers. It is an important job to convince more of the employees in the corporations to become private customers.

Corporate
Over 16,000 small and medium-sized enterprises offer occupational pensions from Storebrand. We know the needs of the management teams in these enterprises better than most.

Storebrand Group



STOREBRAND LIFE INSURANCE

NOK 15 billion in premium income

Storebrand Life Insurance is a leading provider of pensions in the Norwegian market and offers a wide range of products within occupational pensions, private pension savings and life insurance to companies, public sector entities and private individuals. Storebrand Life Insurance aims to be Norway's most respected and customer-oriented life insurance company by offering customers the most attractive products, the best advice and the best customer service.

Storebrand Life Insurance has a high level of customer satisfaction in the occupational pensions market (Norwegian Customer Barometer). Together with strong growth, this has helped the company consolidate its position as the leading pensions provider in the Norwegian market.

KEY FIGURES (NOK million)	2011	2010
Profit before amortisation and tax	481	783
Premiume income	15,288	15,174
Solvency margin	161%	164%
Assets under management	213,000	212,000
Additional statutory reserves	5,442	5,439

BenCo is included in all numbers.

SPP

Improved administration results

SPP offers pension and insurance solutions, and advice to companies and their employees in the competitive segment of the Swedish occupational pensions market. SPP also offers private pension savings and illness and health insurance. The company delivers qualified consultancy services within occupational pensions and insurance for companies and public sector entities.

KEY FIGURES (NOK million)	2011	2010
Profit before amortisation and tax	291	410
Premium income	6,265	6,418
Solvency margin	141%	199%
Assets under management	124,000	117,000
Conditional bonuses	7,417	8,504

BenCo is excluded in all numbers, except in the solvency margin for 2010.

ASSET MANAGEMENT

NOK 414 billion under management

Storebrand's asset management business includes the companies Storebrand Kapitalforvaltning AS, Storebrand Fondene AS, SPP Fonder AB, Storebrand Eiendom AS and Storebrand Realinvestering AS. All the management activities have a guaranteed sustainable profile. The company manages the assets of Storebrand Life Insurance and SPP. Storebrand offers a wide range of mutual funds to retail customers and institutions under the Delphi, Storebrand and SPP Fonder brand names. Storebrand Eiendom AS is one of Norway's largest real estate companies.

KEY FIGURES (NOK million)	2011	2010
Profit before amortisation and tax	293	333
Cost/income ratio	63%	61%
Assets under management	413,950	406,922

STOREBRAND BANK

Leading niche bank

Storebrand Bank ASA aims to establish itself as Norway's leading direct bank in the retail market, and is also a leading provider of advice, transaction services and financing to corporate customers within commercial property. Storebrand Bank ASA has NOK 34 billion in assets under management.

KEY FIGURES (NOK million)	2011	2010
Profit before amortisation and tax	213	162
Gross lending	33,475	34,460
Net interest margin	1.13%	1.10%

All numbers are exclusive the result for sold/discountined business (Ring Eiendomsmegling).

STOREBRAND INSURANCE

Strong growth in a competitive market

Storebrand Insurance offers insurance products within P&C, health and life to the Norwegian private and corporate market. With cost-effective distribution and a customer-friendly internet solution the company has marked itself as a competitive provider of security at low prices.

KEY FIGURES (NOK million)	2011	2010
Profit before amortisation and tax	281	155
Combined ratio	91%	98%
Annual premiums	2,094	1,969

The management team of Storebrand
For more information see page 67.

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Many will experience that their income is halved when they become pensioners. Do you know what sort of pension you can expect from the National Insurance Scheme, your employer and your own savings?

Greater responsibility for our own pension

National Insurance benefits and a defined benefit pension from our employer have traditionally been the answer for a good pension in Norway. Everyone will have to take greater responsibility for their own pension as a result of Norway's pension reform. The need for individual pension savings is increasing.

CHANGING AND GROWING MARKETS

The pension market is already individualised in Sweden. In around 70 per cent of the market, individuals choose their occupational pensions from a selection of providers that the company selects through an option programme or broker. The relationship with individuals is therefore important with regard to being chosen as a pension provider in the Swedish pension market. Both the government and company-paid pensions have been reduced by 20-30 per cent, and the amount of focus on the consequences of this is increasing. When changing jobs more frequently in addition, it becomes very difficult to maintain an overview. The questions *what do I have and what will I get* are becoming more difficult to answer. The need for a simple overview that provides reassurance and an understanding of an individual's pension savings is growing rapidly.

There is a great need for information as a result of the extensive changes in the Norwegian pension system and the need for an overview and security in Sweden. We share this responsibility as a pension provider with the parties in working life and the press. We inform our pension customers about the changes and help them find the solutions that are the most appropriate for each individual. In order to succeed, we must listen more to our customers and understand their needs. This is the core of Storebrand's retail market strategy.

GREAT POTENTIAL AMONG OUR OWN CUSTOMERS

Our existing customers are the target group in our retail market strategy. The Storebrand Group has a relationship with around 1.8 million private customers, more than a million in Norway and 750,000 in Sweden (SPP). All the customers in SPP are pension customers. They currently receive a pension, have a paid-up policy that gives entitlement to a future pension or their employer pays into an existing pension scheme (see illustration). In Norway the picture is somewhat different: We have customers who have purchased a retail product (such as a car, health or child insurance policy, a bank account, loan or fund savings agreement), customers who have a paid-up policy and customers who are members of an existing employer-paid pension scheme (see illustration).

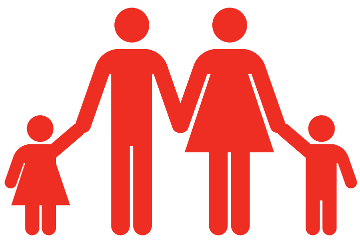
In Norway one of our goals is to recruit customers who currently only have a corporate relationship so that they also buy retail products. This strategic potential lies in good guidance and relevant advice adapted to each individual customer – in a pension market where there is a need for increased individual savings. This is supported by the fact that many companies would like to provide their employees with good information and guidance, including special benefit agreements for financial services.

CUSTOMER BEHAVIOUR AND EXPECTATIONS ARE CHANGING

Consumer behaviour and the expectations to us as a provider of financial services are changing rapidly. Customers are much better at comparing offers from multiple providers. They use the Internet to find information, they communicate about financial services over the Internet with friends and directly with us, and they expect that we can explain what is best for them in a simple way.

Our research shows that our customers want good advice and active follow-up.

As a customer you should be able to choose how you want to contact us: by phone, online, chatting or through meeting one of our advisors in person.



The Storebrand Group has a relationship with around

1.8 mill

private customers, more than a million in Norway and 750,000 in Sweden (SPP).

One of our goals is to recruit customers who currently only have a corporate relationship so that they also buy retail products.

They want us to contact them when we have developed new and simpler services, and also when we can give them information on matters that will affect their finances in a positive or negative direction. We are sending newsletters with editorial content to a growing number of customers, and the feedback we have received is good. The newsletters are increasingly based on each customer's life situation to provide appropriate advice. Many customers want to decide themselves. Our role is to give them the information they need so that they can make good decisions. Customer insight such as this is the point of departure for what we will be delivering in the future and how.

WE ARE WELL ON OUR WAY

The implementation of our retail market strategy started early in 2011. We have made organisational adaptations to support the desired development, and many customers have started to notice the changes. Online banking services such as My Consumption and My Budget give our customers an overview and control of their expenses and income, and it gives them an opportunity to plan.

We are also present to a greater extent where our customers can be found. We inform and help our customers on Facebook, on Twitter and with instructional videos on YouTube. Customers who use multiple channels for communication with us are in general more satisfied than those who use just one channel.

We are also developing the customers' own pages at storebrand.no. In My Account we provide a complete overview of the customers' commitments. In 2012 we will make it easier for customers to log in to their own pages, and we will provide information on future pension payments from the Norwegian Labour and Welfare Administration (NAV). We are also developing simpler calculators for comprehensive and long-term planning of their own finances. It should be easy to be a customer of Storebrand, and as a customer you should be able to choose how you want to contact us: by phone, online, chatting or through meeting one of our advisors in person.

A VISION TO BE PROUD OF

Storebrand's position shall lead the way to the goal to which we strive. We have gained valuable insight and specific guidelines for our future work through our positioning efforts. Work on interaction and customer orientation is a continuous change process that will require a great deal of us in the future. We have decided that we will do what we can to succeed. We have defined "Recommended by our customers" as our vision and guiding star.

OUR VISION:

Recommended by our customers

WHAT WE PROMISE THE CUSTOMER:

You will receive feedback that is the most appropriate for you and your situation.

We will contact you when changes we make may be beneficial to you.

All our relationships, solutions and measures are sustainable.

We will provide you with an overview of your finances, today and tomorrow.

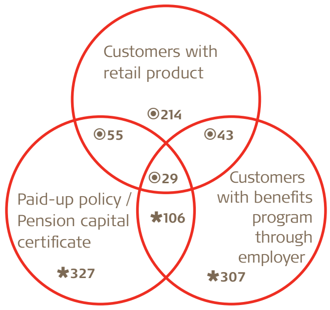
We are always open about your fees and costs.

You will receive a fast response to your inquiries through your desired channel.

VALUES:

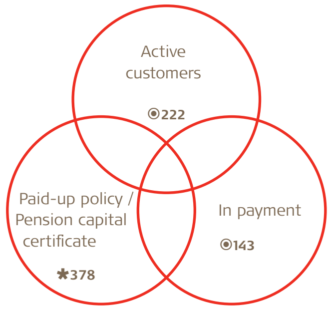
Trustworthy
Straightforward
Forward-thinking

Storebrand's private customers
(all numbers in thousands)



Total ~1,080' private customers
◉~341' customers with retail product
✱~740' inactive private customers

SPP's private customers
(all numbers in thousands)



Total ~743' private customers
◉~365' individual customers with active savings and/or discretionary portfolio management service, or savings in payment
✱~378' inactive private customers

Sustainable investments

EXPERIENCE THAT DELIVERS RESULTS
Storebrand is one of the pioneers in sustainable investments. Storebrand's minimum standard for sustainable investments was adopted in 2005 and encompasses all of Storebrand's funds and portfolios (see the world map on page 20 for specific criteria). A separate department with eight specialists monitors and analyses companies from all over the world. For more than 15 years we have encouraged listed companies to make improvements in more than 3,000 cases. We have made demands and asked questions, and we expect environmental management, anti-corruption and human rights systems to be in place. Our goal is sustainable and profitable development.

GLOBAL CHALLENGES
Sustainability and corporate responsibility will be two of the most important drivers for industrial and economic growth in the years ahead. The external conditions for business are changing due to global trends, such as growth in emerging economies, climate change and the scarcity of resources, and a shift in consumption patterns towards more sustainable products. For companies that manage the risk and exploit the opportunities, this means that their core activities will be better positioned for greater growth and profitability.

FURTHER DEVELOPMENT OF SUCCESSFUL EFFORTS
Our analysis includes finding and investing in the most sustainable companies in their respective sectors. In 2011 we initiated a project to further develop our analysis to create a tool that can ensure that sustainability is taken into account in all our investment decisions. Our analysis will identify the companies that are the best positioned to meet future challenges on the basis of a sustainability perspective. In order to benefit more from our sustainability efforts and experience, our sustainable investment department has been fully integrated with our asset management business.

A decision was made in 2011 to include government bonds in our minimum standard. This means that Storebrand will only invest in government bonds issued by states that respect fundamental political and social rights, maintain basic anti-corruption standards and contribute to maintaining international peace and safety.

Increased focus on microfinance

Microfinance is about providing poor people with access to financial services, such as loans, insurance or savings. Investing in microfinance is profitable for Storebrand and helps reduce poverty at the same time. These two factors – profitability and development – must be balanced to ensure that microfinance is sustainable.

In 2011 Storebrand increased its focus on microfinance investments, and the asset management business was the first Nordic institution to employ an investment manager in this field. During the year Storebrand invested in a fund aimed at developing financial services for contractors in rural areas in impoverished countries, in addition to a fund that focused in particular on providing access to financial services to poor women.

We support and are active participants in:

THE GLOBAL COMPACT
WE SUPPORT

Global Compact – The UN's corporate responsibility initiative for companies.

World Business Council for Sustainable Development

The World Business Council for Sustainable Development (WBCSD) – an international organisation of business leaders from 200 companies.

UNEP Finance Initiative
Innovative financing for sustainability

The UNEP Finance Initiative (UNEP FI) – a global partnership between the UN and 190 players in the financial sector.

Distinction for our work on sustainability

As a result of our long-term, systematic work with sustainable investments, Storebrand was named Sustainable Asset Owner of the Year by the Financial Times and International Finance Corporation (part of the World Bank) in 2011.

The jury justified its decision by:
"The winner in this category is a pioneer in environmental, social and commercial management with sustainability integrated in its DNA. All funds under management are invested in a sustainable manner. Storebrand has redefined the relationship of trust between the manager and the customer in asset management."

> "We require that the companies we invest in work systematically with environmental management, anti-corruption and human rights.

Sustainable investments

Work with sustainable investments reflects international conventions and guidelines and applies across all asset classes, industrial sectors and geographic regions. The map illustrates a cross section of our work: the number of companies excluded from our portfolios and cases we are working on where there are serious accusations of environmental damage, corruption or human rights violations (by country where they are listed). The text boxes provide examples of how we work and the results delivered.

ENVIRONMENT

A South African mining company has been excluded due to serious environmental damage as a result of the discharge of cyanide and heavy metals in Ghana over several years. This pollution has been so extensive and the measures have been so inadequate that the authorities have shut down two of the company's mines.

FARMING OF SALMON

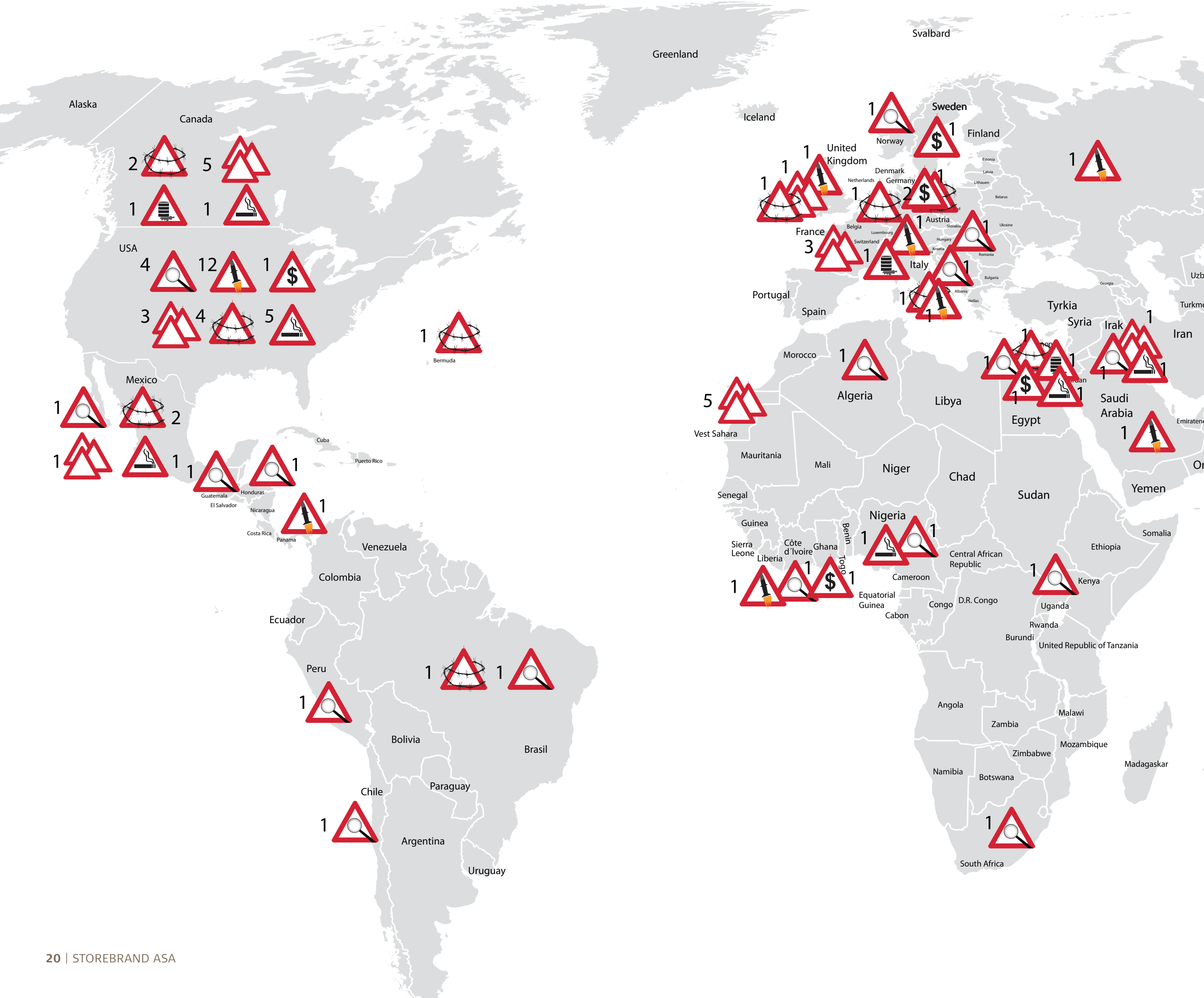
The farming of salmon is associated with a number of environmental challenges. In 2011 Storebrand has had a dialogue with five of the largest fish farming companies in Norway, focusing in particular on measures to prevent escape, salmon lice and pollution.

UNPRI

Storebrand signed the UN's Principles for Responsible Investment (UNPRI) in 2006. More than 900 institutional investors with around USD 30 billion in assets under management have acceded to these principles.

KNOWLEDGE ACQUISITION

Storebrand was given an opportunity in March 2011 to gain better insight into conflict areas and investments. A trip was arranged to Israel and the Palestinian territories under the auspices of the Norwegian Red Cross. We were given an opportunity to see how the Red Cross worked in the region and to meet NGOs and other stakeholders.



96 EXCLUDED
A total of 96 companies had been excluded from the group's portfolios at the end of the fourth quarter of 2011. Eight of these companies were excluded this year. Our most important contribution to sustainable development is to engage in active ownership, We exclude companies when we feel that the risk is unacceptable. However, we continually seek to encourage improvement. In 2011 six companies were included.

CORRUPTION AND FINANCIAL CRIME
In 2011 a South Korean bank was excluded from investment due to corruption and other serious financial crime. A large number of the company's executives have been charged with criminal offences by the prosecuting authority, and the company's banking licence has been suspended for a long period of time.

EMERGING MARKETS
In connection with the launch of the SPP Emerging Markets SRI fund in 2010. Storebrand started to monitor over 600 companies in emerging economies (EM). Our efforts have shown that there are a relatively high number of companies in violation of Storebrand's minimum standard for sustainable investments in some of the countries. In South Korea there were eight companies in violation of the minimum standard in 2011, and four of these violations were related to corruption.

FINANCIALS' SECTOR ANALYSIS
After the financial crisis in 2008–09 there was a greater focus on rebuilding and strengthening confidence in financial institutions. The Financials' sector analysis in 2010 focused a great deal on good corporate governance, which is something we feel can contribute to stable and sustainable development over time. The ANZ Banking Group and Standard Chartered Bank were among the "Best in Class" companies.

BEST IN CLASS
The analysis and comparison of the performance of companies with respect to environmental management, social responsibility and corporate governance is called "Best in Class". The best companies in each sector are awarded this distinction. At the end of the fourth quarter 98 companies had such a distinction.

Principles

Sustainable investments in Storebrand are primarily based on guidelines set out by the United Nations Global Compact and the United Nations Principles for Responsible Investments (UNPRI). Our criteria are based on the United Nations Universal Declaration of Human Rights; core United Nations and ILO conventions; the United Nations Convention against Corruption; core United Nations conventions regarding environmental issues and the Kyoto protocol; the Ottawa Treaty in regards to anti-personnel mines; the Convention on Cluster Munitions (CCM) and the Non-Proliferation Treaty in regards to nuclear weapons.

PRI

Dow Jones Sustainability Indexes
Member 2011/12

sam 2012 silver class

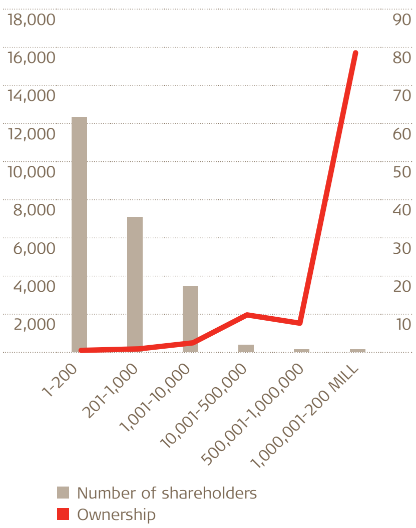
FTSE4Good

High risk*
Corruption
Human rights
Tobacco
Environmental damage
Under investigation
Controversial weapons

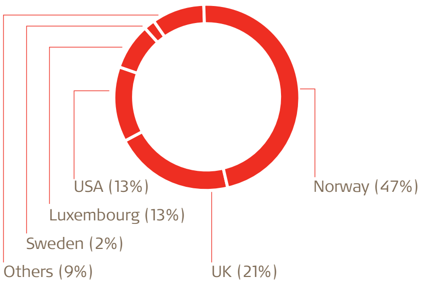
* The companies excluded in this category operate in industries in which there is a serious risk of human rights violations, environmental harm and corruption, without addressing this risk.

Shareholder matters

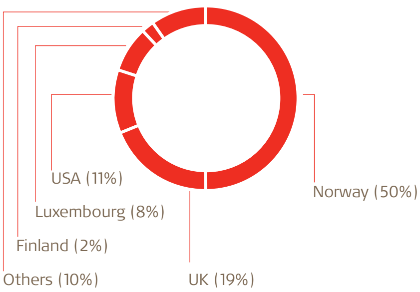
Shareholders by number of shares and ownership as per 31.12.11



Shares by country 2011



Shares by country 2010



SHARE CAPITAL, RIGHTS ISSUES AND NUMBER OF SHARES

Shares in Storebrand are listed on Oslo Børs (Oslo Stock Exchange) with the ticker code STB. Storebrand ASA's share capital at the start of 2011 was NOK 2,249.5 million. The company has 449,909,891 shares with a par value of NOK 5. As at 31 December 2011 the company owned 3,504,654 of its own shares. which corresponds to 0.78 per cent of the total share capital. The company has not issued any options that can dilute the existing share capital.

SHAREHOLDERS

Storebrand ASA is one of the largest companies listed on Oslo Børs measured by the number of shareholders. The company has shareholders from almost all the municipalities in Norway and from 42 countries in terms of market capitalisation. Storebrand was the 14th largest company on Oslo Børs at the end of 2011.

SHARE PURCHASE SCHEME FOR EMPLOYEES

Every year since 1996 Storebrand ASA has given its employees an opportunity to purchase shares in the company through a share purchase scheme. The purpose of the scheme is to involve the employees more closely in the company's value creation. In March 2011 each employee was given the opportunity to buy between 163 and 868 shares in Storebrand at a price of NOK 37.43 per share. Around 22 per cent of the employees participated and purchased a total of 252,696 shares.

FOREIGN OWNERSHIP

As at 31 December 2011 total foreign ownership amounted to 55.0 per cent, compared with 51.5 per cent at the end of 2010.

TRADING VOLUME FOR SHARES IN STOREBRAND

Almost 627 million shares in Storebrand were traded in 2011, which is an increase of 6 per cent over 2010. The trading volume in monetary terms totalled NOK 25,386 million in 2011, an increase from NOK 23,114 million in 2010. In monetary terms Storebrand was the 15th most traded share on Oslo Børs. In relation to the average total number of shares, the turnover rate for shares in Storebrand was 140 per cent.

SHARE PRICE PERFORMANCE

Storebrand generated a total return (including dividends) of minus 27.2 per cent in 2011. The Oslo Børs OSEBX index showed a decline of 12.4 per cent for the corresponding period. Over the last 5 years, Storebrand has shown a total return of minus 50 per cent, while the European insurance index Beinsur showed a return of minus 54 per cent for the corresponding period.

DIVIDEND POLICY

Storebrand's dividend policy shall contribute towards providing shareholders with a competitive return and optimising the company's capital structure. The dividend to shareholders will normally represent more than 35 per cent of the full-year profit after tax, but before amortisation costs. The Board wishes to have a dividend policy with a long-term horizon, and will aim for stable year-on-year dividend growth. Given the developments in the financial markets in recent years, building up financial strength

20 LARGEST SHAREHOLDERS AS AT 31 DECEMBER 2011		Account	Number of shares	%	Country
1	Gjensidige Forsikring Asa		109,458,254	24.33%	NOR
2	Jpmorgan Chase Bank	NOM *	19,734,451	5.42%	GBR
3	Folketrygdfondet		19,367,985	3.92%	NOR
4	Clearstream Banking S.A.	NOM	13,574,559	2.54%	USA
5	Fidelity Funds-Europ. Growth/Sicav		9,578,852	2.45%	LUX
6	State Street Bank And Trust Co.	NOM	9,272,826	2.28%	LUX
7	Varma Mutual Pension Insurance		8,300,320	1.82%	FIN
8	Kas Depositary Trust Company	NOM	6,328,808	1.40%	USA
9	Deutsche Wertpapierservice Bank Ag	NOM	6,271,918	1.40%	GBR
10	Skandinaviska Enskilda Banken	NOM	6,060,094	1.30%	KWT
11	Citibank Na London Branch	NOM	6,030,774	1.13%	NOR
12	State Street Bank & Trust Co.	NOM	4,980,000	1.13%	USA
13	Jpmorgan Chase Bank	NOM	4,938,028	1.11%	GBR
14	Citibank Na London Branch	NOM	4,527,042	1.09%	GBR
15	Bnp Paribas Secs Services Paris	NOM	4,231,303	0.83%	USA
16	Storebrand Asa		4,177,436	0.78%	GBR
17	Cip As Tr.Ignis Arg.Eur.Alpha Fund		3,970,187	0.78%	GBR
18	Hsbc Bank Plc	NOM	3,838,932	0.77%	NOR
19	State Street Bank & Trust Co.	NOM	3,700,000	0.76%	NOR
20	Bank Of New York Mellon	NOM	3,486,054	0.75%	USA

* NOM = Client account

and flexibility has been prioritised. The Board of Directors has decided to propose to the Annual General Meeting that the entire annual result for 2011 will be used to strengthen the company's equity and that no dividend will be paid.

CAPITAL GAINS TAXATION

On 1 January 2006, new rules came into force in Norway concerning the taxation of dividends and gains on shares held by private individuals. The new rules are referred to as the shareholder model. Under the shareholder model, dividends, less a standard deduction, are taxable, currently at a rate of 28 per cent. If shares are sold, any unused standard deduction can be deducted from the gain on the sale. The standard deduction is calculated on the basis of the cost price of the share multiplied by the average three-month interest rate on treasury bills, which is effectively a risk-free rate of interest. The interest rate for calculating deductions in 2011 has been set at 1.5 per cent.

COMPLIANCE

As one of the country's leading financial institutions, Storebrand is dependent on maintaining an orderly relationship with the financial markets and supervisory authorities. The company therefore places particular emphasis on ensuring that its routines and guidelines satisfy the formal requirements imposed by the authorities on securities trading. In this context the company has prepared internal guidelines for insider trading and own account trading based on the current legislation and regulations. The company has its own compliance system to ensure that the guidelines are observed.

INVESTOR RELATIONS

Storebrand attaches importance to comprehensive and efficient communication with financial markets. Maintaining a continuous dialogue with shareholders, investors and analysts both in Norway and internationally is a high priority. The group has a special investor relations unit responsible for establishing and coordinating contact between the company and external parties such as the stock exchange, analysts, shareholders and other investors. All interim reports, press releases and presentations of interim reports are published on Storebrand's website www.storebrand.com/ir.

GENERAL MEETINGS

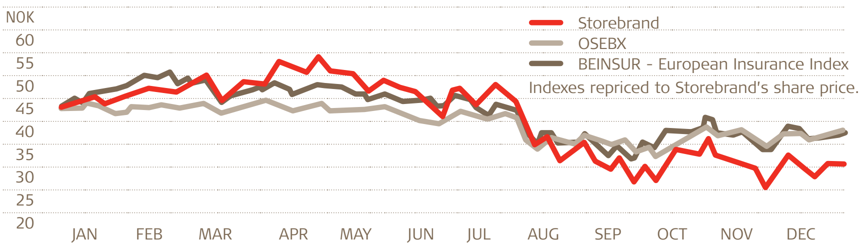
Storebrand has one class of shares, each share carrying one vote. The company holds its AGM each year by the end of June. Shareholders who wish to attend the general meeting must notify the company no later than 4:00 p.m, three business days before the general meeting. Shareholders who do not give notice of attendance before the deadline expires will be able to attend the general meeting, but not vote.

SHAREHOLDERS' CONTACT WITH THE COMPANY

Shareholders should generally contact the operator of their securities account for questions or notification of changes, such as address changes.

2012 financial calendar

14 February	Results 4Q 2011
7 March	Embedded Value 2011
18 April	Annual General Meeting
19 April	Ex-dividend date
3 May	Results 1Q 2012
13 July	Results 2Q 2012
24 October	Results 3Q 2012
February 2013	Results 4Q 2012



STOREBRAND SHARE (NOK)	2011	2010	2009	2008	2007	2006	2005	2004	2003
Highest closing price	54.50	48.30	40.80	57.10	87.37	68.30	48.94	49.15	36.63
Lowest closing price	25.20	31.30	12.15	10.55	54.60	48.10	39.49	33.94	17.22
Closing price on 31.12	31.10	43.60	39.56	16.75	56.70	66.62	55.87	49.15	36.38
Market cap 31.12 (NOK million)	13,992	19,638	17,798	7,536	25,510	19,811	15,059	16,274	12,040
Dividend for the accounting year	0.00	1.10	0.00	0.00	1.20	1.80	4.00	7.00	0.80
Annual turnover (1,000 shares)	627,854	593,986	510,873	749,261	540,207	564,195	516,323	471,331	372,970
Annual daily turnover (1,000 shares)	2,481	2,357	2,035	2,973	2,161	2,248	2,041	1,863	1,492
Annual turnover (NOK million)	25,386	23,114	14,157	25,138	39,338	39,825	30,318	22,149	12,842
Rate of turnover (%)	140	132	114	167	186	222	187	169	134
Number of ordinary shares 31.12 (1,000 shares)	449,910	449,910	449,910	449,910	449,910	249,819	258,526	278,181	278,070
Earnings per ordinary share (NOK)	1.51	3.30	2.08	-5.01	7.95	6.03	5.41	8.49	2.67
Total return (%)	-27	10	136	-70	-13	44	13	38	67

Historical share prices have been adjusted to take account of the split between shares and subscription rights implemented in 2007.

History of Storebrand

1938: The staff room in Fram, Fredrikstad.

2007

Storebrand acquires SPP, the Swedish life insurance and pensions provider.

2010

Storebrand's new energy efficient head office gains a lot of attention.

1767–1919: ROOTS

1767
"Den almindelige Brand-Forsikrings-Anstalt" is established in Copenhagen.

1814
Following the split from Denmark, management of the fire insurance scheme is transferred to Christiania, as the capital of Norway was called at that time. In 1913 the scheme is converted into a public sector company called Norges Brannkasse.

1847
On 4 May 1847, the P&C insurance company "Christiania Almindelige Brandforsikrings-Selskab for Varer og Effecter" is incorporated by private subscription. The company is referred to as Storebrand.

1861
Storebrand's owners establish Idun, the first privately owned life insurance company in Norway.

1867
The P&C insurance company Norden is established as a competitor to Storebrand.

1917
The life insurance company Norske Folk is established.

1920–1969: GROWTH AND CONSOLIDATION

1923
Storebrand acquires nearly all of the shares in Idun. The rest, with a couple of exceptions, are acquired during the 1970s.

1925
Storebrand changes its name in its articles of association from "Christiania Almindelige Forsikrings-Aksjeselskap" (renamed in 1915) to "Christiania Almindelige Forsikrings-Aksjeselskap Storebrand". This name is kept until 1971.

1936
Storebrand acquires Europeiske – the leading travel insurance company in Norway.

1962
Storebrand initiates a new wave of acquisitions and mergers by acquiring Norrøna, which was experiencing financial problems.

1963
Storebrand acquires Norske Fortuna. Brage and Fram merge to become the country's largest life insurance company. Storebrand and Idun move into their own new premises in the restored Vest-Vika area of Oslo. Brage-Fram and Norske Folk follow their lead.

1954: The acquisition department (sales department) in Kirkegata 24.

1970–1989: GROUP FORMATION

1978
Storebrand changes its logo – from the stylised St. Hallvard, patron saint of Oslo – and introduces “the link” as an easily recognisable trademark. The formal name of the holding company is changed to A/S Storebrand-gruppen.

1983
The Norden Group and Storebrand merge.

1984
Norske Folk and Norges Brannkasse market themselves as a single entity under the name UNI Forsikring.

1990–1999: CRISIS AND CHANGE

1990
Storebrand and UNI Forsikring agree to merge, and the merger receives official permission in January 1991.

1992
UNI Storebrand’s negotiations with Skandia concerning establishing a major Norwegian led company fail to reach agreement.

1996
The company changes its name to Storebrand ASA and establishes Storebrand Bank AS.

1998
The company moves into new premises on Filipstad Brygge.

1999
Storebrand, Skandia and Pohjola consolidate their P&C insurance activities in the new Nordic, Swedish registered company, If Skadeförsäkring AB. Storebrand sells its stake five years later.

2000–2010: NEW CHALLENGES

2001
Norwegian and international stock markets fall sharply from September 2000 to February 2003.

2005
The Storting, the Norwegian parliament, rules that all companies must have an occupational pension scheme in place by 2007. Storebrand responds to the challenge with its new product, Storebrand Folkepensjon.

2006
Storebrand decides to return to P&C-insurance.

2007
Storebrand acquires SPP, the Swedish life insurance and pensions provider, from Handelsbanken and forms the leading life insurance and pensions provider in the Nordic region.

2008
The financial crisis in the USA spreads to the global financial markets and during 2008 the New York Stock Exchange (Dow Jones DJIA) falls by 34 per cent and the Oslo Stock Exchange by 54 per cent.

2009
The world’s equities markets bottom out in March following the heaviest fall since the 1930s. In the second half of the year the economies of the largest countries start to recover.

Storebrand confirms it has been in talks about a possible merger with Gjensidige. The talks conclude without result.

Storebrand moves into its new head office in Lysaker in December.

2010
Storebrand emerges from the financial crisis in good shape. Storebrand works hard to prepare both employees and customers for the new pensions reform which comes into effect on 1 January 2011.

Storebrand’s new energy efficient head office gains a lot of attention. The building is awarded the acclaimed 2010 City Prize by the real estate industry. The head office receives eco-lighthouse certification.

2011
A new group organisation lays the groundwork to make it easier to be a customer in Storebrand. The group’s executive management team is being reduced from ten to six people and a new management forum, the executive management, is established. The executive management is composed of 30 people, including the group’s executive management team. The new model strengthens the interaction across national borders and paves the way for efficient balance sheet management.

The debt crisis and uncertainty in the eurozone are causing considerable anxiety and turbulence in the financial markets. Storebrand’s results for the year have been affected by these disturbances.

Report of the Board of Directors and Corporate Governance

Retail

Over 500,000 employees in the private sector in Norway do not have any disability insurance through their employer or privately. They only have the National Insurance Scheme to rely on if they become disabled.

Source: Norwegian Financial Services Association and Storebrand

Corporate

News: From 2013 you will be able to decide yourself how your paid-up policies* should be managed[1].

* Paid-up policies are pension rights that employees in the private sector take with them when they resign or their pension scheme is changed.

[1] Dependent on regulatory changes, cf. Banking Law Commission's report on paid-up policies and capital requirements, Norwegian Public Report (NOU) 2012:3.

Report of the Board of Directors

MAIN FEATURES

Turbulent financial markets, significant changes in the regulatory framework and a strengthened commitment to the retail market are key words for the year 2011.

Few global growth impulses, combined with an inability to deal with financial imbalances in the Eurozone have continued and somewhat increased the unrest in the global economy. Storebrand's home markets, Norway and Sweden, have, so far, only been affected by the financial turmoil to a limited extent. The group's results are, nevertheless, influenced by turbulent financial markets and in particular by historically low interest rates.

The result effect of the weak and volatile financial markets is limited by the fact that in recent years we have purposely worked on changing the company's earnings profile. This means that values are largely created independent of financial market developments. Storebrand's is gradually changing its business from dependence on guaranteed business to business with lower capital requirements and greater stability in earnings, typically fund-based products. This work continued in 2011, among other things through operational improvement programmes, revenue-increasing measures and a further streamlining of operations.

In a turbulent market, well-established systems for risk management are key to generating a competitive return to our customers and to protect customers' and the owner's capital. Risk management is an integral part of Storebrand's core business. Measures to ensure the best possible risk management and funding have therefore been a priority in 2011.

In regards of regulatory framework, the key areas are Solvency II and the pensions reform. In 2011, the Banking Law Commission has worked on adapting occupational pension products to the other two main pillars of the new National Insurance: Pension entitlement for all years of service, and life expectancy adjustments. A report with proposals for new regulations for occupational pension schemes is expected in the summer of 2012. This work will complete the adjustments of the private occupational pensions to the pensions reform. Storebrand is participating in the Banking Law Commission's Working Group, which is considering these issues.

It now seems clear that the introduction of capital requirements under Solvency II will be postponed until 2014. Solvency II is a full harmonisation directive, and in only a few areas is it possible for the various countries to make national choices in connection with the implementation of the directive. Storebrand and the financial industry in Norway are in close dialogue with the Norwegian authorities, to ensure the best possible harmonisation between Solvency II and national regulations.

Storebrand's position as a leading player in the Nordic occupational pension market strengthened through 2011. In addition, several strategic and organisational adjustments were implemented in order to increase focus on the retail market. An important reason for this initiative is the transition from defined benefit to defined contribution occupational pension schemes, where the individual employees have a greater involvement. Business relationships give the group a strategic advantage in the relationships established with company employees.

STRATEGY AND CUSTOMER ORIENTATION

Fusion of the corporate and retail market

The shift from defined benefit to defined contribution occupational pension schemes has led to both risks and investment options being transferred from employer to employee. In addition, the pensions reform will lead to lower future pension payments for many employees. In sum, this increases both the need and interest in pensions and private savings significantly.

Storebrand currently has 1.8 million retail customers in Norway and Sweden, divided into pure retail market customers, employees of businesses with occupational pensions in Storebrand and people who have a paid-up policy or a pension capital certificate in the company.

Strategic initiative

Our research shows that a large percentage of employees who have their pensions with Storebrand also want personal advice and guidance on, among other things, pensions and savings. Pension relationships provide Storebrand with a good opportunity to contact and to give personal advice to many people. In Norway, between 60,000 and 80,000 new employees start to work in companies that have occupational pensions with Storebrand.

As part of Storebrand's focus on the retail market a series of measures are being implemented to ensure that we are perceived and experienced as an attractive choice for customers. Marketing and sales efforts have been strengthened and coordinated. The goal is a good customer experience, where customers receive guidance tailored their own life situation and in the way they want it. This means that advisory services, prices and the impression left should be the same in all Storebrand channels, be it on the internet, telephone, in letters or in face-to-face meetings. Specific customer promises are designed as a response to what customers have told us that they want. From 2012, Storebrand will work systematically and purposefully to fulfil customer promises.

The Group's vision has been simplified and changed to "Recommended by our customers". The vision will be actively used as an internal prioritisation tool. See separate article on the retail initiative on page 16 for more information.

FINANCIAL TARGETS

Storebrand has communicated a goal of achieving a profit before profit sharing and loan losses of NOK 2.5 billion in 2013. Turmoil in the financial markets has led to Storebrand, at the end of 2011, being behind the plan to achieve the targeted profit in 2013. Implemented cost reduction measures are progressing according to plan. The increase in revenue is, however, lower than foreseen in the plan. This is due to lower customer funds than expected, as a result of the fall in the stock markets through 2011. To compensate for the weaker than expected revenue growth, cost reduction measures will be implemented earlier than planned, and more extensively.

Finance	**Existing targets**	**Status as at 31.12.2011**
Return on equity (after tax)[1]	15%	6.1%
Dividend rate of Group result after tax[2]	>35%	0
Core (tier I) capital ratio Storebrand Bank	>10%	11.4%
Solvency margin Life Insurance Group[3]	>150%	161%
Rating Storebrand Life Insurance	A	A3/A-
Operations		
Profit before profit sharing and loan losses[4]	2.5 bn	1.6 bn

1. Result after tax adjusted for amortisation costs) / (opening equity – dividends paid – half of repurchased shares during the year.
2. Corrected for one-time effect of tax income of NOK 411 million in 2010.
3. Solvency margin pursuant to Solvency I regulations.
4. By 2013.

There is considerable uncertainty surrounding several regulatory framework issues at the beginning of 2012. This relates to the proposed tax changes, as well as to new solvency regulations (Solvency II), which is hardly adapted to Norwegian business rules and does not take into account the historically low interest rates.

The Board of Directors chooses to maintain its financial targets, but the return on equity has been changed to become a target before tax. The effect of the tax change will depend on the final formulation of the rules and the company's adaptation to these. The changes are expected to be clarified in the course of the year.

NORWEGIAN REGULATORY ADAPTATION

Regulatory framework

The Board places great emphasis on ensuring that the Group actively adapts to the challenges and opportunities the changes in the framework provide. Storebrand will be an active contributor to the work of drafting new legislation in areas that are of paramount importance to the Group. The main activities in 2011 have involved the adaptation of occupational pension regulations to the pensions reform and preparations for the implementation of Solvency II in Norway.

Pensions reform

The pensions reform was introduced in the National Insurance Scheme with effect from 1 January 2011. The adaptation of the regulations for occupational pension schemes in the private sector to the new national insurance is being implemented in two phases. Phase 1 was the introduction of flexible withdrawal of pensions from 62 years and continued accrual of pension in occupational pension schemes if one continues to work - the same principles that apply to the National Insurance Scheme. These changes came into effect simultaneously with the social security reform on 1 January 2011. Storebrand made the necessary adjustments so that pension customers could take advantage of the new options in the pension system from the time the legislation came into force.

In 2011, the Banking Law Commission has been working on Phase 2: Adapting pension products to the other two main pillars of the new National Insurance: Pension entitlement for all years of service, and life expectancy adjustments. It is expected that a report, with proposals for new regulations for occupational pension schemes, will be published in the summer of 2012. This report will then be sent for consultation before the Finance Ministry submits a bill for consideration by Parliament. Private occupational pensions will then be adapted to the pensions reform. One can expect the new legislation to come into force in a couple of years. The framework regulations for insurance-based occupational pension products that are adapted to the new earning model in the National Insurance Scheme (pension entitlement for all years of service), life expectancy adjustments and maximum ceilings for savings in defined contribution pensions, are among the topics that are being considered in this round.

Storebrand's products, system solutions and settlement processes have been renewed due to the pensions reform. The pensions calculator, which is available externally on the websites Mitt kundeforhold (My customer relationship) and Bedriftsportalen (Corporate Portal), was launched in January 2011 and provides customers with extended possibilities to simulate a variety of pension and flexible withdrawal scenarios.

Solvency II

The introduction of capital requirements under Solvency II will most likely be postponed until 2014. A proposal for legal implementation of Solvency II was presented in August 2011. The main challenge in the implementation of Solvency II in Norway is the lack of consistency between Solvency II principles and existing Norwegian conditions governing business and product regulations for life insurance. In March 2011, Norway's FSA presented a paper proposing certain amendments to the Norwegian conditions governing business in order to adapt them to Solvency II. This, together with the Financial Crisis Committee's indication of the need for adjustments in Norwegian regulations, was submitted to the Banking Law Commission for further consideration.

On 17 January 2012, the Banking Law Commission published the report NOU 2012:3 Paid-up policies and capital requirements. The report assessed the consequences that Solvency II will have on the Norwegian occupational pension system. It notes that Solvency II will result in a significant tightening of capital requirements for life insurance companies. Paid-up policies are highlighted as a particularly challenging area. This is because the companies, for this product, cannot price the guaranteed return annually, as is the case for active benefit plans. Solvency II requires on-going market value valuation of both assets and liabilities. Lack of correlation between long liabilities and short investment triggers high capital requirements related to interest rate risk. Solvency II assumes that life insurance companies have access to a long and deep interest rate market so that long liabilities can be offset by long low risk investments. This premise is not fulfilled in Norway because of low government debt and the short fixed interest terms on bonds available. These conditions are described in the report from the Banking Law Commission. It points out that the interest rate risk under Solvency II, and capital requirements as a result of this, can be neutralised if the companies can invest in low risk bonds with maturities corresponding to the paid-up policies to maturity.

In NOU 2012:3, the Banking Law Commission describes a "worst case" scenario where capital requirements, as a result of future paid-up policies, cannot be handled without significant adjustments to the regulatory framework (NOU 2012:3 page 39).

The assessments that the Banking Law Commission presents in the report correspond, to a large extent, with the assessments that Storebrand has previously expressed regarding the need for adjustments of the Norwegian framework to Solvency II. Changes in the Norwegian regulations are necessary to ensure a good and stable occupational pension system for companies and employees alike.

The Banking Law Commission proposes legislative amendments that may help to curb the issuance of paid-up policies. It also proposes changes that contribute to a better adaptation of paid-up policies to the capital requirements of Solvency II.

Storebrand is in favour of the proposed measures, but emphasises that these are not sufficient to solve the challenges related to the introduction of Solvency II under current Norwegian regulations. Storebrand is in a constructive dialogue with the authorities on these issues.

The Banking Law Commission will proceed with the new regulations for insurance-based occupational pension schemes adapted to the pensions reform and changes in market conditions. The main issues in this work are:

- Designing new insurance-based pensions schemes that are competitive alternatives in relation to both companies' costs and the pension schemes' return risk and biometric risk, in order to diminish the effects of a new capital requirements regime.
- Handling of pension benefits earned under existing pension schemes in the transition to the new insurance-based pension schemes. Avoiding incentives for the liquidation of existing pension schemes and a large-scale issuance of new paid-up policies is considered important.

The Banking Law Commission plans to revert to this in May/June 2012.

THE GROUP'S FINANCIAL PERFORMANCE

The Storebrand Group prepares its consolidated financial statements in accordance with the EU approved International Financial Reporting Standards (IFRS). The financial statements of the parent company, Storebrand ASA, are prepared pursuant to Norwegian accounting law. IFRS is not applied to the parent company's financial statements. The Storebrand Group's group result prior to amortisation of intangible assets was NOK 1,279 million in 2011 compared with NOK 1,612 million in 2010. After amortisation, the Group result was NOK 885 million compared with NOK 1,223 million in 2010.

Storebrand's tax charge amounted to NOK 144 million in 2011. The main part of this tax is not payable. The carry forward tax losses were reduced, mainly due to the fall in the stock market. There were also tax-related temporary differences that, as a whole, have resulted in the allocation of net deferred tax assets amounting to NOK 58 million at the end of 2011.

Group result

NOK million	**2011**	**2010**
Storebrand Life Insurance	481	783
SPP	291	410
Asset management	293	333
Banking	213	162
Insurance	281	155
Other activities	-278	-231
Group profit before amortisation	**1,279**	**1,612**
Write-down and amortisation of intangible assets	-394	-390
Group profit before tax and sold/discontinued business	**885**	**1,223**

The turmoil in the financial markets affects the Group's results. The decline in equity markets has reduced the return and resulted in slower growth in assets under management. This reduces the administrative and management revenues and reduces profit sharing. The business areas performed well and the shift towards less capital-intensive products continues. Improved efficiency and cost reduction programmes increase the quality of the underlying earnings in the business.

In Storebrand Life Insurance the result was reduced due to increased reserving for longevity as a result of weaker financial returns.The risk result and price of guaranteed interest and profit risk provide a sound and stabilising profit contribution. SPP has an improved administration result and maintained its strong risk result, but the troubled financial markets weaken the financial result. The result in the asset management business was affected by lower yield-based revenue compared to last year. In 2011, Storebrand Bank continued its positive development and the result of the banking operations improved in a number of key areas compared with 2010. The Insurance business area shows a positive result development with good insurance profits and an improved combined ratio.

Pursuant to Norwegian accounting legislation, the Board of Directors confirms that the company meets the requirements for preparing the financial statements on the basis of a continued operation assumption. The Board is not aware of any events that have occurred after the balance sheet date that have a significant impact on the annual financial statements or consolidated accounts that have been presented.

BUSINESS AREAS

Storebrand is a financial group consisting of four business areas: life and pension, asset management, banking and insurance. Storebrand's head office is in Lysaker in the municipality of Bærum.

STOREBRAND LIFE INSURANCE

The business area Storebrand Life Insurance offers a wide range of products covering occupational pensions, private pension savings, and life insurance to companies, public sector entities, and private individuals.

Result

Financial performance – Storebrand Life Insurance

NOK million	2011	2010
Administration result	101	58
Risk result	117	152
Financial result[1]	- 226	58
Profit from risk and interest rate guarantee	520	557
Other	- 32	- 43
Profit before tax	**481**	**783**

1. Investment result and profit sharing.

Administration result

There has been a good development in the administration result to the owner in 2011. Throughout the year, we have been working on cost-saving measures that have proven effective. On the income side, the turbulent financial markets had negative implications for defined contribution pensions and unit-linked, but this is offset by good results in the group portfolio.

Risk result

The reduction in the risk result compared with last year is quite significant, and was due to the on-going strengthening of the disability provisions for collective one-year risk in 2011. Disability results of group lines in general are good in 2011.

For group pensions, NOK 147 million was allocated to the risk equalization fund in 2011. At the end of 2011, the risk equalization fund totalled NOK 404 million. The risk equalisation fund for paid-up policies totals NOK 65 million at the end of 2011, which is an increase of NOK 23 million for the year.

Financial result

2011 has been marked by considerable turbulence in the financial markets. Long-term rates have declined significantly, while the uncertainty in the financial markets has resulted in increased credit spreads. Lower interest rates make a positive contribution to returns in the short term, while higher credit spreads adversely affect the return. Equity markets have fallen both in Norway and internationally.

Return on investment portfolios with guarantees

	2011		2010	
Portfolio	**Market return**	**Book return**	**Market return**	**Book return**
Group defined benefit	3.0%	4.8%	6.4%	4.6%
Paid-up policies	3.8%	4.7%	6.0%	4.9%
Individual	3.2%	3.6%	6.0%	6.0%

Market return defined contribution pensions

Profile	2011	2010
Careful pension	2.8%	6.7%
Balanced pension	-1.2%	10.3%
Offensive pension	-5.3%	13.4%

With the exception of a small proportion of individual products and of group pension products with multi-year guaranteed interest rate, the booked return on customer portfolios was sufficient to meet the average guaranteed interest rate and generate a profit to customers of NOK 0.5 billion. The average annual interest rate guarantee for the various customer portfolios is in the range 3.1 per cent to 3.7 per cent. The guarantee rate for new business was reduced to 2.5 per cent as a result of low interest rates.

In its letter of December 2011, the Norwegian FSA requested life insurance companies to prioritise the allocation of profits in order to strengthen premium reserves in order to satisfy the assumptions of future longer life expectancy. As a result, Storebrand Life Insurance in 2011 set aside NOK 1.1 billion to strengthen the premium reserve for group pension and paid-up policies.

In addition to this, Storebrand follows a plan to build up reserves for individual pension insurance and paid-up policies due to lower mortality assumptions. According to plan, NOK 323 million was allocated in 2011. Overall, the owner's profit was charged with NOK 180 million in 2011 as a result of building up longevity reserves.

At year-end 2010, the amount by which the reserves still need to be built up was calculated at around NOK 170 million for individual pension insurance. The plan is to complete the build up of the reserves by the end of 2012. This build up of reserves can be covered from the positive booked return. If the booked return for the individual portfolio is higher than 5.8 per cent, this build-up could take place at no cost to the owner.

Storebrand Life Insurance is funded through a combination of equity and subordinated loans. The proportion of subordinated debt is about 30 per cent, and amounted to NOK 6.6 billion at the end of 2011. Interest expenses on subordinated loans are approximately NOK 130 million net per quarter for the next 12 months. The company portfolio had a gross return of 5.1 per cent in 2011 compared with 5.8 per cent in 2010. The returns are negatively impacted by increased credit spreads in the banking sector. The company portfolio had a net result in 2011 of minus NOK 120 million, compared with minus NOK 55 million in the preceding year.

Price of interest guarantee and profit risk

A total of NOK 520 million was recognised as income from upfront pricing of the interest guarantee and profit from risk for group defined benefits in 2011, a decline of NOK 37 million on the preceding year. The decrease was due to implemented price changes and the transition to defined contribution pensions.

Intra-group transaction - BenCo

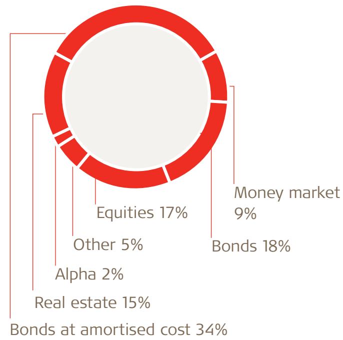
In November, an internal transaction was carried out in the Group, where SPP Livförsäkring AB's stake in Benco Holding (the parent company of Euroben and Nordben) was sold to Storebrand Livsforsikring AS. The purpose of the transaction was to create a simpler ownership structure of Benco in the Group, in that the previously shared ownership between SPP and Storebrand Livsforsikring AS was gathered in Storebrand Livsforsikring. Furthermore, the transaction contributed to a strengthening of SPP Group's capital and solvency. Storebrand Life Insurance now owns 90 per cent of Benco's equity. Mandatum and Varma own the remaining shares. Benco is now reported as part of Storebrand Life Insurance and has been incorporated into historic figures.

Balance sheet

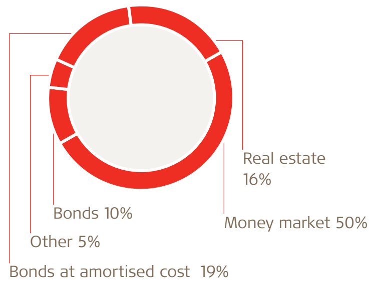
For customer portfolios with guarantee, allocation to equities in 2011 was reduced in favour of an increase in allocation to long-term bonds. The allocation to long-term bonds in the company portfolio rose and money market exposure declined correspondingly. Assets under management rose in 2011 by approximately NOK 3 billion and aggregated NOK 213 billion at year-end. The increase was driven by the positive return, while net migration of customer assets reduced the increase.

Asset profiles - Storebrand Life Insurance

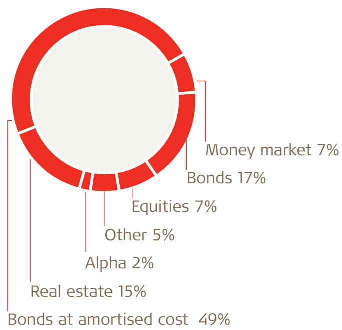
Group defined benefit



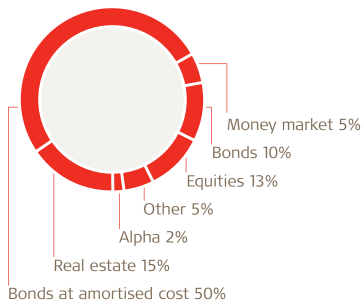
Company portfolio



Paid-up policies



Individual



Market

Premium income excluding transfer of premium reserves

NOK million	2011	2010
DB (fee based)	9,147	8,154
DC (unit linked based)	3,812	3,409
Total occupational pension	**12,959**	**11,563**
Paid-up policies	116	98
Traditional individual life and pensions	584	761
Unit linked (retail)	929	1,993
Total individual pension and savings	**1,629**	**2,852**
BenCo	700	759
Total	**15,288**	**15,174**

In general, premium income for group defined benefit pensions is declining gradually as a result of a steady transition to defined contribution pensions. The increase this year is partly due to wage growth. There is good growth in premium income for defined contribution schemes for businesses. We are no longer writing traditional individual capital and pension, and this has led to a decline in premium income compared with previous years. The decline in premium income for unit-linked is a result of the good sales of the Guarantee account in the previous year not being maintained to the same degree.

Sales
Three local authorities decided in 2010 to transfer their pension schemes from Storebrand with effect from 1 January 2011. The recorded net migration from Storebrand was NOK 4,690 million, compared with a net inflow of NOK 1,859 million in 2010.

Corporate and public sector
Storebrand has been very successful within occupational pensions in recent years and has seen a net transfer balance in the last 7 years worth a net inflow of around NOK 11 billion. 2011 was, however, a weaker years for sales, being particularly affected by the competitive situation in the public sector and the loss of two of our local authorities with public occupational pensions.

Storebrand is the market leader in the occupational pensions in the private sector with a market share of 30 per cent of gross premiums written for defined contribution pensions and 43 per cent for defined benefits pensions[1]. The private sector market has been characterised by a strong shift from defined benefit to defined contribution pensions, and it is expected that this trend will continue in 2012. Changed framework conditions for defined benefit pension and the expectation of increased contribution rates will enhance this development. Storebrand is focusing on further developing product and service solutions that are adapted to new conditions and customer needs.

Retail market
Storebrand has a new offensive strategy under implementation with high ambitions in the retail market, and has launched a range of measures to support this initiative. In 2011, total sales were lower than expected, especially as a result of low net sales of fund products, due to the negative performance of the financial markets. Storebrand is focusing sharply on providing affordable products and solutions to our corporate customers' employees. These efforts are developing positively.

New business
Total new premiums (APE) worth NOK 658 million were signed in 2011 compared with NOK 1,314 million in 2010. The decline is primarily due to the lower APE for group defined benefit and defined contribution pensions, but was also reduced somewhat for unit-linked.

New premiums (APE):
- Guaranteed products: NOK 325 million in 2011 compared with NOK 778 million in 2010.
- Unit-linked: NOK 299 million in 2011 compared with NOK 499 million in 2010.
- BenCo: NOK 34 million in 2011 compared with NOK 37 million in 2010.

1 FNO statistics as at 3Q 2011.

SPP

SPP offers pension and insurance solutions, and advice to companies in that part of the occupational pensions market in Sweden that is exposed to competition. The company also offers private pension insurance and medical and health insurance.

Result

Financial performance – SPP

NOK million	**2011**	**2010**
Administration result	99	76
Risk result	289	290
Financial Result[1]	-226	11
Other	129	34
Resultat før amortisering	**291**	**410**
Write-downs and amortisation of intangible assets	-358	-348
Pre-tax profit/loss	**-67**	**63**

Administration result

The administration result was NOK 23 million higher than in the preceding year. Revenues rose by 7 per cent[2], due to the growth in assets under management and higher fee-based income. Expenses rose by 5 per cent[2]. The high volume of sales and a larger portion of sales going through brokers, resulting in higher commission costs, can explain this.

Risk result

In 2011, the risk result was NOK 289 million, compared with NOK 290 million in the preceding year. The sickness result, which accounts for most of the risk result, is still good. Fewer and shorter disability cases than expected resulted in the capitalisation of reserves, which gave a strong risk result, albeit lower than last year.

In December, the risk activities' reinsurance agreement was terminated, which had a positive effect of NOK 85 million. A new reinsurance agreement has been negotiated with effect from 1 January 2012. The new agreement limits SPP's exposure to disability and mortality risk among private individuals.

Financial result

The financial result was negative during the period and amounted to NOK 226 million for the year as a whole. A weak equity market and declining interest rates during the period contributed to the negative financial result.

The return of the various portfolios depends on developments in financial markets. The portfolios have different exposures to, for example, equities, fixed income and currency markets, since they have investment profiles that are adapted to the liabilities. The return will therefore vary. Due to falling interest rates, all portfolios have enjoyed positive returns during the period.

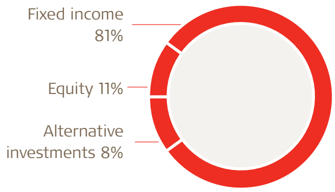
In portfolios with a high allocation to fixed income securities, the return was good and gave a profit sharing of NOK 319 million, compared with NOK 154 million in 2010.

Falling interest rates increase the value of the guaranteed liabilities. The annual return was not sufficient to cover this increase. This, together with an open equity exposure, led to a deferred capital contribtion (DCC) of minus NOK 741 million against NOK 100 million in 2010. The company has a hedge portfolio to reduce the effect of falling stock markets on the result. The weak stock market meant that the hedge portfolio recorded a gain of NOK 131 million. Other effects on the financial result aggregated minus NOK 65 million.

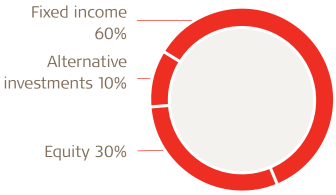
2 Percentage change measured in local currency.

Asset profile – SPP

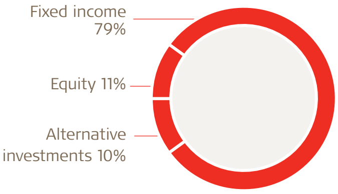
Defined benefit (DB)



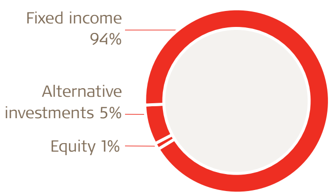
Defined contribution (DC) P250



Defined contribution (DC) P300



Defined contribution (DC) P520



Return on assets

Portfolio	**2011**	**2010**
Defined Benefit (DB)	8.6%	7.1%
Defined Contribution (DC):		
P250[1]	3.3%	5.3%
P300[1]	7.6%	6.0%
P520[1]	12.5%	7.1%
RP (Retirement Pension)	2.8%	0.2%

1. Maximum interest rate guarantee in the portfolio P250, P300 and P520 is 2.5 per cent, 4 per cent and 5.2 per cent respectivly.

Other result

The other result developed very positively during the year, amounting to NOK 129 million, compared with NOK 34 million in 2010. The result consists of the return on the company's own investments, representing the equity, which are largely invested in the short interest-bearing securities. The good result is due to the short-term interest rates rising significantly over the past year.

Balance sheet

SPP adjusts its exposure to equity in line with market developments and the risk-bearing capacity of the portfolio by way so-called dynamic risk management. The portion of shares in the portfolios has been reduced during the year. As is the case for the Norwegian life insurance business, interest rate guarantees on new sales were reduced because of low interest rates, and from 1 January 2012 this interval is 0 to 0.5 per cent.

During the course of the year, the buffer capital (conditional bonus) decreased by NOK 1.1 billion to NOK 7.4 billion. This decrease is due to falling equity markets and lower interest rates.

In 2011, total assets rose from NOK 109 billion to NOK 113 billion. Capital within unit-linked insurance was unchanged at NOK 32 billion, despite a weak stock market. The value of the capital stock fell by 8 per cent during the year. However, this was offset by the continued good net inflow to unit-linked insurance products. Assets under management in traditional insurance had on average a return of 8 per cent, so that the capital has increased to NOK 81 billion.

Market

SPP has continued to record good new sales of current premiums for SPP's core business, occupational pension that is exposed to competition. Thanks to an attractive unit-linked offer and a competitive unit-linked insurance product SPP enjoyed a good sales performance in 2011.

Premium income

In 2011, we experienced a continuation in the shift from traditional insurance to unit-linked insurance. This is beneficial to the company as profitability is higher in unit linked business. Unit linked insurance accounted to approximately 59 per cent of the premium income, an increase of 10 percentage points. Premium income for unit linked insurance rose by 4 per cent, while it declined by 31 per cent for traditional insurance.

Premium income excluding transfer of premium reserves

NOK million	**2011**	**2010**
Guaranteed products	2,632	3,030
Unit linked	3,633	3,388
Total	**6,265**	**6,418**

SPP strengthened its position for unit linked in the Swedish occupational pensions market in 2011. The market share of unit linked products rose from 13 to 15 per cent in the open occupational insurance market that is exposed to competition. Net premium income (premiums minus claims payments and transferred funds) increased in unit linked from NOK 2,358 million to NOK 2,634 million in 2011. Net premium income in traditional products aggregated minus NOK 2,220 million, up from minus NOK 1,502 million in 2010.

New business
In 2011, new sales were slightly higher than the year before. Sales excluding options centres rose by 15 per cent, from NOK 984 million to NOK 1,034 million. Sales by the company's own sales staff and sales through agents both contributed to the increase.

New premiums (APE):
- Guaranteed products: NOK 323 million in 2011 compared with NOK 291 million in 2010.
- Unit linked: NOK 695 million in 2011 compared with NOK 683 million in 2010.
- Other: NOK 16 million in 2011 compared with NOK 10 million in 2010.

ASSET MANAGEMENT
Storebrand's asset management business encompasses the companies Storebrand Kapitalforvaltning, Storebrand Fondene, SPP Fonder, Storebrand Eiendom and Storebrand Realinvestering.

Storebrand Kapitalforvaltning manages a full range of savings and investment products for the product companies in the group. In addition, Storebrand Kapitalforvaltning offers to a wide range of asset management services to major investors. In collaboration with its customers, it designs customised investment strategies that are tailored to the client's financial objectives, investment horizon and risk profile.

Result

Result by company

NOK million	**2011**	**2010**
Storebrand Kapitalforvaltning	159	163
Storebrand Fondene	45	80
SPP Fonder	30	36
Storebrand Eiendom and Realinvesteringer	59	53
Total result before amortisation	**293**	**333**

Financial performance – Asset mangement

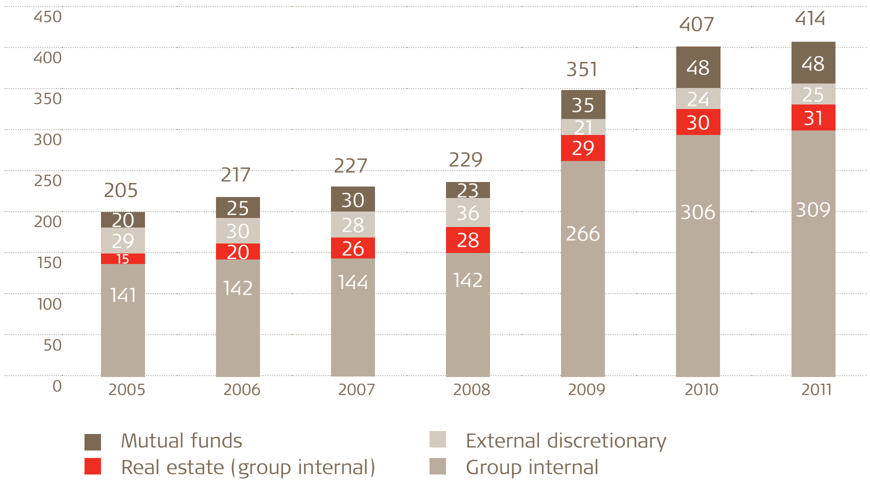
NOK million	**2011**	**2010**
Operating revenue	684	645
Operating cost	-481	-450
Operating result	**203**	**195**
Net performance fees	79	122
Net financial income	11	16
Result before amortisation	**293**	**333**
Amortisation intangible assets	-9	-6
Pre-tax profit/loss	**284**	**327**

Fixed and volume-based revenue was slightly higher than in 2010, while performance-based income was significantly lower in 2011 compared with the previous year. Value creation in the managed portfolio was weak. Total income, including performance-based fees and financial income totalled NOK 765 million, against NOK 814 million in 2010. Costs are overall somewhat lower than in 2010, and total operating expenses amounted to NOK 483 million compared with NOK 496 million in 2010. This includes NOK 2 million in performance-based pay in 2011 against NOK 46 million in 2010. Costs excluding performance-based pay show a growth over the year due to expansion of business in the Swedish market, as well as investments in Norway relating to improved reporting solutions and increased levels of computerisation.

Total assets
At the end of 2011, Storebrand Kapitalforvaltning managed NOK 414 billion in mutual funds, funds of funds, and individual portfolios for fund management companies, insurance companies, pension funds, local authorities, institutional investors and investment companies. At 31 December 2010, assets under management amounted to NOK 407 billion. Growth in 2011 relates primarily to corporate customers.

In 2011, the volume of net new sales amounted to NOK 5.5 billion compared with NOK 14.7 billion in 2010.

Asset under management (NOK bn)



Sustainable investments
The Storebrand Group sets strict corporate responsibility criteria for the management of the customers' capital. We believe it is important that we utilise the influence our ownership affords us to promote sustainable development, and we are one of a few European asset managers with a dedicated team of professionals in this area. More than 4,500 companies around the world are monitored and analysed, and Storebrand Kapitalforvaltning is an active owner. The company is in contact with several hundred companies each year. In cases where the risk is deemed unacceptable, the company in question is excluded from investments. However, Storebrand is always trying to encourage improvements. As per 31 December 2011, 96 companies were excluded from participation due to breaches of human rights, corruption, or serious environmental harm, the production of landmines, cluster munitions, nuclear weapons, or sales of tobacco. Companies that operate in high-risk industries or whose risk management has severe deficiencies in relation to climate change and sustainable development in general are also excluded.

Market trends
The global economic growth continued in 2011, until activity and the outlook fell relatively sharply in the 2nd half. The national debt crisis in Europe caused market unrest that escalated when attention was directed towards Italy. Stock markets fell sharply in August, especially after the downgrading of the creditworthiness of the United States, combined with falling global growth prospects. The global equity market, as measured by the MSCI World in local currency, ended down 8 per cent overall for 2011. Norwegian shares fell more than the broader market, and Oslo Stock Exchange ended down 12 per cent in 2011. Norwegian and global government bond yields have also fallen in line with the weakening outlook and the flee to safety. Central banks have also reversed the interest rate increases and instead cut interest rates further. National debt-burdened countries like Italy, however, have seen interests rise. This has also affected other credit markets and especially the banking sector.

2011 was a weak year for active asset management, generating a lower return (return less than the benchmark indexes) for the full year.

BANKING
Storebrand Bank ASA's ambition is to establish itself as Norway's leading direct bank in the retail market. It is the leading provider of advisory services, transaction services and financing to corporate customers engaged in commercial real estate. Storebrand Bank ASA has total assets amounting to approximately NOK 39 billion.

Result

Financial performance - Bank[1]

NOK million	**2011**	**2010**
Net interest income	443	457
Net fee and commission income	73	74
Other operating income	32	12
Total income	**548**	**543**
Operating expenses	- 345	- 352
Result before losses	**203**	**191**
Losses on lending/investment properties	10	- 29
Result before amortisation	**213**	**162**
Amortisation of intangible assets[1]	- 22	- 28
Pre-tax profit/loss for continued business	**190**	**135**

1. Encompasses Storebrand Bank Group and is exclusive Ring Eiendomsmegling.

Storebrand Bank continues its positive development and the 2011 result from banking operations[3] improved in a number of key areas compared with 2010. In 2011, the banking group resolved to discontinue the ownership of Ring Eiendomsmegling, the real estate brokers.

Profit before amortisation and impairment of losses for the Storebrand Bank Group was NOK 213 million compared with NOK 162 million in 2010. Stable growth in income and expenses, coupled with low loan losses gave the bank group a profit before tax from continuing operations amounting to NOK 190 million, compared with NOK 135 million in 2010. Profit after tax for sold/discontinued operations in Ring Eiendomsmegling was minus NOK 60 million for 2011 compared with minus NOK 5 million in 2010.

Net interest income for the bank group amounted to NOK 443 million against NOK 457 million last year. Net interest income as a percentage of average total assets amounted to 1.13 per cent in 2011, up 0.03 per cent from 2010. Turbulent financial markets led to increased funding costs, which, when combined with the competitive situation, has led to lower lending margins and higher deposit spreads. Due to the increasing international financial unrest towards the end of the year, lending margins are about to be increased.

Net commission income, amounting to NOK 73 million, is virtually unchanged compared with 2010, while other income increased by NOK 20 million to total NOK 32 million. About half of this increase comes from the sale of a stake in a development project.

Operating expenses totalled NOK 345 million, a decrease of NOK 7 million on the previous year. The cost ratio for the banking business was 66 per cent in 2011, compared to 68 per cent in the preceding year. The underlying cost growth is offset by further cost-cutting measures implemented during the year.

The global financial turmoil has not caused problems in the bank's loan portfolio. Total losses, including write-downs of repossessed commitments, result in net income of NOK 10 million against a net cost of NOK 29 million in 2010. There was a reduction in the volume of defaulted loans, and total non-performing loans represent 1.0 per cent of gross loans, compared with 2.0 per cent the previous year.

Balance sheet
At the end of 2011, the bank group had total assets of NOK 39 billion kroner. Gross lending to customers totalled NOK 34 billion at the end of the year. This is a reduction of NOK 1 billion during the year. The retail market portfolio had a positive trend over the last three quarters of the year, while the corporate portfolio increased in the 4th quarter.

3 The banking business encompasses Storebrand Bank ASA, Storebrand Boligkreditt AS and Storebrand Eiendomskreditt AS under liquidation.

The bank group's retail market portfolio accounted for 67 per cent of total loans, consisting primarily of loans against mortgages in residential properties, which represent a low risk. The average loan to value ratio (LVR) is about 54 per cent. Corporate loans account for 33 per cent of the portfolio and year-end 2011 comprised approximately 80 per cent loans to income-generating property and 20 per cent loans to construction projects. There are few customers in default, and the level of losses in the portfolio is low.

The bank has a balanced funding structure and bases its funding on customer deposits, the issuance of securities and mortgage bonds in the market, both directly and through the swap arrangement with Norges Bank, as well as borrowing in the Norwegian and international capital markets. The bank prioritised yet again in 2011 having a good deposit coverage, and at the end of the year maintained a coverage of 55 per cent.

At the end of 2011, Storebrand Bank Group had net primary capital amounting to NOK 2.8 billion, unchanged from the year-end in 2010. This represents a capital adequacy ratio of 13.3 per cent against 13.0 per cent at the end of 2010. The core capital (tier I) adequacy ratio is 11.4 per cent against 10.6 per cent at 31 December 2010. Storebrand Bank considers it necessary to have a core capital ratio of at least 9 per cent at all times. In good economic times, the core capital ratio will be well above this level and Storebrand Bank will aim at having a core capital ratio of at least 11 per cent from 2013. The increase in core capital ratio in 2011 was due to increased core capital from the year's net profit and reduced risk weighted assets as a result of reduced lending volumes.

Market

Retail market

In the retail market, the bank has strengthened its competitiveness in 2011 and was voted the third best total bank by Norwegian Family Finances, up 82 places from 2010. The bank has reversed the negative trend in loans and deposits compared with the previous two years. Lending volumes have shown a positive trend in the last three quarters of the year, while deposits showed a slight increase during the year. At the end of 2011, the bank had about 72,000 active retail customers, which is a slight decrease from 2010. At the same time, profitability has been maintained at the same level as last year.

Storebrand Group has established a new comprehensive retail strategy in 2011. As a consequence of the new retail strategy, the bank is more closely integrated with the Group's total involvement in the retail area. Sales and customer service are handled collectively on behalf of Storebrand Group's business areas. The new retail strategy, new prices and product concepts, as well as improved marketing, have been important factors behind the bank's positive development.

The development of online banking services has continued in 2011 and in the 2nd quarter, the bank launched the new services Mitt Forbruk (My Consumption) and Mitt Budsjett (My Budget). In 2012, the online bank will be more closely integrated into the Group's other online solutions, and bank customers will have a full range of financial services at their disposal via the online bank.

Corporate market

The bank's commitment to the business market is aimed at the professional property market. The bank's competitive advantage is linked to its extensive experience and cutting-edge expertise in this market segment, and its ability to offer comprehensive solutions and excellent service. In addition, the Corporate market department, together with other units in the Storebrand Group, offers services to selected niche markets, including investors and the SMB segment.

The transaction volume in commercial property was lower than expected in 2011. The international financial unrest reduced trading volumes and thus Storebrand Bank's access to customers. The development in residential properties has increased in both volume and activity in 2011. Overall, loan volume fell by NOK 0.8 billion in 2011, but there are a good number of new projects that are expected to increase loan volume moderately in 2012. The portfolio quality improved substantially during the year and there are no new major problem loans.

STOREBRAND INSURANCE

The Insurance business area is responsible for the Group's one-year risk products. Through cost-effective distribution and customer-friendly web solutions, the unit offers health treatment insurance[4] in the Norwegian and Swedish corporate and retail markets, injury and personal risk products in the Norwegian retail market and personal insurance in the Norwegian corporate market

Result

Financial performance – Storebrand Insurance

NOK million	**2011**	**2010**
Premiums earned, net	1,807	1,651
Claims incurred, net	-1,314	-1,278
Operating costs	-332	-331
Insurance result	**161**	**42**
Net financial result	119	113
Result before amortisation	**281**	**155**
Amortisation intangible assets	-6	-9
Pre-tax profit/loss	**275**	**146**

Net income in Storebrand Insurance improved from the preceding year and totalled NOK 281 million, against NOK 155 million in 2010. In particular, the insurance result improved in 2011. This is driven by a stronger risk result and increased cost effectiveness. Premiums earned for own account increased by 9 per cent compared with the previous year. This growth is in line with market growth.

Key figures - Storebrand Insurance

in %	**2011**	**2010**
Claims ratio*	73%	77%
Cost ratio*	19%	21%
Combined ratio*	91%	98%

* For own account.

The combined ratio improved to 91 per cent in 2011, from 98 per cent in 2010. The year was characterised by abnormally high precipitation levels, floods and storms with a higher injury rate, in addition to the terror attacks on 22 July. The result is only moderately affected by these incidents. For all product areas, the underlying risk trends and good claims ratio has evolved in line with expectations during the year. The improvement in the insurance result is mainly due to a lower proportion of winter-related claims compared with last year, and an increased degree of price differentiation in all product areas.

The cost ratio was 19 per cent for the year, compared with 21 per cent the year before, reflecting the unit's increased cost efficiency. The cost base will be further streamlined through increased automation and increased sales via direct-based channels.

Storebrand Insurance's investment portfolios composes in excess of NOK 3 billion and are mainly invested in various corporate bonds with short and medium durations. Financial income is on par with last year and marked by sustained low interest rates. The investment portfolio generated total financial income of NOK 119 million.

Market

Storebrand Insurance's growth in the retail and corporate markets reflects the degree of competition within the two customer segments to which the unit offers product solutions. Sales have shown a positive trend throughout the year and overall growth is somewhat stronger than the overall market growth. Competition is increasing in the retail market and strong in the upper part of the corporate market. Total annual premium income at the end of the year was NOK 2.1 billion, with NOK 1 billion coming from the retail market.

4 Health Insurance is owned 50/50 by Storebrand ASA and Deutsche Krankenversicherung AG.

Within the retail market, Storebrand Insurance has an established position when it comes to private insurances, and holds a challenger position in the P&C fields motor and property. The sale of P&C insurance products is still increasing. Of the total sales, 86 per cent are through direct-based channels. This contributes to a cost-effective distribution model in a price sensitive market.

The corporate market is a mature market with the exception of health insurance, which has an annual growth rate of 20 per cent. In the health insurance market, Storebrand Insurance har acquired a leading position. For other segments within personal insurance, Storebrand Insurance is one of several major players. There is an increased demand for product solutions that connect healthcare and private insurance and disability cover. This is being driven by companies seeking to reduce absenteeism due to illness, increase job satisfaction and reduce overall insurance costs.

OTHER ACTIVITIES
Result

Financial performance – Other activities

NOK million	**2011**	**2010**
Financial income	47	31
Interest cost	-161	-131
Operating expenses	-165	-131
Proft and loss other activities	**-278**	**-231**

The result from other activities amounted to minus NOK 278 million compared to minus NOK 231 million in 2010. The result consists essentially of operating income and operating costs in Storebrand ASA. Net income from financial instruments rose by NOK 16 million to NOK 47 million. Operating expenses rose by NOK 34 million.

Official financial statements of Storebrand ASA
Storebrand ASA's official financial statements, which are prepared pursuant to Norwegian accounting law, show a pre-tax profit of NOK 196 million compared to NOK 502 million in 2010. Group contributions from investments in subsidiaries amounted to NOK 474 million, a NOK 684 million reduction compared to 2010. NOK 504 million has been taken to income

Result Storebrand ASA (NGAAP)

NOK million	**2011**	**2010**
Group contribution and dividends	474	1,158
Net financial items[1]	-113	-526
Operating costs	-165	-131
Pre-tax profit	**196**	**502**
Tax	504	0
Profit for the year	**700**	**502**
Application of the year's result		
To other equity	700	11
To dividend		491
Total applications	**700**	**502**

1. Includes write-downs on equity in Storebrand Bank ASA with NOK 425 million in 2010.

RISK AND CAPITAL SITUATION

RISK

Storebrand's income is dependent on external factors which are somewhat uncertain. The most important are capital markets developments and changes in life expectancy in the Norwegian and Swedish populations.

Storebrand's customers want financial security, if something unforeseen should occur, and to maintain their purchasing power on retirement. To satisfy these needs, Storebrand offers various solutions for pension savings and products that ensure further income if, for example, customers lose the capacity to work. The products present the insurance company with an insurance risk, where inter alia, the customers' life expectancy and capacity for work are risk factors. Because of return guarantees, the products also entail interest rate risk. In the Swedish business, this interest rate risk is reflected in the income statement as the liabilities are recognised at market value. The introduction of Solvency II rules with effect from 2014 will mean that the market value of provisions will have far greater importance also in the Norwegian business.

Premiums earned are invested in various forms of securities until the assets, including return, are repaid to customers as a pension or compensation. Storebrand therefore assumes capital market risk by selling these products, with the aim of generating excess returns for both customers and owners. The products are developed, operated and managed by Storebrand and the company is therefore exposed to operational risk in these transactions.

Continuous monitoring and active risk management are core areas in the Group. The basis for risk management lies with the Board's annual administrative handling of the strategy and planning process, including determination of the risk appetite, risk targets and overall risk limits for the business. Risk management and internal control is an integral part of Storebrand's management responsibility.

Both Storebrand Life Insurance and SPP employ dynamic risk management in their everyday management. The methodology employed shall ensure that the companies maintain a good risk-bearing capacity through continuous adaptation of asset allocation and financial risk to the company's solvency and risk capital. The effect of market declines is reduced, while customers and owners can participate in market upturns. Daily calculations in separate modelling tools based on the latest market and portfolio development, form the basis for decisions about possible asset adjustments after a pre-defined framework. By exercising this type of risk management, the company expects to produce good returns each year and over time.

Operational risk refers to the risk of direct or indirect losses resulting from inadequate or failed internal processes or systems, human error or external incidents. The company seeks to reduce operational risk through clear procedures, clear descriptions of responsibilities and documented authorities. In addition, internal audit independent control is carried out in accordance with board-approved audit projects. The major operational risks are associated with regulatory changes, major IT projects and the accompanying risk of operational and commercial implications. The management team carries out an annual review of risks and improvement, which results in improvement measures. The risk assessment is presented to and considered by the Board.

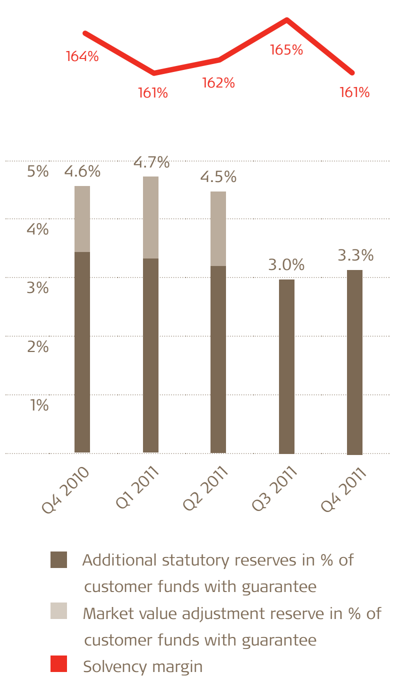
Storebrand Life Insurance

Major risk factors are financial risk - interest rates, equities, properties and credit - and the insurance risk inherent in increased life expectancy and disability rates.

Exposure to increased life expectancy and disability is associated with the insurance's long duration. The tariffs are based on historical statistical material, and the company has strategies for implementation of future demand for reserve strengthening and to reduce the owner's risk from changes in portfolios to the lowest possible level. Significant portions of the savings products have return guarantees. The company's greatest financial risk is linked to its ability to meet the annual interest rate guarantees. This sets the framework for the types of investments and the implementation of risk management. Most of the new sales are products where customers choose the risk profile of their pension savings and themselves bear the return risk on their accumulated pension funds.

For guaranteed business, high interest rates over time are preferable to low interest rates. The falling interest rates in 2011 resulted, therefore, all other things being equal, to a higher

Solidity – Storebrand Life Insurance



risk for the company. This risk is not reflected in the current rules for financial accounting and solvency requirements. New solvency regulations - Solvency II - from 2014 will take into account this interest rate risk. One important stabilising measure is the significant volume of assets in the category of bonds held at amortised cost that are not recognised at current market value, but which provide a stable current booked return significantly above the interest rate guarantee. Liquidity risk is managed by significant financial investments that enjoy extremely good liquidity.

2011 was characterised by market turmoil and a great deal of uncertainty in the 2nd half, especially regarding the servicing of the large debt burden for many countries in the Eurozone. World stock market indexes fell, long interest rates in countries outside of the Euro crisis fell sharply, and the credit premium on bonds rose somewhat. This also affects Storebrand Life Insurance. The return on customer funds that were invested in shares was clearly negative, while falling interest rates generated higher returns than expected. Mortgage bonds gave returns somewhat below expectation, while real estate provided a yield approximately as expected. Exposure to the debt-ridden Euro countries, the so-called PIIGS nations, is limited.

In order to ensure sufficient capital to service its obligations, Norway's FSA requires that the insurance industry stress tests both assets and liabilities pursuant to pre-defined templates. This is referred to as Risk-based Supervision and is a step in the direction of the forthcoming European regulations for life insurance, Solvency II.

Solvency

Overall, the solidity capital of the life insurance group decreased by NOK 2.6 billion in 2011, mainly due to reduced customer buffers. Storebrand Life Insurance achieved a solvency ratio of 161 per cent, a reduction of 4 percentage points. The solvency ratio was negatively impacted by estimated taxes and positive as a result of permission from the FSA to change the way that investments in real estate interests with stakes of between 10 and 15 per cent are treated.

SPP

SPP is exposed to the same types of risks as Storebrand Life Insurance. Differences in product design, regulatory framework and asset allocation result, however, in a somewhat different risk situation. SPP's benefits based products are inflation adjusted, and thus part of the portfolio is exposed to inflation risk. Interest rate risk is reflected in the liabilities since they are market assessed under the Swedish rules in both in the financial statements and for the calculation of solvency capital. The investment portfolio is adjusted to the current interest rate sensitivity of insurance liabilities in the financial statements. Different calculation methods result in the interest rate sensitivity in the calculation of SPP's solvency is greater than in the financial statements. The sharp fall in long Swedish interest rates in the autumn of 2011 had a moderately negative effect on financial results, but a significant negative effect on the company solvency margin. Negative financial markets and dynamic risk management led to a gradual reduction in the proportion of equities in 2011.

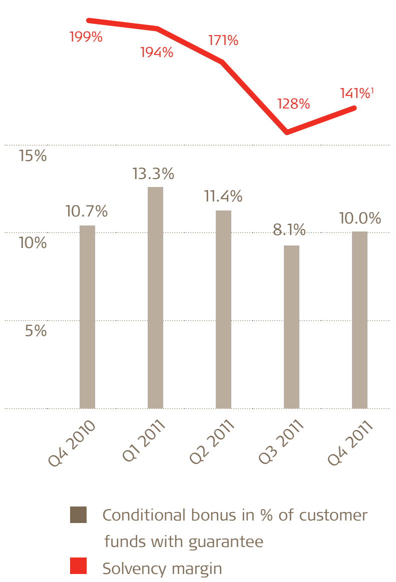
Customer returns in 2011 were good, especially in the profiles with low exposure to the equity market. The largest positive contribution to customer returns came from the bond portfolios, especially portfolios with low credit risk, following the sharp fall in long Swedish interest rates.

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

At the end of the year, SPP's solvency margin was 141 per cent compared with 199 per cent at the end of 2010. In Sweden the solvency calculation discounts insurance liabilities using a market interest rate. During the year, interest rates fell sharply in Sweden. This resulted in the insurance liabilities in the solvency calculation rising and the solvency capital falling. To ensure a stable solvency margin in volatile interest rate markets, it was resolved to strengthen SPP Livförsäkring AB's capital with a capital injection of NOK 0.9 billion.

The Swedish Financial Supervisory Authority's stress test is referred to as Traffic Light Reporting and has much in common with the Risk-based Supervision in Norway.

Solidity – SPP



1. BenCo is inluded in the numbers excluding for Q4 2011.

Asset management
The company provides active management and management of fund-in-fund structures for the customer's account and risk, and bears no risks above normal commercial and operational risk for this type of business. Operational risk is considered the company's most important risk factor. The most common types of operational risk in the asset management business are errors that occur in the trading and settlement process, pricing errors, breaches of investment mandates, erroneous reporting and faults in core systems. The company uses the standardised approach for credit risk in capital adequacy regulations and the basic method for operational risk. In its ICAAP process, the company has assessed the total need for capital. Estimated capital requirements, take into account, in addition to credit, market and operational risks, the additional capital requirements related to the concentration, liquidity, market, reputational risk, and more. The credit risk is considered to be low, and the company is considered to be well capitalised in relation to the risk profile. The company has a good liquidity buffer and monitors liquidity reserves on an on-going basis in relation to internal limits.

The asset management business' direct exposure to market risk is very limited since the company's investments in securities are limited to investing surplus liquidity. The company's own investments are in Norwegian government papers and the company is exposed to market risk associated with this. However, indirectly the company's results are affected by developments in the securities markets, primarily through fees being linked to the market value of assets under management. Furthermore, a weak return can affect the customers' capacity and willingness to take risks through actively managed mandates, as well as affect the customers' asset composition, which in turn can result in a shift from products with high margins to products with lower margins.

The company bears a compliance risk related to compliance with legislation and regulations. The company pays special attention to risks associated with amendments to relevant legislation. In accordance with the management agreements that are entered into, the company conducts major checks and monitoring for its customers. On a daily basis, investment portfolios are followed up against a wide range of investment restrictions.

Storebrand Bank
The most important forms of risk for Storebrand Bank are credit risk and liquidity risk. The bank group is also exposed to operational risk, compliance risk and to a lesser degree market risk.

The risk is monitored in accordance with the board approved guidelines for risk management and internal control. The bank's risk appetite is expressed through the risk strategy that supports the commercial goals. Policy documents are drawn up for the individual risks defined in the guidelines. These documents set the target parameters. The way in which these parameters develop is monitored through risk reports to the bank's board.

Credit
Credit quality in the corporate portfolio is considered good. About 80 per cent of portfolio's loan are real estate loans and about 20 per cent are development and construction loans. Real estate loans are characterised by a well-diversified tenant profile and good long-term leases. With such loans, the bank is secured a cash flow from tenants, while at the same time having collateral in the properties themselves. Tenant diversification provides an equivalent diversification of cash flows that reduces the overall risk in the portfolio.

The greatest risk in the portfolio is considered to be related to development projects, where the bank has a total exposure of about NOK 2.5 billion. This segment consists primarily of loans to construction projects within the residential and office segment in central Oslo. A high proportion of pre-sales is required for lending to new residential projects, and the risk is considered to be satisfactory.

Credit risk has improved during the year as new low risk commitments were recorded, while existing commitments developed in a positive way. Concentration risk related to large commitments has have been reduced in recent years.

Credit quality in the retail market portfolio is considered to be good. Virtually all of the portfolio is secured by way of mortgages on real estate. The portfolio's high collateral coverage implies that there is little risk of losses arising. The property commitments LVR is relatively low and loans in excess of 80 per cent of market value are only granted exceptionally.

Liquidity
The bank has established good liquidity buffers and places great emphasis on having a balanced funding structure in relation to its maturities and issuances in the various markets. Credit facilities/credit agreements have been established with other banks, which the bank can draw on when needed. Storebrand Bank ASA is rated by S&P and Moody's (See the article on rating below).

Market
The bank's aggregate market risk through interest rate and currency exposure and the maximum risk of loss for the liquidity portfolio is limited by way of low exposure limits. The bank has no active investment strategy for shares. Operational risk is reduced through the systematic risk assessments in all areas of the bank, at least every quarter, and at the commencement of projects and if certain incidents occur.

Storebrand Insurance
Insurance risk is the greatest risk for Storebrand Insurance. A one percentage point rise or fall in the claims ratio will amount to about a NOK 20 million improvement or impairment in the 2012 result. To limit the impact, several risk-reducing measures have been introduced. Initially, the most important risk-reducing measures are the underwriting regulations and risk pricing. Thereafter, the risk is limited by way of reinsurance contracts. The need for reinsurance is assessed for each product range, in relation to the volatility of the risk results. Storebrand Insurance's largest exposures to insurance risk relate to property fires and contents, third party liability for motor and personal risk in group life and occupational injury. To reduce the risk in these areas, Storebrand has entered into reinsurance contracts with sound reinsurers.

Storebrand Insurance has a conservative investment profile, with some variation between the different investment portfolios relating to P&C, health insurance, private insurance and personal insurance. The investment portfolios are invested primarily in fixed income securities with short to medium term durations and a low credit risk. Assets and liabilities are well matched from a duration viewpoint. On the whole, Storebrand Insurance's financial risk is limited.

CAPITAL SITUATION
Continuously and systematically, Storebrand pays particular attention to the level of equity and loans in the Group. The level is adjusted to the financial risk and capital requirements, where the growth and composition of its business areas will be important drivers in the need for capital. Capital management aims to ensure an efficient capital structure and preserve an appropriate balance between internal goals and regulatory requirements. The Group's goal over time is to have a solvency margin in life insurance business of over 150 per cent and a core capital ratio in the bank of over 11 per cent in good economic times. Storebrand Livsforsikring AS also aims to have an A-level rating. The holding company's goal is to have a zero net debt ratio over time.

Storebrand ASA has only one share class. All shares have equal rights and the shares are freely transferable. The company is not aware of the existence of agreements between shareholders that limit rights to sell shares or to exercise related voting rights.

Storebrand Life Insurance Group's solvency margin was 161 per cent at the end of the year. There has been a reduction in the solvency margin in 2011. This reduction is due to estimated tax charges. The solvency ratio is also positively influenced by the permission from the Norwegian FSA to change the way investments in real estate interests of between 10 and 15 per cent are dealt with. SPP's solvency margin was 141 per cent at the end of 2011. Storebrand Bank had a capital adequacy ratio of 13.3 per cent and core capital ratio of 11.4 per cent. Storebrand Life Insurance Group's capital adequacy ratio was 13.8 per cent and the core capital (tier I) ratio was 10.1 per cent. Storebrand Group's capital adequacy ratio was 13.9 per cent and the core capital ratio (tier I) was 10.4 per cent at 31 December 2011. The regulatory requirement for capital adequacy is 8 per cent.

The Group's primary capital, which consists of equity, subordinated loans and market value adjustment reserve, additional statutory reserves, conditional bonus and other solvency capital in life insurance, amounted to NOK 42 billion by year-end, compared with NOK 45 billion a year earlier.

Storebrand ASA had total liquid assets amounting to NOK 1.4 billion at the end of 2011, and also has an undrawn credit facility of 145 million Euros. Storebrand ASA's total interest-bearing liabilities amounted to NOK 3.5 billion at the end of the year. Storebrand ASA has a bond loan amounting to NOK 282 million that matures in 2012 and in 2011 it redeemed a bond loan amounting to NOK 750 million and issued new bonds for NOK 1.0 bn. Storebrand ASA's debt is normally refinanced well before maturity.

Rating

Storebrand Livsforsikring AS, and Storebrand ASA have the same rating from Moody's and Standard & Poor's respectively that they had at the end of the preceding year.

	Rating company	
	Moody`s	**S&P**
Storebrand ASA	Baa3 (S)	BBB (S)
Storebrand Livsforsikring AS	A3 (S)	A- (S)
Storebrand Bank ASA	Baa1 (N)	BBB+ (S)
Storebrand Boligkreditt AS	Aaa	na

P = positive outlook
S = stable outlook
N = negative outlook

SUSTAINABILITY

Storebrand Group has worked systematically and purposefully with corporate social responsibility (CSR) for over 15 years. Long before most other players in the financial sector related to socially responsible criteria for their investments, Storebrand had a research department with methods to define the best companies as regards CSR. Storebrand's ambition has long been to be the leading player in the field of corporate social responsibility in the Nordic countries. In 2011, decisions were taken to ensure that this position is maintained in a world undergoing rapid change, where sustainability is an important competitive factor. Reporting of key figures in sustainability is certified by an independent third party and is shown on page 173. Work on sustainable investments is described in more detail on page 18.

From CSR to sustainability

For 15 years, Storebrand has used CSR as a concept for the work being carried out within the environment, social issues and social commitment. To ensure long-term development as a company calls for more than just assuming responsibility. It calls for a sustainable strategy. The concept of sustainability defines the core of long-term success, "sustainable development should maintain this generation's needs without compromising the ability of future generations to meet their own needs[5]". This is a guiding star for the Group's strategic planning and daily operations, and is followed up, among other things, by asset management's analysis of enterprises in the investment process. Sustainability is also one of the Group's new promises to its customers.

In the spring of 2011, the Board of Directors resolved a further development of the Group's work on sustainable investments. Since 2005, the Group has had a minimum standard for sustainable investments that applies to all funds managed by the Group. This resolution implies that the ESG parameters (Environmental, Social and Governance) shall be taken into consideration in all investment decisions. The purpose is to identify companies that are best positioned to meet future challenges from a sustainability perspective.

World-class sustainable enterprise

The Group requires sustainability in all internal processes and decisions. The Purchasing Department has requirements for sustainability as one of three essential criteria, HR has ethics and employee satisfaction high on the agenda, and sustainability is largely integrated into the core business. This means that Storebrand for 13 consecutive year has been eligible to be included in the Dow Jones Sustainability Index as one of the 10 per cent most sustainable companies in the world in our industry. Storebrand is to be found on the SAM Sustainability Leaders list for 2012. Furthermore, Storebrand qualified for the FTSE4Good, Leadership Index of the Carbon Disclosure Project and came in 9th on the list of the most sustainable companies in the world at Global 100, which the World Economic Forum compiles.

The value of the Group's work on sustainable investments also received wide recognition as the Group in 2011 was awarded "Sustainable Asset Owner of the Year" by Financial Times and IFC, a part of the World Bank.

5 Definition of sustainable development from the Brundtland Commission Report 1987.

Changes in PSI - Principles for Sustainable Insurance
In 2012, UNEP FI, the United Nations Environment programme, will introduce the principles for sustainable insurance, an expansion of UNPRI - which are the UN Principles for Responsible Investment. These principles will be an important tool for the industry's sustainability efforts and hopefully contribute to building confidence in the financial and insurance industry globally, which for years has struggled with low a confidence rate among people in general. Storebrand has been involved in formulating the policies and preparing the business to deliver on the new principles for sustainable insurance.

Environment
Storebrand is committed to reducing the environmental impact of its business, both through its own operations, investments, procurement and property management. High requirements on our investments also contribute to a positive environmental impact. The absolute greatest impact on the environment can be achieved through the strict requirements that our investments are subjected to.

The Group's head office at Lysaker is a building with high environmental demands, and we work constantly to reduce energy consumption in all properties that we manage ourselves. The Group is also working on eco-labelling of its properties. At the end of 2011, 60 per cent of the properties that Storebrand operates and manages are Eco-lighthouse certified. All are energy labelled.

The Group works to eliminate all company cars in Norway and Sweden and has both electric cars and bicycles that can be borrowed. The environment weighs heavily on all our procurement.

Although the Group is actively working to reduce emissions, it is not currently possible to reduce CO_2 emissions to a zero level. To compensate for this, Storebrand purchases UN-certified carbon quotas (CER, Certified Emissions Reductions) covering emissions from air flights, energy consumption and company cars. The Group became Norway's first carbon neutral financial player in 2008 and has since been climate neutral.

HUMAN RESOURCES AND ORGANISATION
At year-end, the Group had 2 221 employees, compared with 2 182 at the beginning of the year. Of these, 49 per cent were women. The average age is 44 years and average length of service is 9 years.

Equality and diversity
In all Storebrand's job listings, the Group emphasises that it is committed to diversity and that we encourage qualified candidates to apply regardless of age, gender, disability, cultural background or sexual orientation. The Group's working environment surveys are an important tool to measure the employees' experience of Group diversity, and the importance of having this topic on the agenda.

50 per cent of the directors of Storebrand ASA are women. Women account for 33 per cent of the boards of its subsidiaries and 17 per cent of the executive management team. At the end of the year, 38 per cent of women had management responsibilities in the Group. The Storebrand-Group participates in the financial industry's management training programme for women, Futura, chairing the working group and contributing with candidates and agents. In addition to Futura, the Group participates in Ruter Dam (Women's' routes) in Sweden. The company requires that its partner recruitment agencies present final candidates of both genders for managerial positions. The company provides a series of employee benefits that contribute to flexible solutions, including the right to 15 days off in lieu, flexible working hours within the Group's core hours, and the majority of employees have laptops. Employees receive their full pay if they, their children or their parents are sick and during pregnancy. Salary statistics are produced for specified levels and types of position in order to facilitate comparisons between the genders.

In 2011, 15 employees over the retirement age of 65 were in work, compared to 38 in 2010. In Norway, the Group hired 33 new people over the age of 45.

Sick leave
Health and satisfaction are included in all business area scorecards and health has consistently been high on the agenda of the Group in 2011. In the health indicator physical working conditions are included, and a range of measures have been introduced to ensure that the Group's physical working conditions are the best possible. There is still much that can

be improved and work will continue into the coming year. Action on many fronts has led the Group being able to record stability in sickness leave in 2011, which at the beginning of the year was targeted at 3.5 per cent. Overall, sick leave in the Group was 3.8 per cent in 2011, 4.4 per cent in Norway, 2.4 per cent and 2.5 per cent in SPP and Storebrand Baltic respectively. The Group became an "inclusive workplace" (IA) company in 2002 and enjoys a close and good cooperation with The Norwegian Labour and Welfare Service (NAV). Storebrand has its own health clinic and in 2011 it had just over 5,800 medical consultations. With an average of 9 consultations per employee this has contributed positively to the Group's low sickness figures.

Head office employees can train in their own sports hall during working hours and the sports club, which has administrative responsibility for activities in the hall, has more than 900 members covering 17 branches of athletics.

No injuries to people, property damage, or accidents of significance were reported in Storebrand in 2011.

Skills and training
A common e-learning platform has made the training on offer more visible and available than before. This has resulted in more people taking advantage of the varied training the company offers. The Group has developed training plans for different roles in Storebrand, in which skills training in all arenas is combined. There are also standardised courses on offer that are readily available to all employees.

It was important to improve customer relationships, and courses in customer communications and sales have been held throughout the year. Storebrand has used internal resources in this effort to raise the level of competency. In 2011, there has also been considerable focus on the authorisation scheme for financial advisors (AFR) in terms of the theoretical knowledge test and practical examination. In all, six theme days were arranged in preparation for the knowledge test.

In 2010/2011, Storebrand's trainee programme was adjusted in line with the retail market strategy, and a more diverse group of trainees were employed with a focus on the subject matter, customer or project management. The programme runs for two years and gives trainees a unique experience of the entire Group. The trainees are offered four trainee positions in Norway, SPP or in Lithuania, and feedback from trainees and the areas in which the trainees work are very good. In addition, we offer a summer programme for students who have one year left before taking their masters degree.

Storebrand is working continuously to strengthen personal and professional development in the Group and emphasises performance appraisal as an important part of this. All employees go through two mandatory appraisals a year involving follow-up and documentation of performance, collaboration and compliance with corporate values. In 2012, performance appraisals will be even more important as a way of supporting the Group's efforts to strengthen customer orientation.

Ethics and trust
Storebrand lives on trust. It is not a physical product that is sold, but a promise to be there when needed, be it tomorrow, in ten years or in forty years. Therefore, we set stringent demands on the high ethical standards of the Group's employees. All employees are measured on performance, behaviour and attitudes. One of the group's core values in 2011 was *To be trusted* and one of the Group principles was *We take social responsibility*.

CORPORATE GOVERNANCE
Storebrand's Board of Directors and its executive management review corporate governance principles annually. Storebrand established its corporate governance principles in 1998. In accordance with § 3-3b of the Accounting Act and the Norwegian Code of Practice for Corporate Governance dated 20 October 2011, Storebrand issues a statement of the principles and practices of corporate governance. For a detailed account of Storebrand's corporate governance and a report on corporate governance under the Accounting Act § 3-3b, see the separate article on page 54 of the annual report.

The Board carried out an evaluation in 2011, where executive management participated. In 2011, 13 board meetings and one board seminar were held. The Board's working methods are regulated by a separate set of rules of procedure. The Board has established two advisory committees: the Compensation Committee and Audit Committee. In 2011 it also established a Remuneration Committee, which is common to Storebrand ASA, Storebrand Livsforsikring AS, Storebrand Bank ASA, Storebrand Kapitalforvaltning AS and Storebrand Finansiell Rådgiving AS, pursuant to § 3, third paragraph of the Remuneration Regulations. The Remuneration Committee is in addition to the Compensation Committee. The committee cannot take decisions on behalf of individual boards.

The following changes to the membership of the Storebrand Group's corporate bodies took place in 2011:

Board of Directors: Monica Caneman was elected a new Board member after Annika Lundius.
Board of Representatives: Terje Andersen, Helge Leiro Baastad, Maalfrid Brath and Morten Fon (previously deputy members) were elected new members. Jostein Furnes was elected a new deputy member. Johan H. Andresen Jr., Merete Egelund Valderhaug, Roar Engleland, Henrik O. Madsen, Elin Korvald and Tuss Benum stepped down from the Board of Representatives.
Control Committee: Anne-Grete Steinkjær was elected a new deputy member. Ida Hjort Kraby stepped down from the Control Committee.
Nomination Committee: Kjetil Houg was elected a new member. Johan H. Andresen jr. declined re-election and resigned from the Nomination Committee

The Board wishes to thank the retiring members of the Board of Directors, Board of Representatives and the Control Committee for their valuable contributions to the Group.

OUTLOOK

The macroeconomic picture
2011 was marked by turbulent financial markets. At the beginning of 2012, turmoil in the financial markets is still considerable and the scope of the financial developments are still significant internationally. Several southern European countries are struggling with high debt. Growth forecasts for Europe are low, and there is great uncertainty in the market linked to the European authorities' handling of the difficult economic situation. The global downturn brought about weaker economic growth in Storebrand's home markets, Norway and Sweden.

The yield on ten-year government bonds fell significantly in the 2nd half of 2011 and is historically low in both Norway and Sweden. In the long term, this is a challenging situation for an insurance company that must satisfy an annual interest rate guarantee. At the same time Storebrand registers that there are still good investment opportunities in the market, with an expected return that exceeds the average guaranteed interest rate of 3.4 per cent.

Despite a weak macro picture in the Eurozone and the ripple effects this will have on the Nordic countries, we still expect continued growth in Storebrand's core markets. Wage growth in Norway is strong and is expected to be about 3.5 per cent in 2012. The growth in the life insurance and pensions market will be characterised by the fact that demand is shifting from defined benefit pensions with guaranteed interest, to defined contribution products with no guaranteed return. We expect low growth in assets under management for benefits products, while growth in defined contribution pensions will be maintained.

Results
The Group's profit and cash flow will gradually be strengthened through the transition to products where results are less affected by market fluctuations. Storebrand's goal is to achieve a profit before profit sharing and loan losses of NOK 2.5 billion by the end of 2013. Measures have been introduced aiming at increasing the fixed earnings elements and adjusting the cost level. In addition, net profit sharing, yield-based fees and loan losses affect the consolidated result. These elements are more influenced by market developments. Financial market unrest has led to Storebrand being behind its income target in 2013 at the end of 2011. To compensate for slower growth in revenues than expected, cost-cutting measures will be implemented earlier than planned, and more extensively

Risk
Through its business areas, Storebrand is exposed to several risks. Changes in interest rates, real estate and equity markets are considered the most important risk factors that may affect the Group's results, alongside life expectancy trends and claims arising from sickness. The level of investment return is important if we are to generate a return that exceeds the products' guaranteed interest rate over time. Risk management is a priority core area for

Group. After the financial crisis in 2008, Storebrand has actively built up buffers to tackle the kind of market turmoil that is now being experienced

Proposed amendments in tax laws
On 1 January 2012, the Ministry of Finance sent out a proposal, for consultation purposes, to limit the exemption method for shares owned in the customer portfolios of life insurance companies and pension funds. Under the proposed amendments, Storebrand will experience a tax charge of up to 28 per cent. As the proposal is formulated, however, Storebrand's carry forward losses could be continued and will shield the company from paying taxes for a period.

In the long term, the proposed limitation of the exemption method will have a negative effect on life insurance business's earnings, and the embedded value of insurance contracts. Similarly, the proposed change have a positive effect in that it reduces the potential tax charge when share values fall. The effect will depend on the proportion of shares, share market performances and the exploitation of carry forward losses.

Solvency II
The Banking Law Commission's report on paid-up policies and capital requirements, NOU 2012:3, was submitted to the Ministry of Finance on 17 January 2012. The Banking Law Commission proposes in NOU 2012:3 legislative amendments that may contribute to a better adaptation of the paid-up policies to the capital requirements that follow from Solvency II. The main points in the proposal presented by the Banking Law Commission's are voluntary conversion of paid-up policies to paid-up policies with an investment options, without any guarantee. It also proposes to allow companies to convert several paid-up to individual pension contracts without guarantee, and shorten payment period for small paid-up policies.

Amendments to the Norwegian regulations are necessary in order to ensure a good and stable occupational pension system for companies and employees under Solvency II. Storebrand is in favour of the proposed measures, but emphasises that these are not adequate if we are to deal with the challenges presented by the introduction of Solvency II under current Norwegian legislation.

The Banking Law Commission continues to work on new regulations for insurance-based occupational pension schemes adapted to the pensions reform, changing market conditions and new capital adequacy requirements. It has been indicated that this report will be published in May/June 2012. Storebrand follows the regulatory processes closely and enjoys a constructive dialogue with the authorities on these issues.

Future reserves for increased life expectancy
Norway's FSA has requested FNO to complete their work with new mortality tables. The FSA will review the life insurance companies' need for additional reserves for long life based on the new tables.

DIVIDENDS AND YEAR-END APPROPRIATIONS

Storebrand's result target suggests an increased cash flow from operations. Growth in earnings and cash flow will lead to a revision of the dividend policy and an increase in the dividend level.

In its assessment of the dividend for 2011, the Board has focused on:

- Necessary adjustments of the Norwegian product regulations to Solvency II are still not clarified.
- Expectations of new mortality assumptions.
- Historically low interest rates in Norway and Sweden.

The Board has resolved to propose to the Annual General Meeting that the entire net profit for 2011 is applied to enhance equity and reduce Storebrand ASA's net debt ratio.

NOK million	**2011**	**2010**
Applications		
To other equity	700	11
To dividend		491
Total applications	**700**	**502**

Distributable reserves amounted to NOK 4,718 million as per 31 December 2011.

Lysaker, 13 February 2012
The Board of Directors of Storebrand ASA
Translation - not to be signed

Birger Magnus
Chairman of the Board

Birgitte Nielsen | Jon Arnt Jacobsen | Halvor Stenstadvold | Heidi Skaaret

Jon S. Dueholm | Monica Caneman | Knut Dyre Haug

Kirsti Valborgland | Ann-Mari Gjøstein | Idar Kreutzer, Chief Executive Officer

Corporate Governance

Storebrand's corporate values are described by the group's position, vision, core values and corporate policies.

The management and Board of Directors of Storebrand conduct an annual review of Storebrand's corporate governance policies and how they function in the group. Storebrand reports on the group's policies and practice for corporate governance in accordance with section 3-3b of the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance of 20 October 2011.

SECTION 3-3B, SECOND PARAGRAPH OF THE NORWEGIAN ACCOUNTING ACT

The description below describes how Storebrand complies with section 3-3b, second paragraph of the Norwegian Accounting Act. The sections below refer to the numbering within the paragraph.

1-3. Specification of the code of practice that Storebrand observes, information on where this code of practice is available and grounds for any deviation from the code of practice

Storebrand's corporate governance policies are based on Norwegian law. Storebrand complies with the Norwegian Code of Practice for Corporate Governance published by the Norwegian Corporate Governance Board (NUES). This Code of Practice is available at www.nues.no. Any deviation from this Code of Practice is commented on under each section in the statement below.

4. Description of the main elements of the group's systems for internal control and risk management related to the financial reporting process

See section 10 of the Norwegian Code of Practice for Corporate Governance below.

5. Provisions in the Articles of Association that completely or partially expand on or deviate from the provisions in section 5 of the Norwegian Public Limited Companies Act

See section 6 of the Norwegian Code of Practice for Corporate Governance below.

6. Composition of governing bodies and a description of the main elements of the applicable instructions and guidelines

See sections 6, 7, 8 and 9 of the Norwegian Code of Practice for Corporate Governance below.

7. Provisions in the Articles of Association that regulate the appointment and replacement of board members

See section 8 of the Norwegian Code of Practice for Corporate Governance below.

8. Provisions in the Articles of Association and authorisations granting the board the authority to buy back or issue the group's own shares

See section 3 of the Norwegian Code of Practice for Corporate Governance below.

NORWEGIAN CODE OF PRACTICE FOR CORPORATE GOVERNANCE

The statement below describes how Storebrand complies with the 15 sections of the Code of Practice.

1. Implementation and reporting on corporate governance
(No deviations from the Code of Practice)

There are no significant deviations between the Code of Practice and how Storebrand complies with the code. Two deviations have been accounted for below under sections 3 and 14, respectively. Storebrand established its own corporate governance policies as early as 1998 and views the Norwegian Code of Practice as a natural extension of its own policies. The Board of Directors (the Board) has decided that the company will comply with the Norwegian Code of Practice and refers to compliance with the Code of Practice in the Board of Directors' Report on page 49.

Storebrand's corporate values are described by the group's position, vision, core values and corporate policies. Combined they provide the group with a common direction and goals. The vision describes the group's goals and ambitions. The three core values characterise what Storebrand stands for as a company. Further discussion and clarification of the group's corporate values can be found on the group's website.

Storebrand's principal focus within corporate responsibility is sustainable investments. The group has more than 15 years of experience within systematic, goal-oriented corporate responsibility, and its work is based on the group's vision, core values and corporate policies. The group's corporate responsibility guidelines are based on the principles set forth in the UN Global Compact and the UN's Principles for Responsible Investment.

The group also has its own code of ethics, as well as guidelines for whistle-blowing, social events and combating corruption. An employee survey was conducted within the group in 2011, after which the employees on a scale of 0-100 where to state to what extent they had a clear picture of the importance of the ethical guidelines in their day-to-day work. The final score was 84.

2. Business
(No deviations from the Code of Practice)
Pursuant to the Articles of Association Storebrand ASA is a parent company for a financial group. The object of Storebrand ASA is to manage its equity interests in the group in compliance with the current legislation. The group's main business areas comprise pension and life insurance, asset management, banking and P&C insurance. The full text of the Articles of Association can be found on the group's website at www.storebrand.no.

The market is kept informed of the group's goals and strategies through investor presentations held in connection with interim and annual reports and other specialised presentations, such as the Capital Markets Days, which are held when needed, most recently on 9 March 2011. You can read more about the company's goals and main strategies on page 28.

3. Equity and dividends
(Deviation from the Code of Practice)
The Board continually monitors the company's capital solidity in light of its goals, strategy and risk profile. You can read more about Storebrand's solvency capital and capital situation on page 43 of the Board of Directors' Report. The Board has adopted a dividend policy that states that the dividend paid to shareholders shall normally amount to more than 35 per cent of the profit for the year after tax, but before amortisation costs. The dividend is set by the Annual General Meeting (AGM), based on a proposal put forward by the Board. Read more about Storebrand's dividend policy on page 22.

Storebrand ASA wants to have various tools at its disposal that it can use to maintain an optimal capital structure for the group. At the 2011 AGM the Board was granted authorisation to increase the share capital through issuing new shares for a total maximum value of NOK 224,954,945. This authorisation may be used to develop the group's focus areas by the acquisition of businesses in consideration for new shares or by otherwise increasing the share capital. The authorisation may be used for one or more new issues. The authorisation is valid until the next AGM.

At the same AGM the Board was authorised to acquire the company's own shares for a maximum value of NOK 224,954,945. The total holdings of treasury shares must, however, never exceed 10 per cent of the group's share capital. The buyback of treasury shares may be a tool for the distribution of profit capital to shareholders in addition to dividends. In addition, Storebrand ASA sells shares to employees from its own holdings in connection with the share purchase scheme and long-term incentive schemes for employees in the group. It is accordingly appropriate to authorise the Board to buy shares in the market to cover the aforementioned needs or any other needs. The authorisation will remain in force until the next AGM and is limited to a defined purpose.

Otherwise there are no provisions in Storebrand's Articles of Association that regulate the buyback or issuance of shares.

Deviation from the Code of Practice: The Board's authorisation to increase the share capital is not limited to defined purposes. No provisions have been made for the General Meeting to vote on each individual purpose to be covered by the authorisation.

4. Equal treatment of shareholders and transactions with close associates
(No deviations from the Code of Practice)
Storebrand ASA has only one class of shares, and Norwegian legislation does not permit shareholders to accumulate votes from one matter in order to cast additional votes for another matter (cumulative voting). Storebrand has no specific restrictions on the ownership of shares or voting rights beyond the restrictions imposed by the Financial Institutions Act.
The general competence rules for board members and executive personnel can be found in the rules of procedure for the Board of Storebrand ASA and the group's code of ethics. Board members must inform the company if they have direct or indirect material interests in an agreement concluded by one of the group's companies. The Board shall ensure that an independent third party assesses the value of transactions that are not insubstantial in nature. Furthermore, the rules of procedure for the Board stipulate that no board member may participate in discussions or a decision concerning matters that are of such material importance to them or a close associate that the member must be regarded as having a conspicuous personal or special financial interest in the matter. Each board member has a responsibility to continuously assess whether or not such a situation exists. Transactions with close associates involving the group's employees and other officers of the group are regulated by the group's code of ethics. Employees shall on their own initiative immediately report conflicts of interest that may arise to their immediate superior as

10 %
The total holdings of treasury shares must, however, never exceed 10 per cent of the group's share capital.

soon as they become aware of such a situation. In general, an employee is defined as disqualified if circumstances exist that could result in others questioning the person's impartiality in relation to matters other than the interests of the Storebrand Group.

For a complete report on shareholder matters, see page 22.

5. Freely negotiable shares
(No deviations from the Code of Practice)
All shares have equal rights and are freely negotiable. The Articles of Association do not impose any limitations on the negotiability of Storebrand shares.

6. General meetings and control committee
(No deviations from the Code of Practice)

All shareholders may participate at the AGM, and it is also possible to vote by proxy.

General meetings
Pursuant to the company's Articles of Association, Storebrand ASA's AGM shall be held by the end of June each year. The 2011 AGM was held on 13 April. All shareholders with a known address will receive written notice of the AGM by post, which will be sent out no later than 21 days before the AGM. The deadline for registration is three working days before the AGM.

At the 2010 AGM, the Articles of Association were amended so that if documents concerning the business to be transacted at the annual general meeting have been made available to shareholders on the Company's web site, the requirements contained in the Norwegian Public Limited Companies Act or the Articles of Association that the documents shall be sent to shareholders shall not apply. This shall also apply to documents which, under the Norwegian Public Limited Companies Act or the Articles of Association, shall be included in or enclosed with the notice of the annual general meeting. A shareholder may nevertheless require that the documents that concern business to be transacted at the annual general meeting are sent free of charge. This provision in the Articles of Association deviates from the main rule in chapter 5 of the Norwegian Public Limited Companies Act that the annual financial statement, annual report, statement by the Board of Representatives and the Board's declaration on the remuneration for executive personnel shall be sent to all shareholders no later than one week prior to the AGM. The Board's proposal to amend the Articles of Association on this point was justified by a desire to achieve environmental benefits and cost savings. The Articles of Association were amended at the 2011 AGM to allow shareholders to vote in advance by means of electronic communication, cf. section 5-8b of the Norwegian Public Limited Companies Act. Such an arrangement gives the shareholders an opportunity to vote without being represented at the AGM. This amendment was proposed to give as many shareholders as possible an opportunity to exert influence on the company through exercising their voting rights. The right to vote in advance is subject to the existence of an adequate method for authentication of the sender. The notice of the AGM shall state whether voting in advance is allowed and what guidelines have been determined for such voting.

All shareholders may participate at the AGM, and it is also possible to vote by proxy. Provisions have been made so that the proxy form is linked to each individual item to be considered, and Storebrand will seek whenever possible to design the form so that it allows voting for candidates who are to be elected. The voting rules for the AGM allow separate votes for each member of the various bodies. Further information about the exercising of proxies and shareholders' rights to have matters discussed at the AGM is available in the notice of the AGM and on Storebrand's website.

Storebrand's Articles of Association stipulate that the chairman of the Board of Representatives shall chair the AGM. The Chairman of the Board, at least one representative from the Nomination Committee and the external auditor must attend the AGM. The CEO and the group's executive management team also participate. AGM minutes are available on the group's website.

The AGM makes decisions concerning the following:
- Approval of the annual report, financial statements and any dividend proposed by the Board.
- Declaration on the fixing of salaries and other remuneration for leading personnel
- Election of shareholder representatives to the Board of Representatives and members of the Nomination Committee and the Control Committee.
- Remuneration of the Board of Representatives, Nomination Committee and Control Committee.
- Election of an external auditor and fixing the auditor's remuneration.
- Any matters listed on the agenda enclosed with the notice of the meeting.

Decisions are generally made on the basis of an ordinary majority. Pursuant to Norwegian law, however, a special majority is required for certain decisions, including decisions about setting aside pre-emptive rights in connection with any share issues, mergers, demergers, amendments to the Articles of Association or authorisations to increase or reduce the share capital. Such decisions require approval by at least two thirds of both the votes cast and the share capital represented at the AGM.

Control Committee

Storebrand is legally required to have a Control Committee. Storebrand ASA, Storebrand Livsforsikring AS, Storebrand Forsikring AS, Storebrand Bank ASA and Storebrand Boligkreditt AS share a committee, which consists of five members and an alternate member elected by the AGM. The alternate member attends all the Control Committee meetings. The composition of the committee is identical for Storebrand ASA and all of the aforementioned subsidiaries or group companies. The committee is independent of the respective boards and management of the companies. The term of office is two years. The Control Committee is responsible for ensuring the group conducts its activities in a prudent and proper manner. The Storebrand Group believes a good working partnership with the Control Committee is important. The committee ensures that the group complies with all relevant legislation and regulations, and that it operates in accordance with the Articles of Association and resolutions adopted by the group's decision-making bodies. The committee is entitled to look into any matter and has access to all relevant documentation and information. The committee has the power to demand information from any employee and any member of the governing bodies. The committee held nine meetings in 2011 and reported on the committee's work to the Board of Representatives on 1 March 2011.

7. Nomination Committee
(No deviations from the Code of Practice)

Storebrand ASA's Articles of Association regulate the Nomination Committee, which consists of four members and an observer elected by the employees. The chairman of the Nomination Committee and the other members are elected by the AGM. The Articles of Association stipulate that the chairman of the Board of Representatives shall be a permanent member of the Nomination Committee, if the person concerned has not already been elected by the AGM. An employee representative will also participate as a permanent member in discussions and recommendations concerning the election of the chairman and deputy chairman of the Board of Representatives and the Chairman of the Board, as well as in other contexts where this would be natural pursuant to an invitation from the chairman of the committee. The Nomination Committee is independent of the Board and management, and its composition aims to ensure broad representation of the shareholders' interests. Storebrand does not have any written provisions concerning rotation of Nomination Committee members, but the Nomination Committee has in practice rotated its members. The Articles of Association stipulate that the Nomination Committee should work in accordance with the rules of procedure adopted by the AGM. The Nomination Committee's rules of procedure were adopted at the 2010 AGM. In accordance with the rules of procedure, the Nomination Committee shall focus, for example, on the following when preparing nominations for representatives for the companies' governing and controlling bodies: competence, experience, capacity, gender distribution, independence and the interests of the community of shareholders. More information about the members has been published on the group's website. The Nomination Committee reviews the annual appraisal of the work of the Board and is responsible for proposing candidates to the Board of Representatives, Boards, Control Committee and Nomination Committee, and the remuneration for the members of these bodies. The committee's members are also members of the nomination committees of Storebrand Livsforsikring AS, Storebrand Bank ASA and Storebrand Boligkreditt AS.

The Nomination Committee held seven meetings in 2011, and prepared nominations for the election of new members to the Board of Representatives, including a new chairman. It also prepared nominations for the election of members to the Board and Control Committee. The Nomination Committee also prepared matters that will be considered in 2012.

8. Board of Representatives and Board of Directors, composition and independence
(No deviations from the Code of Practice)

Storebrand ASA is legally required to have a board of representatives. It has 18 members, 12 of whom are elected by the AGM and six by the group's employees. Members are elected for a two-year term so that half the members are up for election each year. It is a statutory requirement that the members elected by the AGM shall reflect the company's stakeholders, customer structure and function in society. The company's shareholders are broadly represented through the elections that are held.

The duties of the Board of Representatives include making recommendations to the AGM regarding the Board's proposed annual report and financial statements,

The Board of Representatives elects the Board's members and supervises the management of the company by the Board and CEO.

electing six, or up to seven, shareholder-elected board members, including the Chairman of the Board, fixing the remuneration paid to board members, prescribing the rules of procedure for the Control Committees' work, and considering reports from the Control Committees. The Board of Representatives is entitled to make recommendations to the Board on any matter.

The Articles of Association stipulate that the Board of Directors may consist of nine or ten members. The Board's members are elected for one year at a time. One new board member was elected at the Board of Representatives meeting in 2011. The Board has consisted of ten members in 2011. Furthermore, the Articles of Association stipulate that six, or possibly seven board members, shall be elected by the Board of Representatives based on nominations from the Nomination Committee. Three members shall be elected by and from among the employees. The day-to-day management is not represented on the Board.

None of the members elected by the Board of Representatives have any employment, professional or consultancy relationship with the group beyond their appointment to the Board. The backgrounds of the individual board members are described on page 64 of the annual report and on the group's website. The composition of the Board satisfies the independence requirements set forth in the Code of Practice. There are few instances of disqualification during the consideration of matters by the Board. The Board's assessment of each board member's independence is commented on in the overview of governing and controlling bodies on page 66. An overview of the number of shares in the Storebrand Group owned by members of governing bodies as at 31 December 2011 is included in the notes to the financial statements for Storebrand ASA (Information about close associates) on page 167.

9. Work of the Board of Directors (No deviations from the Code of Practice)

Board's duties

The Board meets at least 11 times a year. A total of 13 board meetings and one board seminar on Solvency II were held in 2011. The group's future strategy is discussed at the Board's annual strategy meeting, which establishes guidelines for the management's preparation of plans and budgets in connection with the annual planning process, which must be approved by the Board. The Board shall stay informed about Storebrand's financial position and development, ensure that its activities are subjected to adequate control and ensure that the group has adequate capital based on the scope of, and risks associated with, its activities. The attendance records of individual board members are provided in the overview of the governing and controlling bodies on page 66. The work of the Board is regulated by special rules of procedure for the Board, which are reviewed annually. In order to ensure sound and well-considered decisions, importance is attached to ensuring that meetings of the Board are well prepared so that all the members can participate in the decision-making process. The Board prepares an annual schedule for its meetings and the topics it will consider. The agenda for the next board meeting is normally presented to the Board based on the approved schedule for the year and a list of matters carried forward from previous meetings. The final agenda is fixed in consultation with the Chairman of the Board. Time is set aside at each board meeting to evaluate the meeting without the management present. The Board is entitled to appoint external advisers to help it with its work whenever it deems this necessary. The Board has also drawn up instructions for the CEO.

The Board conducts an annual evaluation of its work and methods, which provides a basis for changes and measures. The results of the Board's evaluation are made available to the Nomination Committee, which uses the evaluation in its work.

Board committees

The Board has established a Remuneration Committee and an Audit Committee. Both committees consist of three board members, two shareholder-elected board members and one-employee elected board member. This helps ensure thorough and independent consideration of matters that concern internal control, financial reporting and the remuneration of executive personnel. The committees are preparatory and advisory working committees and assist the Board with the preparation of items for consideration. Decisions are made, however, by the full Board. Both committees are able to hold meetings and consider matters without the involvement of the company's management.

The Remuneration Committee assists the Board with all matters concerning the CEO's remuneration. The committee monitors the remuneration of the group's executive personnel, and proposes guidelines for the fixing of the executive personnel's remuneration and the Board's statement on the fixing of the executive personnel's remuneration, which is presented to the AGM each year. The Remuneration Committee held eight meetings in 2011.

The Audit Committee assists the Board by reviewing, evaluating and, where necessary, proposing appropriate measures with respect to the group's overall controls, financial and operational reporting, risk management, and internal and external auditing. The Audit Committee held seven meetings in 2011. The external and internal auditors participate in the meetings. The majority of the committee's members are independent of the group. The Board has found that it is appropriate to have a combined Remuneration Committee for the entire Storebrand Group.

Compensation Committee
The Board has appointed a Compensation Committee that is a joint committee for five Norwegian group companies pursuant to section 3, third paragraph of the Compensation Regulations. The Compensation Committee is in addition to the Remuneration Committee. In accordance with its mandate, the Compensation Committee shall advise the boards of the affected companies in any matters that concern the individual company's compensation scheme for executive personnel, employees with duties of importance to the company's risk exposure and employees with control functions. In addition, the committee shall evaluate whether the company's compensation scheme and its practice makes good management and control of the company's risk possible, counteracts high risk-taking and contributes to the avoidance of conflicts of interest. The committee cannot make decisions on behalf of the individual board.

10. Risk management and internal control (No deviations from the Code of Practice)

Management and control
Storebrand ASA's Board has drawn up general policies and guidelines for management and control. These policies deal with the Board's responsibility for determining the group's risk profile, approval of the organisation of the business, assignment of areas of responsibility and authority, requirements concerning reporting lines and information, and risk management and internal control requirements. The Board's and CEO's areas of responsibility are defined in the rules of procedure for the Board and instructions for the CEO, respectively.

Storebrand ASA's Board has drawn up instructions for the group's subsidiaries that are to ensure that they implement and comply with the group's management and control policies and guidelines.

The group's corporate responsibility guidelines summarise how corporate responsibility is an integral part of the group's management and control processes for investments, product development, purchasing, employee monitoring and internal operations. The group's corporate responsibility goals are adopted by the Board. The group also complies with the GRI (Global Reporting Initiative) international reporting standard. The results are audited by the group's external auditor.

The investor relations guidelines ensure reliable, timely and identical information to investors, lenders and other stakeholders in the securities market.

As an extension of the general policies and guidelines, a code of ethics has been drawn up that applies to all employees and representatives of the group, in addition to corporate rules for areas such as risk management and internal control, financial reporting, handling inside information and share trading by primary insiders. Guidelines and information about information security, contingency plans and financial criminality have also been drawn up. In addition to its own supervisory bodies and external auditor, the group is subject to statutory supervision by the Financial Supervisory Authority of Norway.

Risk management and internal control
The assessment and management of risk are integrated into the group's value-based management system. This management system shall ensure that there is a correlation between goals and actions at all levels of the group and the overall policy of creating value for Storebrand's stakeholders. The system is based on a balanced scorecard, which reflects both short-term and long-term value creation in the group.

The group's strategy development is anchored in the Board by means of an annual strategy meeting and as a permanent item on the Board's agenda. The Board's guidelines for the annual planning process are summarised in the form of challenge notes to the group management team. The final product is a Board approved three-year plan for the group with goals and an action plan, financial forecasts and budgets, as well as a comprehensive assessment of the risk picture for the period covered by the plan.

For the 13th year in a row the group qualified for the international Dow Jones Sustainability Index, which includes the top 10 per cent most sustainable companies within all industries on a global basis.

Risk assessment forms part of the managerial responsibilities in the organisation. The purpose of this is to identify, assess and manage risks that can hamper a unit's ability to achieve its goals. Developments in the financial markets are important risk factors in relation to the group's earnings and solvency position. In addition to assessing the effects of sudden shifts in the equity markets or interest rates (stress tests), scenario analysis is used to estimate the effect of various sequences of events in the financial markets on the group's financial performance and solvency. This is important input for the Board's general discussion about risk appetite and risk allocation.

Assessment of operational risks is linked to a unit's ability to achieve goals and implement plans. The process covers both the risk of incurring losses and failing profitability linked to economic downturns, changes in the general conditions, changed customer behaviour, etc., and the risk of incurring losses due to inadequate or failing internal processes, systems, human error or external events.

The Storebrand Group publishes four interim financial statements, in addition to the ordinary annual financial statements.

The responsibility for the group's control functions for risk management and internal control lies in the Enterprise Risk Management unit under the management of the Chief Risk Officer (CRO). The CRO reports to the group's CFO. The CRO function is responsible for supporting the Board and group management team with respect to the establishment of a risk strategy and operationalisation of the setting of limits and risk monitoring across the group's business areas. In addition, this function is responsible for managing the value-based management system, coordinating the financial planning process, and the management's risk assessment and internal control reporting, in addition to reporting from the Board and management.

The group has a common internal audit function, which carries out an independent review of the robustness of the management model. The internal audit function's instructions and annual plan are determined by the Board pursuant to the current legislation, regulations and international standards. The internal audit function produces quarterly reports for the boards of the respective group companies.

The basis for Storebrand's continuous management reporting is formed in the strategy and planning process through the stipulation of goals and action plans. Storebrand Compass is the company's monitoring tool and provides comprehensive reports for management and the Board concerning financial and operational targets for earnings, risk and solvency.

The appraisal of Storebrand employees forms an integral part of the value-based management system and is designed to ensure that the group's strategies are implemented. The policies for earning and paying bonuses to the group's risk managers comply with the regulations relating to remuneration in financial institutions. CFO, CRO and employees with control functions related to risk management, internal control and compliance only have fixed salaries.

Financial information and the group's accounting process

The Storebrand Group publishes four interim financial statements, in addition to the ordinary annual financial statements. The financial statements shall satisfy legal and regulatory requirements and be prepared in accordance with the adopted accounting policies and published according to the schedule adopted by the Board of Storebrand ASA.

Storebrand's consolidated financial statements are prepared by the Consolidated Financial Statements unit, which reports to the group's CFO. Key executives in the Consolidated Financial Statements unit receive a fixed annual remuneration that is not affected by the group's financial earnings. The work involved in the preparation of the financial statements is organised in such a way that the Consolidated Financial Statements unit does not carry out valuations of investment assets. Instead it exercises a control function in relation to the accounting processes of the group's companies.

A series of risk assessment and control measures have been established in connection with the preparation of the financial statements. Specific reporting instructions are drawn up each quarter and communicated to the subsidiaries. Internal meetings are held prior to the subsidiaries reporting, as well as meetings in which the external auditor participates, to identify risk factors and measures linked to significant accounting items or other factors. Corresponding quarterly meetings also held with various specialist areas in the group that play an important role in the assessment and appraisal of insurance obligations, investment properties and financial instruments, including lending. These meetings particularly focus on any changes in the market, specific situations relating to individual investments, transactions and operational factors, etc. Valuations associated with significant accounting items and any changes to policies, etc., are described in a separate document (Valuation Items Memo). The Board's Audit Committee conducts a preparatory review of interim financial statements and annual financial statements, focusing in particular on the discretional valuations and estimations that have been made prior to consideration by the Board. The external auditor attends meetings of the Board as required and meetings of the Board's Audit Committee.

Monthly and quarterly operating reports are prepared in which the results per business area and product area are analysed and assessed against set budgets. Particular attention is paid to analysing the development of the financial results, risk results and administration results. The operating reports are reconciled against other financial reporting. Otherwise, continuous reconciliation of specialist systems, etc. takes place against the accounting system.

11. Remuneration of the Board of Directors (No deviations from the Code of Practice)
The AGM fixes the Board's annual remuneration on the basis of the recommendations of the Nomination Committee. The fees paid to the members of the Board are not linked to earnings, option schemes or similar arrangements. The members of the Board and Board Committees do not receive incentive-based remuneration; instead they receive a fixed annual compensation. The shareholder-elected members of the Board do not participate in the company's pension schemes. None of the shareholder-elected members of the Board carry out any duties for the company beyond their appointment to the Board. More detailed information on the remuneration, loans and shareholdings of board members can be found in notes 24 (Group) and 5 (ASA) of the notes to the accounts. Board members are encouraged to hold shares in the company.

12. Remuneration of Executive Personnel (No deviations from the Code of Practice)
The Board determines the structure of the remuneration of executive personnel at Storebrand, and a statement on the fixing of remuneration is presented to the AGM. The remuneration consists of fixed salaries, bonuses, pension schemes and other fringe benefits deemed to be natural in a financial group. In the opinion of the Board the overall remuneration shall be competitive, but not leading. An annual assessment is carried out based on external market data to ensure remuneration is adequate in relation to equivalent positions in the market.

The Storebrand Group has chosen to only pay fixed salaries to employees for whom control functions make up a large part of their duties. This is to ensure independence in the execution of the control functions. For other executive personnel and employees who influence the company's risk, as defined by the authorities, the most important objectives of the bonus model are for the bonuses to guide their actions so that they are generally commensurate with the owners' long-term interests, promote good management and control of the company's risk, counter high levels of risk-taking, and act as an incentive.

Specific goals are set annually for how the company's creation of value shall finance bonuses. The financing is calculated based on the creation of value over the last two years and the value creation target is based on the risk-adjusted result. The bonuses awarded are also determined by the unit's and individual's results in addition to the creation of value. The units' results are measured by means of a scorecard, which incorporates both quantitative and qualitative goals, and these goals are both financial and operational. The employees' performance is followed up by a special monitoring system, in which performance is measured in relation to both the execution of individual action plans and compliance with the Storebrand Group's corporate policies. The unit and individual results are weighted the same, and the maximum total goal achievement is 150 per cent. The unit's scorecard and the individual's action plan are directly linked to the strategy adopted by the Board. This helps to further strengthen agreement between the owners and the management.

For Norwegian executive personnel half of the awarded bonus is paid in cash, while the remaining half is converted to a number of synthetic shares based on a weighted average price before payment. The number of shares is registered in a share bank and will remain there for three years. Actual shares are not purchased. At the end of the period an amount corresponding to the market price of the shares awarded is paid. Half of the amount paid (after tax) from the share bank is used to purchase actual shares in Storebrand with a lock-in period of 3 years. No payments are made from the share bank until the end of the 3-year period, even if the employee withdraws from the scheme or leaves the company.

The "target bonus" shall account for 20-40 per cent of the fixed salary. The bonus awarded for a given year is subject to a fixed ceiling and cannot exceed 90 per cent

Monthly and quarterly operating reports are prepared in which the results per business area and product area are analysed and assessed against set budgets.

of the fixed salary. More detailed information about the remuneration of executive personnel can be found in notes 24 (Group) and 5 (ASA). Executive personnel are encouraged to hold shares in the group, even beyond the lock-in period.

13. Information and communications
(No deviations from the Code of Practice)
The Board has issued guidelines for the company's reporting of financial and other information and for contact with shareholders other than through the AGM. The group's financial calendar is published on the Internet and in the company's annual report. All reporting is based on the principle of transparency and takes into account the need for the equal treatment of all participants in the securities markets and the rules concerning good stock exchange practice. Further information can be found on page 22.

14. Takeovers
(Deviation from the Code of Practice)
The Articles of Association do not include any restrictions on the purchase of shares in Storebrand. The Board shall ensure that all shareholders are treated equally and have an opportunity to consider any bid presented. The Board will, as far as possible, obtain information about the bidder and make this available to all shareholders. In addition, the Board will consider the bid, seek to issue a statement on the Board's assessment of the bid, and seek to obtain a valuation from an independent expert. The Board will in the event of any takeover bid seek whenever possible to maximise the shareholders' assets.

Deviation from the Code of Practice: No guiding principles have been prepared for how Storebrand will act in the event of a takeover bid beyond what is stated here. The Board agrees in other respects with the formulations in the Code of Practice on this point.

15. Auditor
(No deviations from the Code of Practice)
The external auditor is elected by the AGM and is responsible for the financial auditing of the group. The external auditor issues an auditor's report in connection with the annual financial statements and conducts limited audits of the interim financial statements. The external auditor attends board meetings in which interim financial statements are reviewed, all meetings of the Control Committee, and all meetings of the Audit Committee, unless the items on the agenda do not require the presence of the auditor. In 2007, the Board decided that the external auditor must rotate the partner responsible for the audit assignment every seven years. The external auditor's work and independence are evaluated every year by the Board's Audit Committee. Deloitte has been elected by Storebrand ASA's AGM as the company's external auditor. The other companies in the group use the same auditor as Storebrand ASA.

OTHER
As one of the largest investors in the Norwegian stock market, Storebrand has considerable potential influence over the development of listed companies. Storebrand attaches importance to exercising its ownership in listed companies on the basis of straightforward and consistent ownership principles. Storebrand applies the Norwegian Code of Practice for Corporate Governance in this role. Storebrand has had an administrative Corporate Governance Committee since 2006. The committee is responsible for ensuring good corporate governance across the Storebrand Group. Storebrand has issued guidelines that restrict employees' access to hold positions of trust in external companies.

Further information on Storebrand's corporate governance can be found at www.storebrand.no > About Storebrand > Corporate Governance, where we have also published an overview and CVs of the members of Storebrand's governing and controlling bodies, the Articles of Association, and ownership policies.

Board of Directors

Birger Magnus (56)

Chairman of the Board of Storebrand ASA since 2009

1984 MBA from INSEAD, France ● 1979 MSc from the Norwegian University of Science and Technology

Previous positions: 1996-2009 Group Director of Schibsted ASA ● 1985-1996 Partner in McKinsey & Co ● 1982-1984 General Manager in Magnus Data ● 1980-1982 Systems Consultant in Honeywell Bull

Positions of trust: 2010-, Chairman of Hafslund ASA ● 2010-, Board Member of Aschehoug ● 2010-, Chairman of bMenu A/S ● 2010-, Chairman of Statoil Fuel & Retail ASA ● 2010-, Chairman of the Kristian Gerhard Jebsen Foundation ● 2002-, Board Member of Kristian Gerhard Jebsens Skibsrederi AS

Number of shares: 20,000

Halvor Stenstadvold (67)

Independent Adviser ● Board Member of Storebrand ASA since 2000

MSc political science, Columbia University/ University of Oslo

Previous positions: 1997–2006 Member of Orkla's executive management ● 1988–2006 Managing Director of Orkla's corporate staff functions ● 1979-1988 Senior VP of Christiania Bank ● 1981-1984 Parliamentary Secretary

Positions of trust: 2008-, Chairman of the Norwegian Microfinance Initiative, NMI ● 2008-, Board Member of Navamedic ASA ● 2002-, Board Member of Statkraft SF and Statskraft AS ● 2011-, Board Member of Kongsberg Automotive ASA ● 2005-, Board Member of SOS Barnebyer ● 2006-, Board Member of SOS USA ● 2008-, Chairman of Henie Onstad Art Centre

Number of shares: 8,645

Birgitte Nielsen (48)

Board Member of Storebrand ASA since 2005

General Management Programme at CEDEP/ INSEAD ● 1986 Bachelor of Commerce in international relations, Copenhagen Business School ● 1993 Bachelor of Commerce in economics and finance, Copenhagen Business School

Previous positions: 2003–2006 Adviser in Nielsen & Axelsson Asp. ● 1992–2003 CP/ CFO in FLS Industries AS ● 1983–1992 Danske Bank (1990–1992 as Vice President)

Positions of trust: 2011 -, Board Member of KIRK Kapital AG ● 2008-, Board Member of Financial Stability AS ● 2006-, Board Member of Novenco AS ● 2006-, Board Member of Arkil AS ● 2005-, Board Member of Buy-Aid AS

Number of shares: 0

Heidi Skaaret (50)

Group Director of Lindorff Group AB and CEO of Lindorff AS ● Board Member of Storebrand ASA since 2010

1986 Master's degree in economics and business administration from University of Washington, USA

Previous positions: 2001–2008 CEO of KANO Bank, Norway ● 1987–2000 Bank Director of DNB ASA ● 1986–1987 Financial Services Officer in Bank of America

Positions of trust: 2008-, Chairman of Lindorff Norge AS ● 2008-, Board Member of Lindorff A/S

Number of shares: 0

John Staunsbjerg Dueholm (60)

Group Director and Deputy CEO of SAS Group ● Board Member of Storebrand ASA since 2009

Cand. Merc., Copenhagen Business School

Previous positions: 1998-2002 Group Director of Group 4 Falck AS ● 1996-1998 EVP of SAS Technical Division ● 1994-1996 Group Director of ISS Scandinavia AS ● 1990-1994 CEO of SAS Data A/S ● 1985-1990 Group Director of Top Danmark

Positions of trust: 2009-, Chairman of Addici

Number of shares: 0

Jon Arnt Jacobsen (54)

Procurement Director of Statoil ASA ● Board Member of Storebrand ASA since 2009

1983 MBA from University of Wisconsin ● 1981 MA in business and economics from BI (Norwegian Business School)

Previous positions: 2004-2009 Group Director of Refining and Marketing for Statoil ASA ● 1998-2004 Finance Director of Statoil ASA ● 1985-1998 Various positions in DNB ASA: Head of Oil Group division, Head of Industrial section Group division, Head of Industrial and Financial institutions Group division, General Manager of Singapore Branch responsible for DNB's operations in ASEAN

Positions of trust: 2010-, Board Member of Statoil Fuel & Retail ASA

Number of shares: 3,100

Monica Caneman (57)

Board Member of Storebrand ASA since 2011

1976 MBA and MSc in economics from Stockholm School of Economics

Previous positions: 1991–2001 Various positions in SEB: Deputy CEO, ECP and Manager Corporate and Institutions, Deputy CEO, ECP, Retail Services Nordic and Baltic Operations, Director Deputy Group CEO Retail Services, Deputy Head Retail Services, Regional Manager Greater Stockholm, Regional Manager Southern Greater Stockholm, Manager SEB Cards ● 1997-1991 Finansskandic

Positions of trust: 2004-, Board Member of Electronic Transaction Group Nordic Holding AB. ● 2008-, Chairman of Fourth Swedish National Pension Fund ● 2002-, Board Member of Investment AB, Ôresund ● 2006-, Chairman of Allenex AB. ● 2004-, Board Member of Poolia AB ● 2003-, Board Member of Schibsted ASA ● 2010-, Board Member of SAS AB ● 2007-, Board Member of My Safety AB ● 2010-, Board Member of Intermail AS ● 2011-, Chairman of Big Bag AB ● 2010-, Chairman of Arion Bank hf ● 2010-, Chairman of Frösunda LSS AB ● 2002-, Board Member of SOS Children's Villages

Number of shares: 0

Kirsti Valborgland (31)

Project Manager in Storebrand Livsforsikring AS ● Employee Representative Board Member of Storebrand ASA since 2010

2004 Master's degree in economics and business administration from BI (Norwegian Business School)

Previous positions: 2006–2007 Key Account Manager in Storebrand Livsforsikring AS ● 2004–2006 Group Trainee in Storebrand ASA

Number of shares: 2,072

Knut Dyre Haug (55)

Special Adviser in Storebrand Livsforsikring AS ● Employee Representative Board Member of Storebrand ASA since 2006

Officers' Training School, Authorised Financial Adviser

Previous positions: 1998–1999 Marketing Director in Sparebank1 Livsforsikring ● 1978–1998 Various positions in Storebrand Livsforsikring ● 1990–2006 Lecturer and author at BI Norwegian Business School (the Centre for Financial Education and the Insurance Academy)

Positions of trust: 2000-, Chairman of Housing Foundation Youth Housing in Asker ● 2002-, Chairman for authorisation of insurance consultants for Finance Norway (FNO) ● 2007-, Board Member of Asker and Bærum Housing Cooperative ● 2007-, Member of the Council for banking, insurance and finance studies, BI ● 2009-, Member of the Professional Council for financial education in Europe ● 2010-, Manager for project integration of expertise in the financial services industry for FNO

Number of shares: 11,963

Ann-Mari Gjøstein (49)

Senior Union Representative for Employees in Storebrand ● Employee Representative Board Member of Storebrand ASA since 2007

Market economist from BI (Norwegian Business School) ● Bachelor of Management from BI

Previous positions: 2001–2007 Training manager and Professional Consultant for Storebrand Bank ASA ● 1982–2001 Financial Adviser/Funds Adviser in DNB and DNB Investor

Number of shares: 258

Members of Storebrand's corporate bodies

BOARD OF REPRESENTATIVES

Chairman:
Terje R. Venold

Deputy Chairman:
Vibeke Hammer Madsen

Members (elected by shareholders):
Trond Berger
Tore Eugen Kvalheim
Marianne Lie
Olaug Svarva
Pål Syversen
Karen Helene Ulltveit-Moe
Terje Andersen
Maalfrid Brath
Helge Leiro Baastad
Morten Fon

Members (elected by employees):
Tommy Christiansen
Tor Haugom
Annika Fallenius
Unn Kristin Johnsen
Rune Pedersen
Trond Thire

Deputy members (elected by shareholders):
Anne-Lise Aukner
Jostein Furnes
Lars Tronsgaard

Deputy members (elected by employees):
May-Helene Moldenhauer
Per-Erik Hauge

BOARD OF DIRECTORS OF STOREBRAND ASA

Chairman:
Birger Magnus (12)

Board members:
Halvor Stenstadvold (12)
Jon Arnt Jacobsen (12)
John S. Dueholm (12)
Monica Caneman (7)
Birgitte Nielsen (12)
Heidi Skaaret (13)

Board members (elected by employees):
Ann-Mari Gjøstein[1] (12)
Knut Dyre Haug[1] (12)
Kirsti Valborgland[1] (12)

REMUNERATION COMMITTEE

Chairman:
Birger Magnus

Members:
Birgitte Nielsen
Ann-Mari Gjøstein

AUDIT COMMITTEE

Chairman:
Halvor Stenstadvold

Members:
Knut Dyre Haug
Heidi Skaaret

CONTROL COMMITTEE

Chairman:
Elisabeth Wille

Deputy Chairman:
Finn Myhre

Members:
Ole Klette
Harald Moen
Tone Margrethe Reierselmoen

Deputy member:
Anne Grete Steinkjer

ELECTION COMMITTEE

Chairman:
Terje R. Venold

Members (elected by shareholders):
Helge L. Baastad
Olaug Svarva
Kjetil Houg

Observer (elected by employees):
Rune Pedersen

[1] Not independent, see page 54 regarding corporate governance.
( ) Number of board meetings participated in 2011.

Management

Idar Kreutzer (49)

Idar Kreutzer is the CEO of Storebrand. He has been with the Storebrand Group since 1992 and has a number of internal and external board positions.

Kreutzer is Chairman of the Corporate Assembly and Nominating Committee of Orkla ASA. He is the Deputy Chairman of the Corporate Assembly of Statoil ASA and a member of the Corporate Assembly of Norsk Hydro ASA. He is the Board Chairman of the Norwegian Refugee Council and sits on the Board of the Norwegian Financial Services Association. In recent years Kreutzer has participated as a Council Member of the World Business Council for Sustainable Development (WBCSD).

Idar Kreutzer has a Master of Science in Economics and Business Administration from the Norwegian School of Economics and Business Administration (NHH).

Number of shares: 121,294

Lars Aa. Løddesøl (47)

Lars Aa. Løddesøl is the CFO and COO of the Storebrand Group. Løddesøl has worked for Storebrand since 2001, and he has, for example, been the Managing Director of Storebrand Life Insurance, Deputy Managing Director of Storebrand Bank and Group Finance Director. Before Løddesøl joined Storebrand, he worked for Citibank and the airline SAS.

He has a Master of Science in Economics and Business Administration from BI Norwegian Business School and an MBA from Thunderbird in the US.

Number of shares: 36,748

Odd Arild Grefstad (46)

Odd Arild Grefstad is the Managing Director of Storebrand Life Insurance. He has been the CFO of Storebrand for many years and has also held a number of other positions within the Storebrand Group. He has previously worked as an external auditor for Arthur Andersen.

Odd Arild Grefstad is a State Authorised Public Accountant and Authorised Financial Analyst (AFA).

Number of shares: 42,446

Sarah McPhee (57)

Sarah McPhee is the Managing Director of SPP. She has broad experience from the financial sector and has held executive positions with AMF Pension, Fjärde AP-Fonden and GE Capital Norden.

She has a Master of Science in Economics and Business Administration from the Stockholm School of Economics and a Master of Arts in Latin American Studies from Stanford University.

Number of shares: 40,400

Hans Aasnæs (48)

Hans Aasnæs is the Managing Director of Storebrand Asset Management. He has worked for Storebrand Asset Management since 1994 and has held a number of executive positions with the company. Before joining Storebrand, Hans Aasnæs was in Orkla Finans and he was a research fellow at the Norwegian School of Economics and Business Administration (NHH).

Aasnæs has a degree in agronomy from the Agricultural University of Norway (NLH), in addition to a postgraduate degree in business analysis from the Norwegian School of Economics and Business Administration (NHH). He is also an Authorised Financial Analyst (AFA).

Number of shares: 60,077

Gunnar Rogstad (55)

Gunnar Rogstad is the Managing Director of Storebrand Insurance. He has a Cand.jur degree from the University of Oslo and long experience in P&C and life insurance. Rogstad has been with Storebrand since 2006. Before this he held executive positions at If and Sampo.

Number of shares: 106,441

The CVs of the executive management are available in their entirety at www.storebrand.com/ir.

Accounts and notes

Retail
A total of 340,000 private customers in Norway have savings, insurance or banking relationships in Storebrand.

Corporate
Around 23,000 enterprises with a total of 486,000 employees have occupational pensions from Storebrand in Norway.

Annual account and notes to the financial statement

Index

STOREBRAND GROUP

	Profit and loss account	72
	Statement of total comprehensive income	73
	Statement of Financial Position	74
	Reconciliation of Group's Equity	76
	Cash flow analysis	78
	Business and risk notes	
note 1	Corporate information and accounting policies	80
note 2	Profit sharing and result allocated to owners – life insurance	88
note 3	Important accounting estimates and discretionary judgments	91
note 4	Risik management and internal control	93
note 5	Solvency II	95
note 6	Insurance risk	96
note 7	Financial market risks	100
note 8	Liquidity risk	103
note 9	Credit risk	105
note 10	Operational risk	108
note 11	Valuation of financial instruments at fair value	109
note 12	Segment reporting	113
	Result notes	
note 13	Premium income	116
note 14	Net interest income - banking activities	117
note 15	Net income analysed by class of financial instrument	117
note 16	Net income from real estate	118
note 17	Other income	118
note 18	Insurance claims for own account	119
note 19	Change in buffer capital	120
note 20	Change in insurance liabilities - life insurance	120
note 21	Losses from lendings and reversal of previous losses	120
note 22	Operating costs and number of employees	121
note 23	Pension costs and pension liabilities	121
note 24	Remuneration to senior employees and elected officers of the company	124
note 25	Remuneration paid to auditors	128
note 26	Other costs	128
note 27	Interest expenses	129
note 28	Tax	129
	Statement of financial position notes	
note 29	Intangible assets	131
note 30	Tangible fixed assets	133
note 31	Tangible fixed assets - operational leasing	133
note 32	Investments and receivables in associated companies	134
note 33	Joint Ventures	135
note 34	Classification of financial assets and liabilities	136
note 35	Fair value of financial assets and liabilities at amortised cost	136
note 36	Bonds at amortised cost	137
note 37	Lendings to customers	138
note 38	Reinsurer's share of technical reserves	138
note 39	Real estate	139
note 40	Biological assets	141
note 41	Accounts receivable and other short-term receivables	142
note 42	Equities and units	142
note 43	Bonds and other fixed-income securities	143
note 44	Derivatives	143
note 45	Currency exposure	144
note 46	Technical insurance reserves - life insurance	146
note 47	Technical insurance reserves - P&C insurance	147
note 48	Deposits from banking customers	148
note 49	Other current liabilities	148
	Other notes	
note 50	Hedge accounting	149
note 51	Collateral	149
note 52	Contingent liabilities	150
note 53	Securities lending and buy-back guarantees	150
note 54	Capital adequacy and solvency requirements	151
note 55	Information about close associates	153
note 56	Sold business and discontinued operations	153

STOREBRAND ASA

	Profit and loss account	154
	Statement of Financial Position	155
	Cash flow analysis	156
note 1	Accounting policies	157
note 2	Income from investments in sucsidiaries	158
note 3	Personnel costs	159
note 4	Pensions costs and pension liabilities	159
note 5	Remuneration of the CEO and elected officers of the company	161
note 6	Tax	162
note 7	Parent company's shares in subsidiaries and associated companies	163
note 8	Equities and units	163
note 9	Bonds and other fixed-income securities	164
note 10	Financial derivatives	164
note 11	Financial risks	164
note 12	Tangible fixed assets	165
note 13	Equity	166
note 14	Bond and bank loans	166
note 15	Hedge accounting	166
note 16	Shareholders	167
note 17	Information about close associates	167
note 18	Number of employees/person-years	168
	Declaration by the members of the Board and the CEO	169
	Independent auditor's report	170
	Statement of the Control Committee and The Board of Representatives for 2011	172
	Auditor's report on corporate sustainability	173
	Storebrand's corporate sustainability work – scorecard	174

Profit and loss account Storebrand Group

1 January – 31 December

NOK million	Note	2011	2010
Net premium income	13	25,587	28,661
Net interest income - banking activities	14	443	457
Net income from financial assets and real estate for the company:			
- equities and other units at fair value	15	26	64
- bonds and other fixed-income securities at fair value	15	503	265
- financial derivatives at fair value	15	38	221
- net income from bonds at amortised cost	15	50	15
- net income from real estate	16	82	52
- result from investments in associated companies	32	-4	2
Net income from financial assets and real estate for the customers:			
- equities and other units at fair value	15	-5,998	9,031
- bonds and other fixed-income securities at fair value	15	7,890	3,197
- financial derivatives at fair value	15	2,852	2,494
- net income from bonds at amortised cost	15	2,850	2,069
- net interest income lending		126	114
- net income from real estate	16	1,581	1,389
- result from investments in associated companies	32	72	58
Other income	17	2,127	2,003
Total income		**38,225**	**50,093**
Insurance claims for own account	18	-25,107	-21,956
Change in insurance liabilities	20	-11,668	-17,140
To/from buffer capital	19	4,163	-5,132
Losses from lending/reversal of previous losses	21	14	-15
Operating costs	22, 23, 24, 25	-3,392	-3,294
Other costs incl. currency bank	26	-274	-294
Interest expenses	27	-681	-648
Total costs before amortisation and write-downs		**-36,946**	**-48,480**
Profit before amortisation and write-downs		**1,279**	**1,612**
Amortisation and write-downs of intangible assets	29	-394	-390
Group pre-tax profit		**885**	**1,223**
Tax cost	28	-144	300
Result after tax sold/wound up business	56	-60	-43
Profit/loss for the year		**681**	**1,480**
Profit/loss for the year due to:			
Majority's share of profit		674	1,471
Minority's share of profit		7	9
Total		**681**	**1 480**
Earnings per ordinary share (NOK)		1.51	3.30
Average number of shares as basis for calculation (million)		446.2	446.0
There is no dilution of the shares			

Statement of total comprehensive income Storebrand Group

1 January – 31 December

NOK million	2011	2010
Profit/loss for the year	**681**	**1,480**
Other result elements		
Change in pension experience adjustments, net of tax	52	-327
Translation differences, after tax	117	59
Adjustment of value of properties for own use, net of tax	76	-57
Gains/losses available-for-sale bonds	-218	-52
Total comprehensive income elements allocated to customers	142	110
Total other result elements	**169**	**-268**
Total comprehensive income	**850**	**1,212**
Total comprehensive income due to:		
Majority's share of total comprehensive income	841	1,207
Minority's share of total comprehensive income	9	5
Total	**850**	**1,212**

Statement of Financial Position Storebrand Group

1 January – 31 December

NOK million	Note	2011	2010
Assets company portfolio			
Deferred tax assets	28	58	117
Intangible assets	29	6,523	6,807
Pension assets	23	46	30
Tangible fixed assets	30	132	190
Investments in associated companies	32,33	125	148
Receivables from associated companies	32,33	69	39
Financial assets at amortised cost:			
- Bonds	9, 34, 35, 36	1,985	299
- Bonds held to maturity	9, 34, 35, 36	169	
- Lending to financial institutions	9, 34, 35	269	675
- Lending to customers	9, 34, 35, 37	33,323	34,209
Reinsurers' share of technical reserves	38	176	185
Real estate at fair value	7, 39	1,276	1,231
Real estate for own use	39	407	352
Other assets	40	616	589
Accounts receivable and other short-term receivables	34, 41	1,803	1,892
Financial assets at fair value:			
- Equities and other units	7, 11, 34, 42	322	351
- Bonds and other fixed-income securities	7, 9, 11, 34, 43	20,059	19,013
- Derivatives	9, 11, 34, 44	1,291	1,285
Bank deposits	9, 34	3,924	2,472
Assets sold/liquidated business	56	35	158
Total assets company		**72,608**	**70,041**
Assets customer portfolio			
Investments in associated companies	32, 33	106	60
Receivables from associated companies	32, 33	428	227
Financial assets at amortised cost:			
- Bonds	9, 34, 35, 36	62,976	47,895
- Bonds held to maturity	9, 34, 35, 36	7,983	
- Lending to customers	9, 34, 35, 37	3,010	3,219
Real estate at fair value	7, 39	27,471	25,871
Real estate for own use	39	1,393	1,316
Accounts receivable and other short-term receivables	34, 41	1,900	1,964
Financial assets at fair value:			
- Equities and other units	7, 11, 34, 42	84,936	92,492
- Bonds and other fixed-income securities	7, 9, 11, 34, 43	128,034	137,732
- Derivatives	9, 11, 34, 44	5,149	3,679
Bank deposits	9, 34	5,447	5,918
Total assets customers		**328,834**	**320,372**
Total assets		**401,442**	**390,414**

Equity and liabilities			
Paid in capital		11,717	11 ,715
Retained earnings		6,929	6,530
Minority interests		132	172
Total equity		**18,777**	**18,417**
Subordinated loan capital	8, 34, 35	7,496	7,606
Buffer capital	46	15,480	18,913
Insurance liabilities	46, 47	307,095	297,371
Pension liabilities	23	1,629	1,456
Deferred tax	28		169
Financial liabilities:			
- Liabilities to financial institutions	8, 11, 34, 35	6,016	8,053
- Deposits from banking customers	8, 11, 34, 35, 48	18,477	18,799
- Securities issued	8, 34, 35	13,626	11,623
- Derivatives company portfolio	9, 11, 34, 44	736	401
- Derivatives customer portfolio	9, 11, 34, 44	1,983	851
Other current liabilities	8, 34, 49	10,095	6,681
Liabilities sold/liquidated business	56	30	73
Total liabilities		**382,665**	**371,997**
Total equity and liabilities		**401,442**	**390,414**

Lysaker, 13 February 2012
The Board of Directors of Storebrand ASA
Translation – Not to be signed

Birger Magnus
Chairman of the Board

Birgitte Nielsen

Jon Arnt Jacobsen

Halvor Stenstadvold

Heidi Skaaret

Jon S. Dueholm

Monica Caneman

Knut Dyre Haug

Kirsti Valborgland

Ann-Mari Gjøstein

Idar Kreutzer
Chief Executive Officer

Reconciliation of Storebrand Group's equity

	Majority's share of equity									
	Paid in capital				Retained earnings					
NOK million	Share capital[1]	Own shares	Share premium reserve	Total paid in equity	Pension experience adjustments	Restatement differences	Other equity[2]	Total retained earnings	Minority interests	Total equity
Equity at 31 December 2009	**2,250**	**-20**	**9,485**	**11,714**	**-473**	**37**	**5,765**	**5,329**	**174**	**17,217**
Profit for the period							1,471	1,471	9	1,480
Change in pension experience adjustments					-328			-328		-328
Translation differences						64		64	-4	59
Total other result elements					**-328**	**64**		**-264**	**-4**	**-268**
Total comprehensive income for the period					**-328**	**64**	**1,471**	**1,207**	**5**	**1,212**
Equity transactions with owners:										
Own shares		1		1			14	14		15
Share issue									5	5
Purchase of minority interests							9	9	-11	-2
Other							-29	-29		-29
Equity at 31 December 2010	**2,250**	**-19**	**9,485**	**11,715**	**-801**	**101**	**7,230**	**6,530**	**172**	**18,417**
Profit for the period							674	674	7	681
Change in pension experience adjustments					52			52		52
Translation differences						115		115	2	117
Total other result elements					**52**	**115**		**167**	**2**	**169**
Total comprehensive income for the period					**52**	**115**	**674**	**841**	**10**	**851**
Equity transactions with owners:										
Own shares		2		2			19	19		21
Provision for dividend							-491	-491	-3	-494
Purchase of minority interests							38	38	-48	-10
Other							-9	-9	1	-8
Equity at 31 December 2011	**2,250**	**-17**	**9,485**	**11,717**	**-749**	**216**	**7,461**	**6,929**	**132**	**18,777**

1. 449,909,891 shares with a nominal value of NOK 5.
2. Includes undistributable funds in the risk equalisation fund amounting to NOK 469 million and security reserves amounting NOK 225 million.

Equity changes with the result for the individual period, equity transactions with the owners and items recognised in the total comprehensive income. The share premium fund and other equity is evaluated and managed together. The share premium fund may be used to cover a loss, and other equity may be used in accordance with the provisions of the Public Limited Liabilities Company Act.

The own shares column shows the nominal values of the holding of own shares. The amount paid in excess of the equity's nominal value is booked as a reduction in other equity, such that the entire cost price for own shares is deducted from the Group's equity. A positive amount on the "own shares" line is due to own shares being used in the shares scheme for employees.

Storebrand pays particular attention to the active management of equity in the Group. This management is tailored to the business-related financial risk and capital requirements in which the composition of its business areas and their growth will be an important driver for the Group's capital requirements. The goal of the capital management is to ensure an effective capital structure and reserve an appropriate balance between internal goals in relation to regulatory and the rating companies' requirements. If there is a need for new equity, this is procured by the holding company Storebrand ASA, which is listed on the stock exchange and the Group's parent company.

Storebrand is a financial group subject to statutory requirements regarding primary capital under both the capital adequacy regulations and the solvency margin regulations. Primary capital encompasses both equity and subordinated loan capital. For Storebrand, these legal requirements carry the greatest significance in its capital management.

The Group's goals are to achieve a core (tier 1) capital ratio in the bank of more than 10 per cent and a solvency margin in life and pensions of more than 150 per cent over time. In general, the equity of the Group can be managed without material restrictions if the capital requirements are met and the respective legal entities have adequate solidity. Capital can be transferred from foreign legal entities with the consent of local supervisory authorities.

For further information on the Group's fulfilment of the capital requirements, see note 54.

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Cash flow analysis Storebrand Group

1 January – 31 December

NOK million	2011	2010
Cash flow from operational activities		
Net receipts - insurance	24,316	20,918
Net payments compensation and insurance benefits	-17,330	-18,092
Net receipts/payments - transfers	-5,535	1,007
Receipts - interest, commission and fees from customers	1,595	1,719
Payments - interest, commission and fees to customers	-498	-474
Payment of income tax		-5
Payments relating to operations	-2,812	-2,902
Net receipts/payments - other operational activities	3,269	627
Net cash flow from operations before financial assets and banking customers	**3,006**	**2,798**
Net receipts/payments - lending to customers	1,192	2,092
Net receipts/payments - deposits bank customers	-306	473
Net receipts/payments - mutual funds	-600	1,027
Net receipts/payments - real estate investments	-415	-1,468
Net change in bank deposits insurance customers	497	562
Net cash flow from financial assets and banking customers	**369**	**2,685**
Net cash flow from operational activities	**3,375**	**5,484**
Cash flow from investment activities		
Net receipts/payments - sale/purchase of real estate and fixed assets	-14	-113
Net receits/payments - sale/purchase of fixed assets	-110	-120
Net receits/payments - purchase/capitalization of associated companies and joint ventures	-217	
Net cash flow from investment activities	**-341**	**-233**
Cash flow from financing activities		
Payments - repayments of loans	-2,355	-4,612
Receipts - new loans	4,306	2,709
Payments - interest on loans	-743	-769
Payments - repayment of subordinated loan capital	-100	-175
Payments - interest on subordinated loan capital	-574	-558
Net receipts/payments - deposits from Norges Bank and other financial institutions	-2,044	-2,163
Receipts - issuing of share capital	17	9
Payments - dividends	-491	
Net cash flow from financing activities	**-1,984**	**-5,559**
Net cash flow for the period	**1,050**	**-308**
- of which net cash flow in the period before financial assets and banking customers	681	-5,164
Net movement in cash and cash equivalents	1,050	-308
Cash and cash equivalents at start of the period for new companies	-4	-126
Cash and cash equivalents at start of the period	3,146	3,580
Cash and cash equivalents at the end of the period[1]	**4,192**	**3,146**
[1] Consist of:		
Lending to financial institutions	269	675
Bank deposits	3,924	2,472
Total	**4,192**	**3,146**

The cash flow analysis shows the Group's cash flows for operational, investment and financial activities pursuant to the direct method. The cash flows show the overall change in means of payment over the year.

OPERATIONAL ACTIVITIES
A substantial part of the activities in a financial group will be classified as operational. All receipts and payments from insurance activities are included from the insurance companies, and these cash flows are invested in financial assets that are also defined as operational activities. One subtotal is generated in the statement that shows the net cash flow from operations before financial assets and banking customers, and one subtotal that shows the cash flows from financial assets and banking customers. This shows that the composition of net cash flows from operational activities for a financial group includes cash flows from both operations and investments in financial assets. The life insurance companies' balance sheets include substantial items linked to the insurance customers that are included on the individual lines in the cash flow analysis. Since the cash flow analysis is intended to show the change in cash flow for the company, the change in bank deposits for insurance customers is included on its own line in operating activities to neutralise the cash flows associated with the customer portfolio in life insurance.

INVESTMENT ACTIVITIES
Includes cash flows for holdings in group companies and tangible fixed assets.

FINANCING ACTIVITIES
Financing activities include cash flows for equity, subordinated loans and other borrowing that helps fund the Group's activities. Payments of interest on borrowing and payments of share dividends to shareholders are financial activities.

CASH/CASH EQUIVALENTS
Cash/cash equivalents are defined as claims on central banks and claims on financial institutions without notice periods for the company portfolio. The amount does not include claims on financial institutions linked to the insurance customers portfolio, since these are liquid assets that not available for use by the Group.

Notes Storebrand Group

NOTE 1 | Corporate information and accounting policies

1. CORPORATE INFORMATION
Storebrand ASA is a Norwegian public limited company that is listed on Oslo Stock Exchange. The Board of Directors approved the annual accounts for 2011 on 13.2.2012.

Storebrand Group offers a comprehensive range of insurance and asset management services, as well as securities, banking and investment services, to private individuals, companies, municipalities, and the public sector. The Storebrand Group comprises the following business segments: life insurance, asset management, banking, P&C insurance and health insurance. The company's head office is at Professor Kohts vei 9, Lysaker.

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

In 2011, SPP Livförsäkring AB's stake in the subsidiary Benco was sold to Storebrand Livsforsikring AS.

2. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS
The accounting policies applied in the Group accounts are described below. These policies are applied consistently for similar transactions and other events under similar circumstances.

Storebrand ASA's group financial statements are presented using EU-approved International Financial Reporting Standards (IFRS) and related interpretations, as well as other Norwegian disclosure requirements laid down in legislation and regulations.

Use of estimates when preparing the annual accounts
When preparing the financial statements using IFRS, management must make assumptions and use estimates that affect assets, liabilities, revenues, costs and information in the notes to the financial statements, as well as the information provided on contingent liabilities. Actual figures may deviate from the estimates used. For further details, please refer to note 3.

3. CHANGES IN ACCOUNTING POLICIES
During the course of 2011, there have been a number of amendments made to IFRS. None of these has had any influence the presentation, recognition and measurement of the consolidated accounts for Storebrand.

4. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES RELATING TO SIGNIFICANT STATEMENT OF FINANCIAL POSITION ITEMS
The asset side of the Group's statement of financial position comprises, for the most part, financial instruments and investment properties. Investment properties are recognised at fair value, Most of the financial instruments are recognised at fair value, whilst other financial instruments that are included in the category Loans and receivables and Held to maturity are recognised at amortised cost. Capitalised intangible assets, which mainly comprise excess of purchase price relating to insurance contracts, are recognised in the statement of financial position. These assets are recognised at cost less an annual amortisation.

The liabilities side of the Group's statement of financial position comprises, for the most part, financial instruments (liabilities) and technical insurance reserves. With the exception of derivatives, which are recognised at fair value, the majority of the financial liabilities are recognised at amortised cost. Technical insurance reserves are intended to cover liabilities relating to issued insurance contracts, and the requirement is that these reserves shall be adequate. Various methods and principles are used when assessing the reserves for different insurance contracts. A considerable part of the insurance liabilities relate to insurance contracts with interest guarantees. Recognised liabilities relating to Norwegian insurance contracts with interest guarantees are discounted at the market rate (liquid and non-liquid swap rate). In the case of unit-linked insurance contracts, reserves are the savings element will correspond to the related asset portfolios.

The accounting policies are explained in more detail below.

5. CONSOLIDATION
The Group's consolidated accounts combine Storebrand ASA and companies where Storebrand ASA has a controlling interest. A controlling influence is normally achieved when the Group owns, directly or indirectly, more than 50 per cent of the company's shares and the Group have the power to exercise control over the company. Minority interests are included in the Group's equity.

Business combinations
When acquiring a company, the purchase method of account is applied. Acquisition cost is measured at fair value, taking into account possible equity instruments, in addition to direct costs relating to the acquisition. Any issue expenses that arise are not included in acquisition costs, but are charged to equity.

Identified tangible and intangible assets and liabilities that have been acquired are assessed at fair value on the acquisition date. If the acquisition costs exceed the value of the identified assets and liabilities, the difference is recognised in the financial statements as goodwill.

If the acquisition cost is less that the identified assets and liabilities, the difference is recorded in the profit and loss account at the time the transaction is carried out. If less that 100 per cent of the company is acquired, 100 per cent of excess values or shortfall in market value is recognised in the statement of financial position, with the exception of goodwill, where only Storebrand's share is recognised.

The purchase method of account is used when accounting for acquired businesses. Investments in associated companies, (normally investments between 20 per cent and 50 per cent of a company's equity) where the Group exercises significant influence are recorded using the equity method. Interests in joint ventures are consolidated using the proportional consolidation method, i.e. by including the proportion of revenue, costs, assets and liabilities in the appropriate lines in the financial statements.

When investments are made, including those in investment properties, the company considers whether the acquisition is a business combination pursuant to IFRS 3. When such acquisitions do not cover business combinations, the purchase method is not applied, pursuant to IFRS3 Business Combination, so that possible excess values are not calculated and no provisions are made for deferred tax as in a business combination.

Functional currency and currency translation of foreign companies
The Group's functional currency is the Norwegian Krone (NOK). Foreign companies included in the consolidated financial statements, which have a different functional currency, are translated to NOK by converting the profit and loss account at the average exchange rate for the accounting year, and converting the statement of financial position at the exchange rate effective at year-end. Because of the difference in the exchange rates applied when converting profit and loss account and statement of financial position items, any differences are recorded directly against total profit. Conversion differences are recorded against total profit.

Elimination of internal transactions
Internal receivable and payables, internal profit s and losses, interest and dividends etc. between Group companies are eliminated in the consolidated financial statement. Transactions between customer portfolios and the life insurance company's or other Group unit portfolios, are not eliminated in the consolidated accounts, Pursuant to the life insurance regulations, transactions with customer portfolios are based on the arms-length principle.

6. INCOME RECOGNITION

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

Net interest income – banking activities
Interest income is included in the profit and loss account using the effective interest method.

Income from properties and financial assets
Income from properties and financial assets is described in sections 9 and 10.

Other income
Fees are recorded when the income is dependable and earned, fixed fees are taken to income as the service is delivered and success fees are taken to income when the success criteria have been fulfilled.

7. GOODWILL

Excess value arising from the acquisition of business activities that cannot be allocated to specific asset or liability items at the date of acquisition is classified as goodwill in the statement of financial position. Goodwill is recognised at acquisition cost at the time of acquisition. Goodwill acquired by acquiring subsidiaries is classified as intangible assets.

Goodwill is not amortised, but is tested annually for impairment. Goodwill is tested for impairment when there are indicators showing that such impairment has taken place. A test of the recoverable amount of goodwill is carried out at least once a year.

If the relevant discounted cash flow is lower than the book value, goodwill is written down to fair value. Write-downs of goodwill are never reversed, even if there is information in future periods that the impairment no longer exists or is of a lesser amount.
Goodwill is allocated to the relevant cash flow generating units that are expected to benefit from the acquisition so that it can subsequently be tested for impairment. Cash flow generating units are identified in relation to operational segments.

Goodwill relating to acquisitions of interests in associated companies is included in the investment in that associate company, and test for impairment as part of the book value of the write-down.

8. INTANGIBLE ASSETS

Intangible assets with limited useful lifetimes are recognised at acquisition cost less accumulated depreciation and any write-downs. The depreciation period and the method of depreciation are reviewed annually. New intangible assets are only capitalised if it can be demonstrated that it is likely that the Group will gain future commercial benefit that is directly applicable to the asset in question. In addition, it must be possible to reliably estimate the cost price of the asset. The value of an intangible asset is tested for impairment if there are indications of a fall in its value; otherwise, intangible assets are subject to write-downs and reversals of write-downs in the same manner described for tangible fixed assets. When insurance contracts are purchased as part of a business combination, the insurance liabilities are recognised on the basis of the underlying company's accounting policies. Excess value linked to these liabilities, often referred to as the value of business in force (VIF), is recognised as an asset. A liability adequacy test must be conducted of the insurance liability, including VIF, pursuant to IFRS 4, every time the financial statements are presented. The test conducted looks at the calculated present value of cash flows to the contract issuer, often called embedded value. Any write-down of VIF will be reversed if the basis for the write-down no longer exists.

Intangible assets with unspecified useful lifetimes are not written down, but are tested for impairment annually and at other times if there are indications of a fall in their value.

9. INVESTMENT PROPERTIES

Investment properties are recognised at fair value. Fair value is the amount an asset could be sold for in a transaction at arm's length between well informed, voluntary parties.

Primarily, investment properties consist of centrally located office buildings and shopping centres. Properties leased to tenants outside the Group are classified as investment properties. In the case of properties partly occupied by the Group for its own use and partly let to tenants, the identifiable tenanted portion is treated as an investment property. See note 39 for more information about investment properties.

10. FINANCIAL INSTRUMENTS

10-1 GENERAL POLICIES AND DEFINITIONS

Recognition and derecognition

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

Financial assets are derecognised when the contractual right to the cash flows from the financial assets expire, or when the company transfers the financial asset to another party in a transaction by which all, or virtually all, of 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. when the contractual liability has been fulfilled, cancelled or has expired.

Definition of amortised cost

Subsequent to initial recognition, hold-to-maturity financial assets, loans and receivables as well as financial liabilities not carried at fair value in the profit and loss account, are stated 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

See definition of fair value in section 9. The fair value of financial assets listed on a stock exchange or in another regulated market place in which regular trading takes place is determined as the price on the last trading day, up to and including the statement of financial position date.

If a market for a financial instrument is not active, fair value is determined by using recognised 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 similar, discounted cash flow analysis, and options pricing models. If the 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.

The fair value of loans is estimated based on the current market rate of interest on similar lending. When estimating the fair value of a loan, consideration is also given to the development of the associated credit risk in general.

Impairment of doubtful financial assets

In the case of financial assets that are recognised at amortised value, consideration is given on each statement of financial position date as to whether there is objective evidence that the value of a financial asset or a 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 book value and the present value of estimated cash flows (excluding future credit losses that have not occurred) discounted at the financial asset's original effective interest rate (effective interest rate calculated at the time of initial recognition). The amount of the loss is recognised in the profit and loss account.

Losses that are expected as a result of future events, irrespective of how probably they are, not included.

10-2 CLASSIFICATION AND MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES

Financial assets are classified into one of the following categories:

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

Held for sale

A financial asset is classified as held for sale if it is:

- acquired or incurred principally for the purpose of selling or repurchasing it in the short term, is part of a portfolio of identified financial instruments that are managed on a portfolio basis and for which there is evidence of a recent actual pattern of short-term profit-taking, or
- a derivative except for a derivative that is a designated as an effective hedging instrument.

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

Held-for-sale financial assets are recorded at fair value on the statement of financial position date. Changes in fair value are recognised in the profit and loss account.

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 and loss because:

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

The accounting treatment is equivalent to that for held-for-sale assets.

Investments held to maturity

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

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

Assets held to maturity are recognised at amortised costs using the effective interest method.

Loans and receivables

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

Loans and receivables are recorded at amortised cost using the effective interest method.

Loans and receivables that are designated as hedged items are subject to measurement in accordance with the requirements of hedge accounting.

Available for sale

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

10-3 SHARE LENDING

A stock loan involves a transfer of shares from the company against the borrower pledging collateral security in the form of cash or securities. At the maturity of the stock loan, the identical securities are to be returned to Storebrand. The borrower is required to compensate the lender for various events related to the shares lent, such as distributions of subscription rights, dividends etc. The borrower is entitled to exercise voting rights represented by the shares during the term of the stock loan. Shares lent by Storebrand are not removed from the Storebrand's statement of financial position, and fees earned on stock lending are recognised as income as they are received. Received cash collateral and any reinvested collateral are recognised at their gross value. Cash collateral and any reinvested collateral is recognised at its gross value in the statement of financial position under the individual asset.

10-4 DERIVATIVES

Derivatives are defined as follows:

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

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

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

The major part of derivatives used routinely for asset management fall into this category.

10-5 ACCOUNTING TREATMENT OF DERIVATIVES THAT ARE HEDGING

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

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

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

Storebrand uses the regulations governing hedging of net investments in respect of the investment in the subsidiary SPP.

10-6 FINANCIAL LIABILITIES

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

11. ACCOUNTING FOR THE INSURANCE BUSINESS

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

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

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

11-1 GENERAL - LIFE INSURANCE

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

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

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

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

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

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

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

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

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

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

11-2 LIFE INSURANCE – NORWAY
Additional statutory reserves
The company is allowed to make additional statutory allocations to the insurance fund in order to ensure the solvency of its life insurance business. The maximum additional statutory provision is set as the difference between the premium reserve calculated on the basis of a guaranteed return on policies outstanding, and the premium reserve calculated based on the actual guaranteed return in the policies. Finanstilsynet (the Norwegian FSA) has specified a limit for the additional statutory reserves that applies to each policy. This is defined as the premium reserve for the policy multiplied by twice the guaranteed rate for the policy.

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

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

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

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

Market value adjustment reserve
The current year's net unrealised gains/losses on financial assets at fair value in the group portfolio in Storebrand Livsforsikring AS are allocated to/reversed from the adjustment fund in the statement of financial position assuming the portfolio has a net unrealised excess value. That part of the current year's net unrealised gains/ losses on financial current assets denominated in foreign currencies that can be attributed to fluctuations in exchange rates is not transferred to the adjustment fund. Similarly, the change in the value of the hedging instrument is not transferred to the adjustment fund, but is charged directly to the profit and loss account. The foreign exchange fluctuations associated with investments denominated in foreign currencies are largely hedged through foreign exchange contracts on a portfolio basis. Transactions with In accordance with legal security funds are considered realisations inasmuch as the company, as an investor, cannot be considered to have control over the securities fund. Pursuant to accounting standard for insurance contracts (IFRS 4) the adjustment fund is shown as a liability.

Risk equalisation fund
Up to 50 per cent of the risk result for group pensions and paid/up policies can be allocated in the risk equalisation fund to cover any future negative risk result. The risk equalisation fund is included as part of equity.

11-3 LIFE INSURANCE – SPP

Life insurance reserves
In 2009, SPP introduced a cash flow model for use when discounting life insurance reserves. The model employs a swap curve (monthly) for the term to maturity in those cases where it is assessed that there is sufficient liquidity in the Swedish market.

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

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

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

11-4 P&C INSURANCE

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

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

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

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

12. PENSION LIABILITIES FOR OWN EMPLOYEES

Storebrand Group has country-specific pension schemes for its employees. With effect from 1.1.2011, Storebrand Group in Norway provides it employees with defined contribution pension schemes. Through to 31.12.2010, Storebrand had a defined benefits scheme for its Norwegian employees. The Norwegian benefits scheme was closed to new members with effect from 1.1.2011, and existing members could elect to transfer to the defined contribution scheme.

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

12-1 DEFINED BENEFITS SCHEME

Pension costs and pension liabilities for defined benefits schemes are calculated on a straight-line earnings profile and anticipated final salary as the calculation basis, based on assumptions relating to the discount rate, future wage adjustments, pensions and benefits from the National Insurance Scheme, future yields on pension assets and actuarial assumptions relating to mortality, disability, and voluntary retirement. Since there was no active market for high quality corporate bonds in Norway, the discount rate has been set at risk-free rate (government bond) taking into consideration the remaining period to maturity. The period's net pension cost comprises the sum of the period's pension earnings, the interest cost on the estimated liability, and the expected return on the pension assets.

Actuarial gains and the effect of changes in assumptions are recognised in comprehensive income in the statement of recognised income, expenses and changes in the period in which they occur. The effects of changes in pension plans are recognised as they occur, unless plan changes are conditional on future earnings. The effect is distributed on a straight-line basis over the period through to the benefit being fully earned. Employer's contributions to the National Insurance Scheme are included as part of the pension liability and as part of the estimate deviation shown in the total result.

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

12-2 DEFINED CONTRIBUTION SCHEME

The defined contribution scheme implies that the Group pays an annual contribution to the employees' collective pension savings. The future pension will depend on the size of the contribution and the annual yield on pension savings. The Group has no further obligations in respect of work performed after the annual contribution has been paid. There are no provisions for incurred pension liabilities in such schemes. Defined contribution schemes are expensed directly.

13. TANGIBLE FIXED ASSETS

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

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

Properties used for the Group's own activities are recorded at appreciated value less accumulated depreciation and write-downs. The fair value of these properties is tested annually in the same way as described for investment properties. Increases in the value of properties used for the Group's own activities are not recognised in the profit and loss account but are recognised as a change in the revaluation reserve that forms part of equity. Any write-down of the value of such a property is first applied to the revaluation reserve for increases in the value of the property in question. If the write-down exceeds the revaluation reserve for the property n question, the excess is expensed over the profit and loss account.

The depreciation period and the depreciation method are reviewed annually to ensure that the method and period used correspond with the useful economic life of the asset in question. This also applies to the residual value. Properties are split into components if different parts have different useful economic lives. The depreciation period and method of depreciation are evaluated separately for each component. Assets are assessed for impairment if there are indications of a decline in its value. Any write-downs are recognised as the difference between the book value and the recoverable amount. The recoverable amount is the highest of fair value less selling expenses and the value in use. On every reporting date, the possibility of reversing earlier write-downs on non-financial assets is assessed.

14. TAX

The tax cost in the profit and loss account consists of tax payable for the accounting year and changes in deferred tax, and is based on the IAS 12 Taxable Profit accounting standard. Tax is recognised in the profit and loss account, except when it relates to items that are recognised directly against equity. Deferred tax and deferred tax assets are calculated on the basis of differences between values of assets and liabilities for accounting and tax purposes. Deferred tax assets are recognised in the statement of financial position to the extent it is considered likely that the companies in the Group will have sufficient taxable profit in the future to make use of the tax asset.

On 1 January 2012, the Ministry of Finance distributed, for consultation purposes, its proposal to limit the exemption method for shares etc. owned by life insurance companies and pension companies. This refers primarily to shares that are included in the Norwegian life insurance companies' customer portfolios. Under the proposal, any amendment to the legislation will take place with effect from 1.1.2012. The proposal is subject to a great deal of uncertainty, and the existing tax regulations have been applied when calculating the tax at 31.12.2011 for the Norwegian activities.

Deferred tax is calculated on the basis of the Group's carry forward tax losses, tax-reducing temporary differences and tax-increasing temporary differences. The Group's tax-increasing temporary differences also include temporary differences linked to the Group's investment properties. These properties are primarily found in the Norwegian life company's customer portfolio and in companies that are owned by Storebrand Eiendom Holding AS, which in turn is directly owned by Storebrand Livsforsikring AS. Even though these property companies are included in the customer portfolio, and can be sold virtually free of tax, the tax-increasing temporary differences linked to the underlying properties are included in the Group's temporary differences, where deferred tax is calculated at a 28 per cent nominal tax rate.

15. DIVIDEND ALLOCATED

Pursuant to IAS 10, which deals with events after the balance sheet date, proposed dividends/group contributions are classified as equity until approved by the general meeting.

16. LEASES

A lease agreement is classified as a financial lease agreement if it significantly transfers the risk and return inherent in the ownership. Other leases are classified as operational lease agreements. Storebrand has no financial lease agreements.

17. STATEMENT OF CASH FLOWS

The Statement of cash flows is prepared using the direct method, and shows cash flows grouped according to sources and applications. Cash is defined as cash, receivables from central banks and receivables from financial institutions at call.

The statement of cash flows is classified by operating, investing and financing activities

18. BIOLOGICAL ASSETS

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

19. SHARE-BASED REMUNERATION
Storebrand Group has share-based remuneration for key personnel. The fair value of the share options is set on the allotment date. This evaluation is based on recognised evaluation models adjusted to the characteristics of the options in question. The value set at the allotment date is accrued in the profit and loss account over the option's earning period with a corresponding increase in equity. The amount is considered a cost and is adjusted to reflect the actual number of share options earned. The earning period is the period from the scheme is established and through to the options being fully earned.

NOTE 2 | Profit sharing and result allocated to owners – life insurance

Storebrand Group comprises a number of companies which, because of the size and the type of business they a engaged in, have different impacts on Group profits. For most of the companies, the profit is allocated to the owner in its entirety, but this is not the case for a life insurance company. For life insurance companies, the profit shall be split between customers and the owner, and the generation of profit to customers and the owner can be more difficult to understand in the case of life insurance companies than for other companies. Storebrand Livsforsikring AS and its Swedish subsidiary SPP are the companies that have the greatest impact on the Storebrand Group profit. Since the results from the life insurance companies are so important to the Group's profit, the profit sharing and the allocation of the owner's result are described in more detail in this note. In addition, this note provides a description of the content of the various elements of the generated result and an overview of the results allocated to owners and customers.

The profit and loss account for a life insurance company includes result elements relating to both customers and owner. The result generation comprises net yield on the company's equity and risk products where the profit devolves entirely on the owner. In the case of Storebrand, the risk products are included in the segment Insurance and are not part of life insurance. There are also products with profit sharing where the profit is distributed to the customers. In addition, there are collective pension products with interest guarantees where the customer pays a fee for the interest guarantee. Unit Linked products are fee based and without any interest guarantee.

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

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

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

- **Financial result**
  The financial result consists of the net financial income from financial assets for the group portfolio less the guaranteed return. In addition to which there is the yield on the equity and subordinated debt. Any return-based fees are included in the financial result.

Generation of result to the owner
The following is a description of the results for the segments Storebrand Livsforsikring and SPP.

STOREBRAND LIFE INSURANCE

Result Storebrand Life Insurance

NOK million	Group defined benefits fee based	Group investment with choice and unit linked fee based	Individual and paidup policies profit sharing	BenCo	Company portfolio/ other	Total 2011	Total 2010
Administration result	-69	69	67	52		119	66
Risk result	147	-69	20	19		117	152
Financial result[2]		13	-131	-6	-120	-244	50
Price of interest guarantee and profit risk	504	16				520	557
Other	-18				-14	-32	-43
Pre-tax profit	**564**	**29**	**-44**	**65**	**-134**	**481**	**783**
Assets under management (NOK billion)	83	23	85	14	8	213	212

1. The ownership of BenCo has in 2011 been transferred from SPP to Storebrand Life Insurance. The corresponding figures of 2010 have been recalculated.
2. Interest result and profit sharing.

Administration result
The administration result line includes all products apart from traditional individual products with profit sharing. Administration and management costs are paid annually in advance. The insurance company must then meet any deficit in the administration and management result, and similarly any profit is retained by the company. Where a policy's assets are managed in the investment choice portfolio, the fee charged for asset management must be shown as a separate element.

Risk result
In the case of group defined benefit pensions and newly established guaranteed individual products, any positive risk result devolves on the customers, while any deficit in the risk result must, in principle, be covered by the insurance company. However, up to half of any risk profit on a particular line of insurance may be retained in a risk equalisation fund. A deficit due to risk elements can be covered by the risk equalisation fund. The risk equalisation fund can, as a maximum, amount to 150 per cent of the total annual risk premium. The risk equalisation fund is classified as equity.

Financial result
The net return on share capital devolves on the company. Share capital consists of equity and subordinated loans.

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

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

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

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

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

Other result
Comprises inter alia the results from subsidiaries.

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

SPP

Result SPP

NOK million	Guaranteed products	Unit - linked	Company portfolio	Total 2011	Total 2010
Administration result	44	43	12	99	76
Risk result	282	7		289	290
Financial result	-226			-226	7
Other/currency			129	129	38
Result before amortisation and write-downs	**100**	**50**	**141**	**291**	**410**
Amortisation of intangible assets				-358	-348
Pre-tax profit	**100**	**50**	**141**	**-66**	**62**
Assets under management (NOK billion)	81	32	10	124	117

1. The ownership of BenCo has in 2011 been transferred from SPP to Storebrand Life Insurance. The corresponding figures of 2010 have been recalculated.

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

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

Financial result
In the case of insurance products with guaranteed interest, the financial result is primarily affected by three components:

- profit sharing
- indexing fee
- changes in deferred capital contribution to cover guaranteed capital

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

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

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

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

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

Other result
The other result consists of the return on assets not managed for account of the policyholders, equity and depreciation on intangible assets and interest expenses on subordinated loans.

NOTE 3 | Important accounting estimates and discretionary judgments

When preparing the consolidated accounts, management must make estimates, discretionary judgments and make assumptions on uncertain values. Estimates and judgements are continually evaluated on the basis of historical experience and anticipated future events. In the future, actual experience may deviate from these accounting estimates, but the estimates are based on best judgement at the time the financial statements are presented. The actual results may vary from the accounting estimates.

The Group's most important estimates and judgments that can result in major changes to values included are explained below:

REFERRING TO LIFE INSURANCE IN GENERAL
In the consolidated accounts, insurance liabilities with a guaranteed interest rate are included, but using different principles in the Norwegian and the Swedish activities. An immaterial asset (value of business in force – VIF) linked to the insurance contracts in the Swedish activities is also included. There are several elements that may have an impact on the size of the insurance liabilities including VIF, such as biometric factors relating to trends in life expectancy and invalidity, and legal aspects such as amendments to legislation and judgments handed down in court cases etc. In the long term, a low interest rate will represent a challenge for insurance contracts with a guaranteed interest rate and, together with a reduced customer buffer, can have an impact on the amount recorded that is linked to the insurance contracts. The Norwegian insurance contracts with interest guarantees are discounted at the premium calculation rate (approximately 3.5 per cent on average). The Swedish insurance liabilities with interest guarantee are discounted based on a swap yield curve where parts of the yield curve are not liquid. The non-liquid part of the yield curve is estimated on the basis of long-term expectations regarding real interest rates and inflation.

Pursuant to the IFRS 4 Insurance Contracts standard, the insurance liabilities included shall be adequate and a liability adequacy test shall be carried out. The Norwegian insurance liabilities are calculated in accordance with regulations peculiar to Norway, including the Act relating to Insurance Activity Act and regulations. For the Norwegian life insurance liabilities, a test is carried out at a general level by conducting an analysis that is based on the Norwegian premium reserve principles. The analysis is based on the assumptions made when estimating embedded value, where the company uses best estimates of the future basic elements based on current experience. The test implies that the company analyses current margins between assessments in the reservation basis and the assumptions in the Embedded Value analysis. This test was also carried out prior to implementing IFRS 4.

On acquisition of the Swedish insurance company SPP, intangible assets were capitalised in the consolidated accounts relating to the values of SPP Group's insurance contracts, whilst SPP Group's recorded technical insurance reserves were continued in Storebrand's consolidated accounts. The intangible assets were often referred to as "Value of business in force" (VIF), and these intangible assets, together with associated capitalised sales costs and insurance liabilities are test for adequacy. The test is passed if book liabilities are larger than or equal to the net liabilities assessed at an estimated market value, including expected owner's profit. This test looks at embedded value estimates and follows IAS 37.

Storebrand satisfies the liability adequacy tests for 2011 and it has, therefore, no impact on the profit and loss account for 2011. There will be uncertainty associated with these tests. For more details about the uncertainty associated with the technical insurance reserves, please see below.

In Storebrand's life insurance activities, changes in estimates relating to technical insurance reserves, financial instruments and investment properties assigned to life customers will not necessarily have any impact on the owner's result, but changes in estimates and assessment may have an effect on the owner's result. One major factor will be the whether the life customers' assets, including the current year' return, exceeds guaranteed liabilities. There will be uncertainty associated with these tests. For more details about the uncertainty associated with the insurance provisions, see below.

A substantial proportion of the insurance contracts in the Norwegian life insurance business have an annual interest guarantee. Changes to estimates and judgments may result in changed returns in customer portfolios. Depending on the size of any impairment in value, such a fall in value could be countered, wholly or partly, by a reduction in the adjustment reserve and additional statutory reserves such that the effect on the owner's result can be limited.

There are no contracts with an annual interest guarantee in the Swedish business (SPP). However, there are insurance contracts with a final value guarantee. These contracts are discounted by a market interest rate. If the relevant customer assets have a higher value than the recognised values of these insurance liabilities, the difference will constitute a conditional customer allocated fund - conditional bonus (buffer capital). Changes to estimates and judgments may result in changed returns in customer portfolios. Depending on the size of any impairment, such a fall in value could be countered, wholly or partly, by a reduction in the conditional bonus such that the effect on the owner's result can be limited. If the value of the individual insurance contract is higher than the relevant customer assets, the owners will have to cover the deficient capital.

There are also insurance contracts without an interest guarantee in the life insurance business in which customers bear the return guarantee. Changes to estimates and judgments may result in changed returns in relevant customer portfolios. The recognition of such value changes does not directly affect the owners' result.

The profit sharing rules in life insurance are also discussed in more detail in note 2.

In general, the following will often be key factors in the generation of the result for customers and/or the owners:

- Performance of interest rate and equity markets, as well as commercial property trends
- Composition of assets and risk management, and changes in the assets' composition over the year
- Buffer capital level for various products
- Buffer capital related to the individual insurance contract
- Trends of life expectancy, mortality and illness - assumptions
- Development of costs – assumption

INVESTMENT PROPERTIES

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

Key elements included in valuations and which require the exercising of judgment are:

- Market rent and vacancy trends
- The quality and duration of rent incomes
- Owners' costs
- Technical standards and any need for upgrading
- Discount rates for both certain and uncertain cash flow, as well as residual value

FINANCIAL INSTRUMENTS AT FAIR VALUE

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

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

FINANCIAL INSTRUMENTS AT AMORTISED COST

Financial instruments stated at amortised cost are assessed on the statement of financial position date to see whether there are objective indications of any impairment in the value of financial asset or a group of financial assets.

Some discretion must be used when assessing whether there is an impairment, and if so the size of the impairment. The degree of uncertainty is higher when there is unrest in the financial markets. The assessments include credit, market and liquidity risk. Changes in assumptions for these factors will affect the way one considers whether there is any indication of impairment. There will therefore be uncertainty linked to the size of recognised individual write-downs and group write-downs. This will apply to provisions relating to loans in the private and the corporate markets and to bonds that are recognised at amortised cost.

TECHNICAL INSURANCE RESERVES

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

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

See note 6 for further information about insurance risk.

INTANGIBLE ASSETS

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

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

An intangible asset that arises from development (or the development phase of an internal project) shall be recognised if all the following elements can be documented:

- technical assumptions for completing the intangible asset with a view to it becoming available for use or sale
- the enterprise intends to complete the intangible asset and put it into use or sell it
- the enterprise has the ability to use the intangible asset or to sell it
- how the intangible asset will probably generate economic benefits. I.e. can the enterprise show that there is a market for the intangible asset's products or for the intangible asset per se, or, in the event that it is to be used internally, the usefulness of the intangible asset
- Availability of adequate technical, financial and other resources to complete the development and to start sig or to sell the intangible asset
- The enterprise's ability to reliably measure the expenditure attributable to the intangible asset while it is under development

PENSIONS OWN EMPLOYEES

The present value of pension liabilities depends on the economic and demographic assumptions used in the calculation. The assumptions used must be realistic, mutually consistent and kept up to date in the sense that they should be based on uniform expectations of future economic conditions. The pension liabilities are calculated by actuaries. Any changes associated with the expected growth in pay and the discount rate, etc., could have a significant effect on the recognised pension obligations relating to our own employees. There is considerable uncertainty linked to the assumptions regarding future real interest rates, future adjustments of the national insurance Scheme's base rate and future inflation rates.

DEFERRED TAX

The consolidated accounts contain significant temporary differences between the values of assets for accounting purposes and for tax purposes. The current Norwegian tax regulations have been applied when calculating deferred tax in the Norwegian business. In the case of certain investments and positions, the tax calculation will be based on estimates that may deviate from the final assessed figures.

On 1 January 2012, the Ministry of Finance distributed, for consultation purposes, its proposal to limit the exemption method for shares etc. held by life insurance companies and pension companies in customer portfolios. Under the proposal, these rules may apply from 1.1.2012. An implementation of the new tax regulations can have an impact on the deferred tax calculation.

CONTINGENT LIABILITIES

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

NOTE 4 | Risik management and internal control

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

Continuous monitoring and active risk management are therefore core areas of the Group's activities and organisation. The basis for risk management is laid down in the Board's annual handling of the strategy and plan 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 integrated part of management responsibility.

Storebrand Group's life insurance customers want security for their own economy in the event that anything unforeseen might occur, and they want to be able to maintain their purchasing power as pensioners. To satisfy these needs, for a considerable time the Group has sold various pension products and products that secure future earnings if, for example, the customer should be disabled. The products pose an insurance risk, where i.a. the customers' life expectancy and working ability are risk factors. Because of the return guarantees, the products also present a financial market risk in the form of interest risk. In the Swedish business, this interest risk is reflected in the financial accounts since the liabilities are recognised at market value. The implementation of the Solvency II rules with effect from 2014 will imply that the market value of reserves will be very important to the Norwegian business as well.

Premiums paid are invested in securities until the assets, including the yield, are repaid to the customers as pensions or compensation. Storebrand Group assumes, therefore, a further financial market risk to satisfy the customers' needs and through its goal to achieve an excess return. The products are created, serviced and managed by the various companies that make up Storebrand Group and the company assumes, therefore, also operational risk, for example through errors in the management of the customers' assets.

ORGANISATION

The Board of Directors shall ensure that the company has the 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 risk follow, 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 staff members who are dedicated to following up and managing risks for various product groups and for the company as a whole. Control functions, i.e. 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 follow-up the risk of failing to comply with the external and internal rules and regulations that apply to the business.

The compliance officer in the individual company produces written reports on the company's compliance with the regulations for the board of directors and executive management in the company informing about 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, operation risk reporting and event reporting.

INTERNAL AUDIT

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

RISK MANAGEMENT IN CERTAIN AREAS IN MORE DETAIL

Below follows a description of the special situation concerning risk management of life insurance linked to the relationship between customers and owner. As far as the risk associated with the business in the Group is concerned this is, apart from life insurance, risk that essentially affects the owner. Insurance risk, financial market risk, liquidity risk, credit risk, and operational risk are described in more detail in notes 5-10.

Storebrand Life Insurance Norway

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

The composition of the financial assets is determined by the company's investment strategy. The investment strategy establishes guidelines and limits for the company's risk management, credit exposure, counterparty exposure, currency risk, the use of derivatives, and requirements regarding the liquidity in the asset portfolio. The objectives of this dynamic risk management are to maintain good risk bearing capacity and to adjust the financial risk to the company's financial strength. By exercising this type of risk management, the company expects to create good returns both for individual years and over time. Given the current investment portfolio and dynamic risk management strategy, the annual return for the main product groups will normally fluctuate between 2 per cent and 8 per cent. Smaller portions of the portfolio are invested in profiles with somewhat lower and somewhat higher market risk. Dynamic risk management and hedging transactions reduce the likelihood of a low investment return. If the investment return is not sufficient to meet the guaranteed interest rate, the shortfall will be met by using risk capital built up from previous years' surpluses. Risk capital primarily consists of additional statutory reserves and unrealised gains. The owner is responsible for meeting any shortfall that cannot be covered from risk capital. The average interest guarantee is expected to sink in the years ahead and from 2012 all new earnings will be linked to an annual guarantee of 2.5 per cent. The share capital is invested with a low market risk. The financial risk related to contracts in the unit-linked and defined contribution pension product categories is borne by the insured person, and the insured person can choose the risk profile.

The company's total risk picture is monitored continuously using tools such as The Norwegian FSA's risk based-supervision and self-developed risk goals.

SPP
In SPP, the portfolios are divided into defined benefit pensions, defined contribution pensions and unit linked contracts, and both defined benefit pensions and defined contribution pensions have associated guaranteed returns. In portfolios with a guaranteed return, the differences in the investments' and the insurance liabilities' interest rate sensitivity is minimised and the short-term interest risk is therefore substantially reduced. However, financial risks are assumed in order to achieve returns in excess of the guarantee, primarily by way of equities, corporate bonds and alternative investments. The proportion of equities in the portfolios is dynamically adjusted based on their risk bearing capacity, in order to dampen the effect of falls and at the same time participate in rises. Due to the somewhat more complex financial risk picture in SPP than in the Norwegian life insurance business, the risk to equity represented by the customer portfolio is also managed through derivative transactions in SPP's company portfolio.

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

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

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

STOREBRAND BANK
Storebrand Bank's Board of Directors has approved guidelines for risk management and internal control. These ensure that the bank has established effective and robust functions for risk management, internal control, compliance and internal audit. The guidelines ensure implementation of the bank's strategies and compliance with risk-taking limits.

Storebrand Bank has identified the following areas of risk: credit risk, liquidity risk, market risk, operational risk, business risk and compliance risk. The company's risk strategy forms the foundation for managing the risks through policies aimed at achieving the bank's desired risk profile. The risk strategy is adopted by the Board of Directors and is updated at least annually. The Risk Management Unit prepares monthly risk reports, where the types of risk are followed up in line with the respective policies. The risk reports are dealt with by the liabilities management committee and the bank's Board of Directors.

NOTE 5 | Solvency II

Solvency II is a set of rules covering solvency that will apply to all insurance companies in the EU and the EEC area. Under the current schedule, the regulations shall take effect from 2013, but transitional arrangements have been heralded which imply that the capital requirements will apply from 1 January 2014.

The capital requirements shall reflect all significant risks, including financial market risk, insurance risk, counter-party risk, and operational risk. The ultimate formulation of the capital requirements, including transitional arrangements, is scheduled for some time in 2012, but it is likely that the capital requirements will be higher than the capital requirement under Solvency I.

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

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

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

The Norwegian authorities are aware of the problems. The Banking Law Commission has been requested by the Ministry of Finance to propose amendments to Norwegian product legislation, including how current premium reserves for current private pension schemes can be adapted to the new framework regulations without triggering paid-up policies. Furthermore, there will be a need for amendments that allow for dealing with the interest rate risk linked to existing paid-up policies and individual contracts. In the report, NOU 2012-3, the Norwegian Banking Law Commission proposes, inter alia, that customers may voluntarily opt to convert the old age pension part of the paid-up policy into a paid-up policy with investment alternatives. This is positive, but it is not sufficient to solve the challenge related to the interest rate risk for paid-up policies. The proposal is now submitted for consultation. It is uncertain what amendments can be implemented and how much the risk can be reduced.

NOTE 6 | Insurance risk

Insurance is about protecting oneself against financial loss when events occur. These could be anything from damage to a car or theft in P&C insurance to disability, death or long life in life insurance. Simply put, insurance involves a sharing of risk between many policyholders in which the risk reflects the probability and consequences.

LIFE INSURANCE

PRODUCTS

Life, pension and unit linked insurance contracts are offered as both group and individual contracts.

GROUP CONTRACTS

1. *Group defined benefit pensions* are guaranteed pension payments from a specified age for as long as the insured person lives. Alternatively, it can be agreed that the pension ends at a specified age. The product is offered in both the private and the public sectors. The cover includes retirement, disability and survivor pensions.
2. *Group defined contribution pensions* are pensions where the premium is stated as a percentage of pay, while the payments are unknown. The customer bears all the financial risk during the saving period.
3. *Group one-year risk* covers are guaranteed payments upon death or disability, and a waiver of premiums in the event of disability.
4. *Paid-up policies (defined benefit) and pension capital policies (defined contribution)* are contracts with earned rights that are issued upon withdrawal from or the termination of pension contracts.

INDIVIDUAL CONTRACTS

1. *Individual allocated annuity or pension insurance* provides guaranteed payments for as long as the insured person lives. Alternatively, it can be agreed that the pension ends at a specified age.
2. *Individual endowment insurance* provides single payments in the event of attaining a specified age, death or disability.
3. *Individual unit linked insurance* is endowment insurance or allocated annuity in which the customer bears the financial risk.

RISK AREAS

For Storebrand, life insurance is the dominant insurance area and deals with the following biometric areas of risk:

1. *Death* – The risk of erroneous estimation of mortality (before retirement age) or erroneous estimation of payment to surviving relatives. Over the last few years, a decrease in mortality and fewer young surviving relatives have been registered, compared with earlier years.

2. *Long life* – The risk of erroneously estimating life expectancy and future pension payments. Historical developments have shown that an increasing number attain retirement age and live longer as pensioners than was previously the case. There is a great deal of uncertainty surrounding future mortality development. In the event of longer life expectancy above that assumed in the premium tariffs, the owner could risk higher charges on the owner's result in order to cover necessary statutory provisions.

3. *Disability* – The risk of erroneous estimation of future illness and disability. As of today, the disability risk in Norway is greater than in other OECD countries. There is uncertainty linked to future disability rates.

The most challenging is the risk relating to "long life".

PROBLEMS ASSOCIATED WITH LONG LIFE

1. Age and gender are **not** sufficient as explanatory variables, since other factors such as education, pay, civil status and place of residence also affect mortality.
2. Mortality is falling faster than expected.
3. Medical “quantum leaps” that mean that people will live significantly longer than today.

RISK PREMIUMS AND TARIFFS

Storebrand Life Insurance Norway

Tariffs for group life insurance and certain risk insurances within group pensions also depend on industry/occupation in addition to age and gender. Group life insurance also applies tariffs based on claims experience.

For individual insurance, the premiums for life and long life cover are based on tariffs produced by insurance companies on the basis of their shared experience: namely T1984 for endowment insurance and R1963 for pensions insurance. Disability premiums are based on the company's own experience, and were last amended in 2002.

The company's standard tariff for group life insurance, both for life and disability cover, is based on the company's own experience and was last amended in 2003.

In the case of group pension insurance, the premiums for traditional retirement and survivor cover follow the industry tariff K2005. Premiums for disability pensions are based on the company's own experience. Expense premiums are determined annually with a view to securing full cover for the next year's expected costs.

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

Death and disability

Net annual risk premium for a sum insured of NOK 100.000.

For disability pensions, the premium for annual disability pension of NOK 10.000 paid until the person turns 67 years old.

	Men			Women		
	30 years	45 years	60 years	30 years	45 years	60 years
Risk of death, individual endowment insurance	102	270	1,182	51	135	593
Lump sum disability, individual	273	590		352	1,367	
Disability pension, individual	248	639	1,975	371	1,577	2,490
Critical illness, non-smoker, individual	171	515	1,804	171	515	1,804
Risk of death, group life insurance	57	152	854	34	92	513
Risk of death, group pension insurance	33	146	745	23	77	404
Disability pension, group pension	239	552	1,016	464	1,324	1,413

SPP and BenCo

The risk premium for contracts is an equalised premium based on the group's age and gender composition. Ideally, individual contracts have individual risk premiums based on age and gender. The tariffs contain no assumptions about inflation or transfer, as is true for Storebrand Life Norway.

Life expectancy in Sweden is gradually increasing (mortality is sinking). This is positive for life cover. On the other hand, it may become a financial burden in the case of pension insurance (accident cover). The Swedish Insurance Research Council (FTN), which is a sector organisation for the insurance business, conducted an analysis of mortality in 2006 that makes it possible to look at mortality forecasts that take into account changes in the level of change trends. Such a forecast is crucial when it comes to setting prices for both life cover and pension insurance. Insurance products are usually designed in such a way that the premium calculation for the entire period of cover is based on mortality/life expectancy at the time the policy is written.

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

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

RISK MANAGEMENT

1) Evaluation of insurance risk (underwriting)

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

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

3) Provisions for long life
The last years' follow-up has illustrated the need to further strengthen premium reserves as they relate to long life. The need for provisions applies in general to products that involve a guaranteed benefit, but the impact varies depending on the composition, product characteristics, and amendments to regulations, i.a. as a result of the pension reform. The need for provisions for group pensions (private) and paid-up policies exceed what has been the annual interest excess for these products over the last few years. In a letter from the FSA dated 16 December 2011, a three-year plan for increasing reserves is proposed, starting in 2011. Through Finance Norway (FNO), the industry will set a mortality tariff in the course of 2012, and implementation is expected from 1.1.2013. The final process, the level of mortality tariffs, and the need to increase reserves will depend on the work being done by the Banking Law Commission in connection with the design of the new occupational pension in the private sector. Amongst other things, the question of implementation of the longevity adjustment in light of the constitutional protection might have an impact on these considerations. Furthermore, the need for provisions will depend on issues such as cover composition, the size of security margins etc. In the field of group public insurance, the need will be considerably lower because of changes in the product (introduction of a longevity adjustment) as a result of the pension reform.

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

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

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

A 20 per cent fall in mortality results in an annual risk result for SPP that is approximately SEK 124 million lower. If the probability of reactivation in the event of disability sinks by 20 per cent, this would entail an annual risk result that is approximately SEK 46 million lower. SPP's cancellation risk is very low since the majority of the policy portfolio cannot be surrendered.

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

Specification of risk result

	Storebrand Livsforsikring AS		BenCo		SPP	
NOK million	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Survival	-79	-132	6	-5	-78	-42
Death	287	229		4	85	52
Disability	479	369	13	21	179	269
Reinsurance	-15	-24		2	117	36
Pooling	-109	-155			-4	-6
Other	-29	-39		-2	-10	-19
Total risk result	**535**	**249**	**19**	**21**	**289**	**290**

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

TRANSFER RIGHT

A transfer right exists that allows for the transferring of insurance liabilities linked to group and individual pension insurance contracts to or from other insurance companies. The settlement deadline is two months for contracts where the transfer value exceeds NOK 300 million. The transfer right may constitute a liquidity risk.

GUARANTEED RATE (DISCOUNTING RATE)

Storebrand Life Insurance Norway

The Norwegian FSA sets the highest basic interest rate permitted for new policies and for new members/new accrual of benefits in group pension insurance. The highest basic interest rate for new policies was set at 3 per cent in 1993 and subsequently reduced in 2005 to 2.75 per cent for policies entered into after 1.1. 2006. The highest basic interest rate for new members/new accrual of benefits in group pension insurance was reduced from 4 per cent to 3 per cent with effect from annual renewals in 2004. The guaranteed rate has been set at 2.5 per cent for new contracts with effect from 1.1. 2011.

The guaranteed rate is used both as the guaranteed interest and for discounting future payments. The following table shows the proportions of insurance fund reserves at 31.12.2010 relating to policies with various basic annual interest rates:

Interest rate guarantee in per cent	2011	2010
6%	0.3%	0.3%
5%	0.5%	0.5%
4%	49.7%	54.2%
3.4%	3.4%	4.1%
3%	37.4%	35.5%
2.75%	1.8%	1.7%
2.50%	0.5%	0.0%
0%	4.3%	3.7%

The above table includes the premium reserve, deposit reserve and pensioners' surplus reserve with 3 per cent and additional statutory reserves with 0 per cent.

The total average guaranteed interest rate for all lines of insurance was 3.4 per cent in 2011. The guaranteed interest rate must be met on an annual basis. If the company's investment return in any given year is lower than the guaranteed interest rate, current legislation permits the equivalent of up to one year's guaranteed return for the individual policy to be covered by transfers from the policy's additional statutory reserves.

Average interest rate guarantee in per cent	2011	2010
Individual endowment insurance	3.1%	3.3%
Individual pension insurance	3.7%	3.8%
Group pension insurance	3.2%	3.3%
Paid-up policy	3.6%	3.7%
Group life insurance	0.3%	0.3%
Total	**3.4%**	**3.5%**

A guaranteed interest rate of 2.75 per cent has been applied to new policies written in 2011. In the case of contracts that have been transferred to the company, the guaranteed rate in the ceding company has been used, limited upwards to 4 per cent.

Premiums and provisions for pension entitlements earned in 2011 in group pension insurance are calculated on the basis of a 3 per cent guaranteed rate for contracts established before 1.1. 2006. New insurance contracts established after this date are calculated at a guaranteed rate of 2.75 per cent.

SPP

The table below shows the distribution of insurance liabilities as per 31.12.2010 with the following different final value guarantees:

interest rate guarantee	2011	2010
3.0% DB	43.7%	42.8%
1.25 - 2.5% P250	13.8%	13.1%
2.75 - 4.0% P300	21.4%	22.0%
4.5 - 5.2% P520	21.1%	22.1%

P&C INSURANCE

The Group offers the following products:

- Motor vehicle
- Leisure boats
- Combined products
- Travel
- Accident
- Occupational hazard
- Group life
- Critical illness and cancer insurance
- Child insurance
- Life insurance
- Disability endowment
- Disability pension
- Health insurance

In the P&C business, large claims or special events represent the greatest risk. Typically, the largest claims will arise from third party insurance for motor vehicles, and home and contents fire insurance, as well as personal injuries in the fields of group life and occupational hazard. In order to lower this risk, Storebrand has covered itself with excess of loss reinsurance for vehicle and property insurance, with a deductible of NOK 5 million per claim after the first claim, which has a deductible of NOK 10 million. The cover has unlimited capacity in the case of motor vehicles. The cover has a capacity of NOK 35 million for property. In addition, the risk exposure arising from travel insurance may accumulate in the event of possible catastrophes such as the tsunami in South East Asia in 2004. Personal insurance such as travel, accident and occupational hazard insurance is therefore now also included in the Group's catastrophe reinsurance.

The risk inherent in occupational hazard insurance is also covered by quota reinsurance and excess of loss reassurance, with a deductible of NOK 5 million.

In the case of health insurance, the company has excess of loss protection for 80 per cent of all claims payments per person per year that exceed NOK 300,000. This means that the level of insurance risk for health insurance for own account is very low.

NOTE 7 | Financial market risks

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 interest rate, currency, equity, property and commodity markets that have an impact on the value of the company's financial instruments. Storebrand continuously monitors market risk using a range of evaluation methods. The potential for losses in the investment portfolio on a one-year horizon is calculated and the portfolios are stress tested pursuant to the statutorily defined stress tests as well as internal models.

Storebrand Life Insurance Norway

The largest contributions to short-term, result-related market risk for the Norwegian life insurance business are falls in the value of equities and real estate, increased risk for corporate bonds and rapid increases in interest rates. In the longer term, low market interest rates over time represent a significant market risk for the company. The current formulation of the regulations means that technical insurance reserves in Storebrand Life Insurance are not affected by changes in market interest rates. Solvency II is expected to be introduced in 2014, and this may result in the reserves being evaluated at market value also for the Norwegian activities.

SPP

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

Bank activities

Storebrand Bank manages its interest rate risk through interest rate swap agreements to minimise the effect of a change in interest rates on its deposits and lending. Market risk represents a minor part of the bank activities' total risk.

Other subsidiaries

The other subsidiaries in the Group are not particularly exposed to market risk.

Sensitivity analyses

Assets and liabilities (funding and insurance liabilities in Sweden) are stress tested to show how much this affects the owner's result compared to the expectations for 2012. The estimated effects include an estimated normalised return throughout the year based on uncertain assumptions of future returns, and other uncertain factors and uncertain assumptions. The stress tests were carried out on the investment portfolio at 31.12.2011 and the result shows the estimated effect on the result for one stress after the other for the year as a whole. The analysis was done with immediate individual stresses, i.e. a class of assets experiences a day with sharp market fluctuations, and then develops as anticipated in the remaining days of the year. In this scenario, the other asset classes develop as anticipated throughout 2012. The stresses were as follows: shares +/ - 20 per cent, interest +/- 150 basis points and properties +/- 12 per cent. With respect to currency risks, the investment portfolios are essentially fully hedged, and changes in exchange rates will have little effect on the companies' expected results for 2012.

For changes in market risk that arise during the course of 1 year, the effect on the result and equity will be as presented below, based on the statement of financial position at 31 December 2011.

Change in market value

NOK million	**2011**	**2010**
Equities -20%	-6,373	-9,300
Equities +20%	6,373	9,299
Interest -1.5%	9,365	8,157
Interest +1.5%	-8,873	-6,935
Real estate -12%	-3,615	-3,667
Real estate +12%	3,615	3,667

Effects on result/equity

NOK million	**2011**	**2010**
Equities -20%	-948	-855
Equities +20%	294	527
Interest -1.5%	-121	39
Interest +1.5%	-327	-168
Real estate -12%	-1,043	-430
Real estate +12%	498	610

This note applies to: Storebrand Life Insurance, SPP, BenCo, Storebrand Bank, Storebrand P&C Insurance, Storebrand Health Insurance and Storebrand ASA.

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

Storebrand Life Insurance Norway
The stress tests were carried out on all investment profiles with guaranteed return and the effect of each stress test reduces or increases the expected return in each profile. For the negative stress tests (equities down, interest rates up and property down) the return in some individual profiles falls below the guarantee. The guarantee and buffer situation for each contract will then decide how much equity the company must use if the return remains at this level in 2012. In addition to the need to use equity to cover for the guaranteed return, it is changes in profit sharing on paid-up policies and individual contracts, as well as the return and interest costs in the corporate portfolio that deviate from the expected result in 2012. The effect of negative stresses has increased somewhat since last year. The most important reasons for this are the reduction in unrealised gains in 2012 and an anticipated return that is closer to the guaranteed return due to lower market interest rates.

The stress tests were applied individually. If several of the negative stress tests were to occur simultaneously, the negative effect on the result would be greater than simply the sum of the two individual effects alone (a larger proportion of gross stresses would be retained by the owner). In addition to the negative result effect for the owner, the expected building up of buffer capital will, to a substantial degree, fall away in the negative stress tests. In the case of the positive stress tests, greater building up of buffer capital is also assumed, in addition to the positive result effects for the owner in the form of the market value adjustment reserve and additional statutory reserves.

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

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

Bank activities
The table includes the accounting effect over a 12-month period of an immediate parallel change in interest rates of +1.5 percentage points and -1.5 percentage points respectively. Account is taken of the one-time effect such an immediate interest rate change has on the items

recognised at fair value and hedging value, and on the effects the interest rate change has on the result for the remainder of the interest rate duration period before the interest rate change has income and costs-related effect.

Items affected by one-time effects and which are recognised at fair value are primarily the investment portfolio, fixed rate lending, funding via the government swap scheme, deposits with equity returns, and derivatives.

Exposure to selected countries
There is a great deal of uncertainty as to whether certain Euro countries will be able to service their national debt. The situation is most critical for Greece, but also Portugal and the Irish Republic have to pay high interest rates. It is also feared that Italy and Spain are in an exposed position. One direct result of payment problems will be that the banking sector will be affected because of its large loans to the exposed countries. An indirect consequence will be that essential economic austerity measures will have an impact on economic growth and thus corporate earnings. The European problems come in addition to the weak economic prospects in the USA .The table below shows the direct exposure to selected countries with amounts at fair value.

Direct exposure to selected countries at 31.12.2011 (fair value)

NOK million	Shares	Bonds	Total
Greece			
Banks	4		**4**
Other	9		**9**
Total	**13**		**13**
Italy			
Government		3,151	**3,151**
Banks	61	489	**549**
Other	211	296	**508**
Total	**272**	**3,936**	**4,208**
Portugal			
Government		709	**709**
Banks	2	131	**134**
Other	21		**21**
Total	**23**	**841**	**863**
Republic of Ireland			
Government		532	**532**
Banks	9	112	**121**
Other	351	1 389	**1,739**
Total	**359**	**2,032**	**2,392**
Spain			
Government		2,712	**2,712**
Banks	136	468	**604**
Other	227	1 114	**1,341**
Total	**363**	**4,294**	**4,657**
Total	**1,030**	**11,103**	**12,133**

NOTE 8 | Liquidity risk

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

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

Liquidity risk is one of the most important risk factors in banking activities. The company's risk strategy establishes general limits for how much liquidity risk the bank group is willing to accept. A policy has been drawn up specifying principles for liquidity management, minimum liquidity reserves and financing indicators for measuring liquidity risk. In addition to this, an annual funding strategy and funding plan are drawn up that set out the overall limits for the bank's funding activities.

In addition to clear strategies and the risk management of liquidity reserves in each subsidiary, the Group's holding company has established a liquidity buffer. At Group level, developments in the liquid holdings are constantly followed in relation to internal limits. Committed credit lines from banks have also been established that the companies can draw on if necessary.

Undiscounted cash flows for financial liabilities

NOK million	0-6 months	6-12 months	1-3 years	3-5 years	> 5 years	Total value	Book value
Subordinated loan capital	702	268	5,311	1,328	1,729	**9,338**	7,496
Liabilities to financial institutions	1,484	417	4,319			**6,219**	6,016
Deposits from bank customers	18,477					**18,477**	18,477
Debt raised from issuance of securities	2,060	589	6,274	7,396	1,242	**17,560**	13,626
Other current liabilities[1]	7,390		1,540			**8,930**	10,095
Uncalled residual liabilities limited partnership	5,898					**5,898**	
Unused credit lines lending	5,739					**5,739**	
Lending commitments	1,409					**1,409**	
Total financial liabilities 2011	**43,157**	**1,273**	**17,444**	**8,724**	**2,971**	**73,570**	**55,710**
Derivatives related to funding 2011	-340	87	-582	-255	-55	**-1,145**	140
Total financial liabilities 2010	37,286	4,008	12,931	10,285	2,887	**67,397**	52,762

1. Of which the minority interests in the real estate fund amount to NOK 1,540 million. After 3 years, participants can present a demand for redemption every year. Redemption is conditional on a total demand of NOK 100 million. The redemption sum is set at 98.75 per cent of value-adjusted equity (VEK). Also see note 48.

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

Specification of subordinated loan capital

NOK million	Nominal value	Currency	Interest	Maturity	Book value
Issuer					
Hybrid tier 1 capital					
Storebrand Bank ASA	107	NOK	Fixed	2014	113
Storebrand Bank ASA	168	NOK	Floating	2014	169
Storebrand Livsforsikring AS	1,500	NOK	Floating	2018	1,502
Perpetual subordinated loan capital					
Storebrand Livsforsikring AS	300	EUR	Fixed	2013	2,515
Storebrand Livsforsikring AS	1,700	NOK	Floating	2014	1,703
Storebrand Livsforsikring AS	1,000	NOK	Fixed	2015	1,094
Dated subordinated loan capital					
Storebrand Bank ASA	250	NOK	Floating	2012	251
Storebrand Bank ASA	150	NOK	Floating	2012	150
Total subordinated loans and hybrid tier[1] capital 2011					**7,496**
Total subordinated loans and hybrid tier[1] capital 2010					7,606

Spesification of liabilities to financial institutions

NOK million	Book value	
Maturity	**2011**	**2010**
2011		2,949
2012	1,769	1,362
2013	3,258	2,752
2014	988	990
Total liabilities to financial institutions	**6,016**	**8,053**

Specification of debt raised through issuance of securities

NOK million	Book value	
Maturity	**2011**	**2010**
2011		1,813
2012	2,083	2,087
2013	2,031	1,327
2014	3,583	3,053
2015	1,466	1,442
2016	3,369	865
2019	1,095	1,037
Total debt raised through issuance of securities	**13,626**	**11,623**

Loan agreements entered into are subject to standard covenants. The terms and conditions have been satisfied for all signed loan agreements. In accordance with the loan programme in Storebrand Boligkreditt AS the company's requirements for excess pledges is 109.5 per cent satisfied.

NOTE 9 | Credit risk

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

Credit risk and liquidity risk are the two most important risks for banking activities. The bank's risk strategy establishes overall limits for how much credit risk the bank group is willing to assume. The willingness to accept risk is adjusted to the bank's risk appetite and target risk profile, capital adequacy and growth. Credit policies establish general principles for granting credit. The bank group's routines for credit management are set forth in special credit handbooks. The most important control of credit risk is carried out and administered by the Credit Control unit.

Financial assets at fair value over profit and loss (FVO)

NOK million	**2011**	**2010**
Book value maximum exposal for credit risk	3,443	3,709
Net credit risk	**3,443**	**3,709**
The years change in fair value due to credit risk	-1	-5
Accumulated change in fair value due to changes in credit risk	5	6

Fair value is fixed on the basis of a theoretical estimation where the cash flow is discontinued at the rate offered.

The maximum credit exposure is the sum of gross lending, drawn amounts on credit lines, and undrawn amounts on such credit lines. The maximum exposure was marginally reduced from the end of 2010 as a result of lower commitments, counteracted by an increase in interest rate swaps. The following specifies bonds and derivatives by rating and lending by customer groups.

CREDIT RISK BY COUNTERPARTY

Bonds and other fixed income securities at fair value

Category by issuer or guarantor *NOK million*	AAA Fair value	AA Fair value	A Fair value	BBB Fair value	Other Fair value	NIG Fair value	Total Fair value
Government and government guaranteed bonds	56,002	11,233	1,538	81			68,854
Credit bonds	1,974	5,604	20,426	11,240	96	2,779	42,121
Mortgage and asset backed securities	32,101	4,419	90	235		229	37,074
Supernational organisations	1,640	100	1,016	691		55	3,502
Total interest bearing securities stated by rating	**91,718**	**21,356**	**23,070**	**12,247**	**96**	**3,064**	**151,551**
Bond funds not managed by Storebrand							8,396
Non-interest bearing securities managed by Storebrand							-11,855
Total 2011[1]	**91,718**	**21,356**	**23,070**	**12,247**	**96**	**3,064**	**148,092**
Total 2010[1]	90,250	13,993	29,825	12,847	200	2,165	156,745

1. Excluding underlying investments in external funds

Interest bearing securities at amortised cost

Category of issuer or guarantor *NOK million*	AAA Fair value	AA Fair value	A Fair value	BBB Fair value	NIG Fair value	Total Fair value
Government and government guaranteed bonds	21,913	1,899	2,039	30	709	26,589
Credit bonds	636	3,301	7,469	494	1,124	13,025
Mortgage and asset backed securities	22,609	1,526	153	559	510	25,357
Supernational organisations	6,848		3,050			9,898
Total 2011	**52,006**	**6,726**	**12,711**	**1,083**	**2,343**	**74,868**
Total 2010	26,976	6,347	13,211	628	1,764	48,926

Counterparties *NOK million*	AAA Fair value	AA Fair value	A Fair value	BBB Fair value	Total 2011
Derivatives	36	3,227	3,880	472	7,615
Of which derivatives in bond funds, managed by Storebrand		530	644		1,174
Total derivatives excluding derivatives in bond funds	**36**	**2,697**	**3,236**	**472**	**6,440**
Bank deposits	671	5,369	2,227	1,104	9,371
Lending to financial institutions		269			269

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

The purpose of using financial derivatives is to identify and reduce currency and interest rate risk. Counterparty risk in connection with the trading of financial derivatives is included in credit risk. The bank's risk strategies and policies set limits for how much credit the bank group is willing to accept. Storebrand Bank secures all customer derivatives trading by way of counter deals in derivatives to minimise the currency and interest rate exposure.

LENDING

Commitments by customer goups

NOK million	Lending to and receivables from customers	Guarantees	Unused credit-lines	Total commitments	Unimpaired commitments	Impaired commitments	Individual write-downs	Net defaulted commitments
Development of building projects	1,236	40	18	1,295		2	3	-1
Sale and operation of real estate	10,954	300	2,495	13,749		69	44	24
Other service providers	1,384	5	2	1,392				
Wage-earners and others	22,592		3 142	25,734	157	81	37	201
Others	324	2	36	362	2	20	20	2
Total	**36,490**	**348**	**5,694**	**42,531**	**159**	**171**	**103**	**227**
- Individual write-downs	-103			-103				
+ Group write-downs	-53			-53				
Total lending to and receivables from customers 2011	**36,333**	**348**	**5,694**	**42,375**	**159**	**171**	**103**	**227**
Total lending to and receivables from customers 2010	37,428	302	5,267	42,997	338	436	174	600

The division into customer groups is based on Statistics Norway's standard for sector and business grouping.
The placement of the individual customer is determined by that customer's primary business.

CREDIT EXPOSURE IN LENDING

Loans to the corporate market total almost NOK 14 billion. Further, approximately NOK 600 million in unused credit lines and just under NOK 300 million in guarantees.

About 80 per cent of the loans relate to income-generating properties. Just under 20 per cent relate to building projects. Less than 5 per cent of the corporate market portfolio is secured by collateral other than mortgages on property. The portfolio is secured by collateral in the form of mortgages on real estate. Property loans are characterised by a good, diversified tenant profile and good lease durations. The company is ensured a cash flow from tenants and has security in the properties themselves. Tenant diversification ensures corresponding diversification of cash flows, which significantly reduces the overall risk inherent in the portfolio.

In the retail market, loans are for the most part secured by mortgages on residential properties. Approximately NOK 22 billion has been lent in housing loans, with additionally almost NOK 2 billion in undrawn credit facilities. The total exposure to the housing sector is therefore approximately NOK 24 billion. Customers are checked in accordance with policies, and their ability and willingness to service the loan is evaluated using a liquidity calculation and a risk classification model.

The average weighted loan-to-value ratio (LVR) in the bank group is approximately 55 per cent for housing loans, and approximately 94 per cent of the housing loans are within an 80 per cent LVR. About 97 per cent are within 90 per cent LVR. In the bank group, about 58 per cent of the housing commitments have a 60 per cent LVR. The portfolio is considered to have a low credit risk.

Total committments by remaining term

NOK million	2011				2010			
	Loans to and receiva-bles from customers	Guarantees	Unused credit line	Total com-mit-ments	Loans to and receiva-bles from customers	Guarantees	Unused credit line	Total com-mit-ments
Up to one month	37		5	**41**	112	46	22	**180**
1 - 3 months	371	1	26	**398**	192		15	**207**
3 months - 1 year	1,641	3	184	**1,828**	1,449	29	300	**1,779**
1 -5 years	3,877	338	606	**4,821**	5,632	226	1,307	**7,165**
More than 5 years	27,549	6	2,883	**30,438**	27,075		1,828	**28,903**
Total gross commit-ments	**33,475**	**348**	**3,704**	**37,526**	**34,460**	**302**	**3,473**	**38,235**

Commitments are regarded as non-performing and loss exposed when a credit facility has been overdrawn for more than 90 days and when an instalment loan has arrears older than 90 days and the amount is at least NOK 500. The same definition as that used in the Capital Requirements Regulations is used for overdue commitments, but the number of days in the definition is equal to the age distribution.

Credit risks by customer groups

NOK million	Gross non-perfor-ming commitments	Individual write-downs	Net non-performing commit-ments	Total recognised value changes during the period
Development of building projects	2	3	-1	-7
Sale and operation of real estate	69	44	25	-4
Other service providers				-4
Wage-earners and others	238	37	201	-48
Others	21	20	2	-7
Total 2011	**330**	**103**	**227**	**-70**
Total 2010	774	174	600	-8

In the case of default, Storebrand Bank ASA will sell the securities or repossess the properties if this is most suitable. The bank has two repossessed properties that are held as part of the Storebrand Bank Group in separate subsidiaries, and internal transactions are eliminated in the normal manner.

Financial liabilities at fair value over profit and loss

NOK million	2011	2010
Change in fair value of liabilities due to changes in credit risk	-2	7
The difference between the liabilities' book value and the contractual amount at maturity	4	4
Accumulated change in fair value of liabilities due to changes in credit risk	-2	7
The difference between the liabilities' book value and the contractual amount at maturity	4	4

NOTE 10 | Operational risk

The assessment of operational risks is linked to the ability to achieve target and to implement plans. This includes both risks for losses and declining profitability associated with, inter alia, economic fluctuations and changes in framework conditions, changed customer behaviour, and the risk of losses as a result of inadequate or failed internal processes, control routines, systems, human error or external events.

The Group seeks to reduce operational risk through effective internal control with clear routines, unambiguous descriptions of responsibilities, and documented powers of attorney/authority. Risks are followed up through management's quarterly risk reviews, with documentation of risks and measures, as well as current reporting from the line, registration, and following up of events. In addition, Internal Audit carries out an independent control in accordance with audit projects adopted by the Board.

Contingency plans have been prepared to deal with serious events in the business-critical processes, and these are the responsibility of people with special security responsibilities. Storebrand's control function also involves people with particular responsibility for controlling operational risk.

NOTE 11 | Valuation of financial instruments at fair value

The company carries out a comprehensive process to ensure that the values established for financial instruments are as in line with the market as possible. Listed financial instruments are valued on the basis of official closing prices on stock exchanges obtained via Reuters and Bloomberg. Fund units are generally stated at the updated official NAV prices where these exist. As a rule, bonds are valued based on prices from Reuters and Bloomberg. Bonds that are not quoted regularly will normally be valued based on recognised theoretical models. The latter is particularly true for bonds denominated in NOK. Such valuations are based on discount rates consisting of swap interest rates plus a credit premium. The credit premium will often be issuer specific and normally based on a consensus of credit spreads quoted by a selected brokerage house.

Unlisted derivatives, including primarily interest rate and currency instruments, are also valued theoretically. The money market rates, swap rates, exchange rates, and volatilities that provide the basis for valuations are obtained from Reuters, and Bloomberg.

The company continuously performs checks to ensure the quality of the market data obtained from external sources. Generally, such checks involve comparing multiple sources, checking, and assessing the reasonableness of abnormal 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 degree of liquidity and different measuring methods. Significant market volatility during the year, where one can periodically register significant price divergences between the various sources, and bigger bid-ask spread in general, imply, seen in isolation, more uncertainty regarding the valuation of some classes of assets. Because of the market unrest, the company has carried out a thorough valuation of all types of securities, based on classification. Naturally, the principles applied for the classification of corporate bonds have been considered in this connection. Inasmuch as the company has established models that gather information from a wide range of well-informed brokerage houses in our valuations, we have come to the conclusion that we have managed to remove most of the uncertainty. We can assume that the sources we use, overall, carry out the majority of the transactions in the primary and secondary market so that our valuation nevertheless provides a representative picture of the market as a whole.

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

This category encompasses listed equities that over the previous three months have experienced a daily average turnover equivalent to approximately NOK 20 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. In the case of derivatives, standardised equity-linked and interest rate futures will be encompassed by this level.

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

This category encompasses financial instruments that are valued on the basis of market information that can be directly observable or indirectly observable. Market information that is indirectly observable means that prices can be derived from observable, related markets. Level 2 encompasses equities or equivalent equity instruments for which market prices are available, but where the turnover volume is too limited to meet the criteria in level 1. Equities on this level will normally have been traded during the last month. Bonds and equivalent instruments are generally classified as level 2. Interest rate and currency swaps, non-standardised interest rate and currency derivatives, and credit default swaps are also classified as level 2. Funds are generally classified as level 2, and encompass equity, interest rate, and hedge funds.

LEVEL 3: FINANCIAL INSTRUMENTS VALUED ON THE BASIS OF INFORMATION THAT IS NOT OBSERVABLE PURSUANT TO LEVEL 2

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

Asset backed securities (ABS), residential mortgage backed securities (RMBS) and commercial mortgage backed securities (CMBS) are classified as level 3 due to their generally limited liquidity and transparency in the market.

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

UNLISTED EQUITIES/FORESTRY

The external valuations are based on models that include non-observable assumptions. Besides the external valuations that had been conducted as per 31.12. 2011, the equity investments are stated on the basis of value adjusted equity reported by external sources. Comprehensive external valuations were carried out on the largest forestry investments at 31.12.2011 and these for the basis for the valuation of the company's investments.

PRIVATE EQUITY

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

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

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

In the case of investments in which Storebrand participates as a co-investor together with a leading investor that conducts a valuation, and no recent transactions exist, Storebrand will use this value after it has been quality assured. In the case of investments for which Storebrand has not received an up-to-date valuation as per 31.12 from a leading investor by the time the annual financial statements are closed, the previous valuation is used and adjusted for any market effects during the period from the last valuation up to the reporting date. In those cases where no valuation is available from a leading investor in the syndicate, a separate valuation will be made, as described above.

ASSET BACKED SECURITIES

This category primarily encompasses asset-backed securities (ABS), residential mortgage backed securities (RMBS) and commercial mortgage backed securities (CMBS). These are primarily valued on the basis of quoted prices from brokers or valuations obtained from international banks. The number of brokers who quote prices is very limited and the volume of transactions in the market relatively low.

INDIRECT REAL ESTATE INVESTMENTS

Indirect real estate investments are primarily investments in funds with underlying real estate investments where Storebrand's intention is to own the investments throughout the fund's lifetime. No units in funds that confirm the market price of the units have been traded recently. Real estate funds are valued on the basis of information received from the individual fund manager.

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

SENSITIVITY ASSESSMENTS

Forestry investments are characterised by, among other things, very long cash flow periods. There can be some uncertainty associated with future cash flows due to future income and costs growth, even though these assumptions are based on recognised sources. Nonetheless, valuations of forestry investments will be particularly sensitive to the discount rate used in the estimate. The company bases its valuation on external valuations. These utilise an estimated market-related required rate of return. As a reasonable alternative assumption to the required rate of return used, a change in the discount rate of 0.25 per cent would result in an estimated change of around 4-6 per cent in value, depending on the maturity of the forest and other factors.

Storebrand's private equity investments are for the most part made through unlisted companies meaning no observable market prices are available. Large proportions of the portfolio are priced using comparable listed companies, while a smaller proportion of the portfolio is listed. The valuation of the private equity portfolio will thus be sensitive to fluctuations in global equity markets. In the period 1997-2011, Storebrand's private equity portfolio has had a beta against the MSCI World (Net currency hedged to NOK) of around 0.4. The annualised alpha in the same period has been around 8.9 per cent.

Valuations of asset-backed securities will generally be sensitive to estimated loan repayment periods, probability of losses and discount rate requirements. Key assumptions for these factors will also be based on the securities' characteristics and quality. The specified composition of the ABS/RMBS /CMBS portfolio below is stated at fair value. The company's valuation of asset-backed securities is based on external sources. Based on experience with procured tradable prices from brokers, the company is of the opinion that reasonable alternative assumptions entail a valuation that could be 2-3 per cent higher or lower than that indicated by fair value. We have obtained indicative prices from alternative sources at 31.12. that indicate market values that are 0.25 per cent higher than the valuation used.

Composition of ABS/CMBS/RMBS portfolios based on primary exposure of underlying collateral:

Country	Asset Backed	Commercial Mortgage Backed	Residential Mortgage Backed	Total
Australia			1.6%	**1.6%**
Italy			4.8%	**4.8%**
Mixed	2.8%	14.0%		**16.8%**
The Netherlands			11.4%	**11.4%**
Portugal			6.2%	**6.2%**
Spain	0.4%		10.4%	**10.8%**
United Kingdom		0.5%	19.9%	**20.4%**
Germany		3.4%		**3.4%**
USA	23.8%		0.7%	**24.6%**
Total	**27.0%**	**18.0%**	**55.0%**	**100.0%**

Composition of ABS/CMBS/RMBS based on ratings from Moody's, alternatively S&P:

Rating	Asset Backed	Commercial Mortgage Backed	Residential Mortgage Backed	Total
AAA	26.7%		15.9%	**42.6%**
AA	0.4%	2.4%	23.3%	**26.1%**
A		15.6%	8.7%	**24.2%**
BBB			5.3%	**5.3%**
BB			1.7%	**1.7%**
Total	**27.0%**	**18.0%**	**55.0%**	**100.0%**

Valuations of indirect real estate investments are sensitive to changes in the required rate of return and assumed future cash flows. Indirect real estate investments are mortgaged structures. On average, 47 per cent of the portfolio is mortgaged.

NOK million	Quoted prices	Observable assumptions	Non-observable assumptions	2011	2010
Assets:					
Equities and units					
- Equities	22,647	503	3,112	**26,261**	32,602
- Fund units		47,039	2,224	**49,263**	51,142
- Private equity fund investments		1,613	5,226	**6,839**	6,682
- Hedge fund		892	27	**919**	
- Indirect real estate fund		7	1,969	**1,976**	2,417
Total equities and units	**22,647**	**50,054**	**12,557**	**85,258**	
Total equities and units 2010	28,445	52,624	11,774		92,843
Lending to customers		**788**		**788**	
Total lending to customers 2010		673			673
Bonds and other fixed-income securities					
- Government and government guaranteed bonds	23,322	23,728		**47,051**	59,813
- Credit bonds		20,120	1,213	**21,333**	42,179
- Mortgage and asset backed securities	50	33,722	790	**34,562**	25,049
- Supranational organizations		2,212		**2,212**	2,833
- Bond funds		42,935		**42,935**	26,871
Total bonds and other fixed-income securities	**23,372**	**122,717**	**2,002**	**148,092**	
Total bonds and other fixed-income securities 2010	33,249	121,340	2,156		156,745
Derivatives:					
- Interest derivatives		4,668		**4,668**	1,994
- Currency derivatives		-949		**-949**	1,718
- Credit derivatives		2		**2**	1
Total derivatives		**3,721**		**3,721**	
- of which derivatives with a positive market value		6,440		**6,440**	
- of which derivatives with a negative market value		-2,720		**-2,720**	
Total derivatives 2010		3,712			3,712
Liabilities:					
Liabilities to financial institutions		3,497		**3,497**	
Total liabilities 2010		6,034			6,034

Movements between quoted prices and observable assumptions

NOK million	From quoted prices to observable assumptions	From observable assumptions to quoted prices
Equities and units	74	142
Bonds and other fixed-income securities	645	

Level 1 encompasses listed equities that over the previous six months have experienced a daily average turnover equivalent to approximately NOK 20 million or more. Movements from level 1 to level 2 reflect reduced sales value in the relevant equities in the last measuring period. On the other hand, movements from level 2 to level 1 indicate increased sales value in the relevant equities in the last measuring period.

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

NOK million	Equities	Fund units	Private equity fund	Hedge fund	Indirect real estate fund	Financial and corporate bonds	Asset backed securities
Book value 01.01	3,168	1,818	4,661		1,969	1,042	1,114
Net gains/losses on financial instruments	-57	21	485	1		63	-268
Supply/disposal	69	410	490	39		177	
Sales/due settlements	-79	-29	-412	-13		-72	-56
Transferred to quoted prices from observable assumptions	3						
Translation differences	8	5	2			2	
Book value 31.12	**3,112**	**2,224**	**5,226**	**27**	**1,969**	**1,213**	**790**

NOTE 12 | Segment reporting

Storebrand's activities are operationally divided into five business areas: life and pensions, asset management, bank and P&C insurance. Two result areas are reported for life and pensions: Life and Pensions Norway (LPN) and Life and Pensions Sweden (LPS). Storebrand is the Nordic region's leading provider of life insurance and pensions, and offers a comprehensive range of products to retail customers, local authorities, and the public sector.

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

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

ASSET MANAGEMENT
Storebrand's asset management activities include the companies Storebrand Kapitalforvaltning AS, Storebrand Fondene AS, Storebrand Eiendom AS, and Storebrand Realinvesteringer AS and SPP Fonder AB. All the management activities have a guaranteed socially responsible profile. Storebrand offers a wide range of mutual funds to retail customers and institutions under the Delphi and Storebrand Fondene brand names. Storebrand Eiendom is one of Norway's largest real estate companies and manages real estate portfolios both in Norway and abroad.

BANK
Storebrand Bank offers traditional banking services such as accounts and loans in the retail market and project financing to selected corporate customers.

INSURANCE
The insurance segment comprises the companies Storebrand Forsikring AS, Storebrand Helseforsikring AS (50 per cent stake) and P&C insurance in Storebrand Livsforsikring AS. Storebrand Insurance AS offers standard insurance products in the Norwegian retail market, and some corporate insurance in the SMB market. Storebrand Health Insurance AS offers treatment insurance in the Norwegian and Swedish corporate and retail markets. It also includes personal risk insurance in the Norwegian retail market and employee insurance in the corporate market in Norway, which is included in Storebrand Livsforsikring AS.

OTHER
Other activities consist of activities in the Group that are not included in the five listed business areas above. Consists of the holding company Storebrand ASA, which invests in and manages subsidiaries. It also includes eliminations from intragroup transactions, which are included in the other segments.

	Storebrand Life Insurance[1]		SPP[1]		Asset management		Banking	
NOK million	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Revenue from external customers	24,111	33,658	11,187	13,618	590	538	541	524
Revenue from other group companies[2]	32	31			188	315	3	5
Group result before amortisation and write-downs of intangible assets[2]	481	783	291	410	293	333	213	162
Write-downs of intangible assets and amortisations			-358	-348	-8	-5	-22	-28
Group pre-tax profit	**481**	**783**	**-67**	**62**	**284**	**327**	**190**	**135**
Assets	223,161	219,822	133,354	125,394	965	1,026	38,718	39,371
Liabilities	212,222	207,794	128,505	120,900	608	651	36,413	37,110

	Insurance		Other		Eliminations		Storebrand Group	
NOK million	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Revenue from external customers	1,914	1,783	65	47	-182	-76	38,225	50,092
Revenue from other group companies[2]			1,158	835	-1,381	-1,186		
Group result before amortisation and write-downs of intangible assets[2]	281	155	880	179	-1,158	-410	1,279	1,612
Write-downs and amortisation of intangible assets	-6	-9					-394	-390
Group pre-tax profit	**275**	**146**	**880**	**179**	**-1,158**	**-410**	**885**	**1,223**
Assets	3,532	2,914	19,854	18,121	-18,141	-16,235	401,442	390,414
Liabilities	3,046	2,620	3,805	3,129	-1,934	-208	382,665	371,997

1. Income from external customers includes the total premium income including savings premiums and transferred premium fund from other companies, net financial return and other income.
2. Income from other group companies: Storebrand Investments manages financial assets for other group companies. Asset management fees are made up of fixed management fees and performance-related fees. Performance-based fees apply to the portfolios qualifying for such fees at any given time, and are recognised as income when they are assured. Storebrand Livsforsikring AS earns revenue from other group companies for product sales and management. These services are priced on commercial terms.

GEOGRAPHICAL PRESENCE

The Storebrand Group are represented in the following countries:

Segment/Country	Norway	Sweden	Lithuania	Ireland	Guernsey
Storebrand Life Insurance	×	×	×	×	×
SPP		×			
Asset Management	×	×			
Banking	×				
Insurance	×				
Other	×				

Key figures by business area - cumulative figures

NOK million	2011	2010
Group		
Earnings per ordinary share	1.51	3.30
Equity	18,777	18,417
Capital adequacy	13.9%	13.1%
Storebrand Life Insurance		
Premium income after reinsurance	15,288	15,174
Net inflow of premium reserves	-4,690	1,857
Insurance liabilities	206,339	201,265
- of which products with guaranteed return	170,965	167,438
Market return customer funds with guarantee	3.4%	6.1%
Booked investment yield customer funds with guarantee	4.6%	4.9%
Investment yield company portfolio	5.1%	5.8%
Solvency capital[1]	40,109	42,710
Capital adequacy (Storebrand Life Insurance Group)[2]	13.8%	13.6%
Solvency margin (Storebrand Life Insurance Group)[2]	161.1%	163.9%
SPP		
Premium income after reinsurance	6,049	6,418
Net inflow of premium reserves	-802	-829
Policyholders' fund incl. accrued profit (excl. conditional bonus)	105,857	100,987
– of which products with guaranteed return	73,880	68,870
Return Defined Benefit	8.6%	6.0%
Return Defined Contribution	8.0%	5.1%
Conditional bonus	7,417	8 504
Deferred capital contribution	2,905	2 233
Solvency margin (SPP Life Insurance Group)	141.0%	208.0%
Asset management		
Total funds under management	413,950	406,922
Funds under management for external clients	73,665	71,657
Costs/AuM bp[3]	12.0	11.6
Banking		
Net interest income as a percentage of average total assets	1.1%	1.1%
Costs/income% (banking)[4]	65.9%	68.0%
Deposits from and due customers as% of gross lending	55.2%	54.6%
Gross defaulted and loss-exposed loans as% of gross lending	1.0%	2.0%
Gross lending	33,475	34,460
Core (tier 1) capital ratio	11.4%	10.6%
Insurance		
Claims ratio	72.7%	77.4%
Cost ratio	18.7%	20.6%
Combined ratio	91.4%	98.0%

1. Consists of equity, subordinated loan capital, market value adjustment reserve, risk equalisation fund, unrealised gains, bonds at amortised cost, additional statutory reserves, conditional bonus and accrued profit.
2. Storebrand Livsforsikring AS has some 10 to 15 per cent ownership interests in undertakings that invest in real estate. A capital adequacy reserve of 100 per cent of the carrying amount has previously been allocated in primary capital for these investments. An authority approved calculation method was adopted as per the close of 3Q in which proportional consolidation is used for these investments. The new calculation method provides a more comprehensive picture of the underlying risk. The change results in a marginal improvement in capital adequacy and an improvement of 5 per cent in the solvency margin in the figures as per 31 December 2011 compared with the previously used method.
3. Costs and AuM are 12 month rolling figures. Previous quarters are revised. AuM = Assets under Management (total assets under management), bp = basis points.
4. Consists of the companies Storebrand Bank ASA, Storebrand Boligkreditt AS and Storebrand Eiendomskreditt AS under liquidation.

NOTE 13 | Premium income

NOK million	2011	2010
Storebrand Life Insurance:		
Defined benefit scheme (fee based)	10,867	13,181
Defined contribution scheme (Unit Linked based)	3,654	3,082
Total group occupational pensions	**14,521**	**16,263**
Paid up policies	658	612
Individual endowment insurance and pensions	604	720
Unit Linked (retail)	1,122	2,178
Total individual pension and savings	**2,384**	**3,510**
BenCo	700	759
Net premium income Storebrand Livsforsikring	**17,606**	**20,532**
Of which premium reserve transferred to company	2,317	5,358
SPP:		
Guaranteed products	2,500	3,077
Unit Link	3,869	3,565
Net premium income SPP	**6,369**	**6,642**
Of which premium reserve transferred to company	320	224
Insurance:		
P&C	499	405
Health	160	147
Personal Risk	467	446
Employee	678	657
Net premium income Insurance	**1,804**	**1,655**
Eliminations	-192	-168
Total net premium income	**25,587**	**28,661**
Of which premium reserve transferred to company	2,637	5,582

NOTE 14 | Net interest income - banking activities

NOK million	2011	2010
Fixed income and similar income from lending to and receivables from financial institutions	21	20
Fixed income and similar income from lending to and receivables from customers	1,394	1,391
Fixed income and similar income from commercial paper, bonds, and other interest-bearing paper	115	106
Other interest income and similar income	6	8
Total interest income[1]	**1,537**	**1,525**
Interest and similar costs from liabilities to financial institutions	-225	-288
Interest and similar costs from deposits from and liabilities to customers	-475	-452
Interest and similar costs from issued securities	-329	-267
Interest and similar costs from subordinated loan capital	-39	-32
Other interest costs and similar costs	-25	-30
Total interest costs[2]	**-1,094**	**-1,069**
Total net interest income	**443**	**457**
[1] The total interest income for lending, etc, that is not stated at fair value.	1,151	1 381
[2] The total interest costs for deposits, etc, that are not stated at fair value.	-923	-848

Interest costs and value changes on borrowing at fair value (FVO):

NOK million	2011	2010
Interest expenses funding FVO	-171	-220
Changes in value of funding FVO	-8	-7
Net costs borrowing at fair value (FVO)	**-179**	**-228**

NOTE 15 | Spesification net financial income

NOK million	Share dividend and interest income etc. financial assets	Net gains and losses on financial assets	Net revaluation on investments	Total 2011	Of which Company	Of which Customer	2010
Profit on equities and units	1,884	1,435	-9,291	-5,972	26	-5,998	9,095
Profit on bonds and other fixed-income securities at fair value	5,146	1 191	2,056	8,393	503	7,890	3,461
Profit on financial derivatives	228	-80	2,742	2,890	38	2,852	2,715
Total gains and losses on financial assets at fair value	**7,258**	**2,545**	**-4,493**	**5,310**	**566**	**4,744**	**15,271**
- of which FVO (fair value option)	6,709	2,486	-7,223	1,972	527	1,439	12,290
- of which trading	228	-79	2,741	2,890	37	2,852	2,715
- of which available-for-sale	312	140		452		452	368
Net income lendings and accounts receivable	2,582	58		2,639	47	2,851	2,084
Net income held to maturity	277	-16		261	3		
Total gains and losses, bonds at amortised cost	**2,859**	**42**		**2,901**	**50**	**2,850**	**2,084**
Revaluation, bonds available-for-sale recognised in the comprehensive income			**-218**	**-218**		**-218**	**-52**

NOTE 16 | Net income from real estate

NOK million	2011	2010
Rent income from real estate[1]	1,815	1,623
Operating costs (including maintenance and repairs) relating to real estates that have provided rent income during the period[2]	-408	-337
Result minority defined as liabilitites	-71	
Total	**1,336**	**1,286**
Realised gains/losses	82	15
Change in fair value	245	140
Total income real estate	**1,663**	**1,441**
[1] Of which real estate for own use	73	67
[2] Of which real estate for own use	-6	-12

Allocation by company and customers:		
Company	82	52
Customer	1,581	1,389
Total income from real estate	**1,663**	**1,441**

Change in value real estate investments

NOK million	2011	2010
Wholly owned real estate investments - investment real estate	249	154
Real estate equities and units in Norway and Sweden[1]	73	96
Real estate units abroad[1]	131	87
Total change in value investment real estate	**453**	**337**
Real estate for own use	27	-104
Total change in value in real estate	**480**	**233**
Realised gains/losses sold real estate	**82**	**16**

1. Are classified as equities and other units in the statement of financial position.

NOTE 17 | Other income

NOK million	2011	2010
Fee and commission income, banking	91	91
Fee and commission expense, banking	-18	-18
Net fee and commission income, banking	73	74
Management fees, asset management	330	357
Interest income on bank deposits	129	114
Agio/disagio banking	63	105
Other insurance related income	93	62
Interest income, insurance	769	782
Other revenue from companies other than banking and insurance	557	474
Income insurance Nordben	58	
Other income	56	35
Total other income	**2,127**	**2,003**

Total fee and commission income from financial instruments not stated at fair value totalled NOK 58 million in 2011 (2010: NOK 55 million). Total fee and commission expenses on financial instruments not stated at fair value totalled NOK 13 million in 2011 (2010: NOK 14 million).

NOTE 18 | Insurance claims for own account

NOK million	**2011**	**2010**
Storebrand Life Insurance:		
Defined benefit scheme (fee basert)	-8,403	-9,289
Defined contribution scheme (Unit Linked basert)	-516	-488
Total group occupational pensions	**-8,919**	**-9,777**
Paid up policies	-3,811	710
Individual endowment insurance and pensions	-2,563	-3,433
Unit Linked (retail)	-1,586	-1,550
Total individual pension and savings	**-7,961**	**-4,273**
BenCo	-1,041	-959
Insurance claims for own account Storebrand Livsforsikring	**-17,920**	**-15,010**
Of which premium reserve transferred from company	-7,050	-3,523
SPP:		
Guaranteed products	-4,788	-4,616
Unit Link	-1,233	-1,207
Insurance claims for own account SPP	**-6,021**	**-5,823**
Of which premium reserve transferred from company	-1,122	-1,053
Insurance:		
P&C	-384	-351
Health	-97	-82
Personal Risk	-163	-162
Employee	-521	-530
Insurance claims for own account Insurance	**-1,166**	**-1,124**
Total insurance claims for own account	**-25,107**	**-21,956**
Of which premium reserve transferred from company	-8,172	-4,575

The table below shows the anticipated compensation payments (excluding repurchase and payment). The residual balance after 3 years is equal to the obligations carried on the statement of financial position in the financial statements.

Development in exected insurance claim payments – life insurance

NOK billion	**Storebrand Life Insurance**	**SPP**	**BenCo**
0-1 year	-9	-6	-2
1-3 years	-18	-11	-2
> 3 years	-162	-96	-4

Development in insurance claim payment – P&C insurance, exlusive run-off

NOK million	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**Total**
Calculated gross cost of claims							
At end of the policy year	29	79	197	298	425	481	
- one year later	31	88	197	301	404		
- two years later	32	87	200	295			
- three years later	32	83	201				
- four years later	28	83					
- five years later	28						
Calculated amount 31.12.11		**44**	**141**	**221**	**316**	**378**	**1,099**
Total disbursed to present	**28**	**81**	**193**	**276**	**364**	**320**	**1,261**
Claims reserve		**2**	**8**	**20**	**40**	**161**	**230**

NOTE 19 | Change in buffer capital

NOK million	2011	2010
Change in market value adjustment reserve	1,971	-1,940
Change in additional statutory reserves	9	-766
Change in conditional bonuses	2,182	-2,427
Total change in buffer capital	**4,163**	**-5,132**

NOTE 20 | Change in insurance liabilities - life insurance

NOK million	Storebrand Life Insurance	BenCo	SPP	Eliminations	2011	2010
Guaranteed return	-5,759	-139	-2,405		-8,302	-8,634
Other changes in premium reserves customer funds with guaranteed return	4,514	-557	-3,456	192	693	2,033
Change in premium reserve customer funds without guaranteed return	-3,445	268	-43		-3,220	-9,618
Change in premuim fund/pensioners surplus reserve	-146				-146	-104
Profit sharing	-521				-521	-649
Change in allocations, risk products	-173				-173	-168
Change in insurance liabilities - life insurance	**-5,529**	**-428**	**-5,903**	**192**	**-11,668**	**-17,140**

NOTE 21 | Losses from lendings and reversal of previous losses

NOK million	2011	2010
Write-downs/income recognition for lending and guarantees for the period		
Change in individual loan write-downs for the period	70	8
Change in grouped loan write-downs for the period	31	23
Other corrections to write-downs	-3	-2
Realised losses on loans where provisions have previously been made	-95	-47
Realised losses on loans where no provisions have previously been made	-7	-1
Recovery of loan losses realised previously	18	5
Write-downs/income recognition for lending and guarantees for the period	**14**	**-15**
Interest on written down loans recognised as income	**5**	**12**

NOTE 22 | Operating costs and number of employees

Operating costs

NOK million	2011	2010
Personnel costs	-1,964	-1,877
Amortisation	-108	-108
Other operating costs	-1,320	-1,309
Total operating costs	**-3,392**	**-3,294**

Number of employees

	2011	2010
Number of employees 31.12	2,221	2,182
Average number of employees	2,230	2,202
Number of person-years 31.12	2,173	2,140
Average number of person-years	2,181	2,135

Storebrand Helseforsikring is 50% owned by Storebrand.
Employees are added by 50%. The corresponding figures from 2010 have been recalculated.

NOTE 23 | Pension costs and pension liabilities

Storebrand's employees in Norway have both a defined contribution pension scheme and a defined benefit pension scheme that are established in Storebrand Livsforsikring AS. With effect from 1 January 2011, no new members have been included in the defined benefit scheme. From that date, a defined contribution scheme was established. The defined contribution scheme applies to all new employees from 1 January 2011, and for those who elected to transfer from defined benefit to defined contribution pensions. 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 = the public pension base rate in the National Insurance Scheme at 31.12.2011, amounting to NOK 79 216), plus 8 per cent of the contribution basis between 6G and 12G. Contributions are credited to the employees' pension accounts monthly. Future pensions are dependent on the size of the contributions and the return on the pension savings.

Employees who are members of the defined benefit contribution scheme are secured a pension equivalent to approximately 70 per cent of the pension basis at the date of retirement. Full pension rights are earned after 30 years membership in the scheme. The period's cost shows the employees' pension earnings of future defined pensions in the accounting year. From 1.7.2011, retirement age is 67 years. Nevertheless, employees are entitled to retire at the age of 65 and receive a pension which is paid directly over the income statement. In the case of underwriters, retirement age is 65 years.

Pensions paid to employees between the ages of 65 and 67 years, and pensions relating to salaries in excess of 12G are paid directly by the companies, and apply to both defined contribution scheme members and defined benefit scheme members. Guarantees have been issued for earned pensions for salaries exceeding 12G on retirement before the age of 65. Pension terms and conditions are in accordance with the pension regulations. Storebrand is obliged to have a mandatory occupational pension scheme pursuant to the Act on Mandatory Occupational Pensions. The company's pension schemes satisfy the requirements of this Act.

The pension plan for employees in SPP follows the plan for bank employees in Sweden. The ordinary retirement age is 65 in accordance with the pension agreement between the Employer's Association of the Swedish Banking Institutions (BAO) and the trade unions that are part of BTP. The amount is 10 percent of the annual salary up to 7.5 times the national insurance basic amount, which was SEK 52 100 in 2011 and will be SEK 54 600 in 2012. The retirement pension is 65 per cent of the annual salary for the portion of salary between 7.5-20 times the national insurance basic amount, and 32.5 per cent of annual salary between 20-30 times the national insurance basic amount. No retirement pension is paid for the portion of salary in excess of 30 times the national insurance basic amount.. Full pension earning period calls for 30 years' membership in the pension scheme. In addition to benefit part the BTP plan has a smaller defined contribution part. As to this part, the employees can decide themselves how assets are to be invested (traditional insurance or funds insurance). The defined contribution part is 2 per cent of annual salary.

The retirement age for SPP's CEO is 62 years. The CEO is also covered by a contribution-based pension plan which implies that the company pays 35 per cent of the fixed salary in pension premium. In addition, he ahs a predefined pension plan that implies a lifetime pension with 16.25 per cent of fixed salary in the interval 30 to 50 times the NI basic amount. The pension from 62 to 65 years amounts to 65 per cent of fixed salary limited upward to SEK 4 045 000. The pension terms comply other wise with the pension agreement between BAO/Finance and SACO (BTP plan). The company secures its pension liabilities through payment of pension premiums during the employment period.

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

NOK million	2011	2010
Present value of insured pension liabilities	3,996	3,799
Fair value of pension assets	-3,187	-3,066
Net pension liabilities/assets insured scheme	810	733
Present value of unsecured liabilities	774	693
Net pension liabilities recognised in statement of financial position	**1,583**	**1,427**

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

Booked in statement of financial position

NOK million	2011	2010
Pension assets	46	30
Pension liabilities	1,630	1,456

Estimate deviations recognised against equity

NOK million	2011	2010
Year's change in estimate deviation included in equity	52	-328
Accumulated estimate deviations included in equity	-749	-801

Changes in the net defined benefit pension liabilities in the period

NOK million	2011	2010
Net pension liabilities 01.01	4,492	4,108
Pensions earned in the period	189	162
Pension cost recognised in period	172	172
Estimate deviations	143	255
Gain/loss on insurance reductions	-13	
Pensions paid	-219	-235
Pension liabilities additions/disposals and currency adjustments	7	32
Employer's NI contributions reversed	-2	-2
Net pension liabilities 31.12	**4,770**	**4,492**

Changes in the fair value of pension assets

NOK million	2011	2010
Pension assets at fair value 01.01	3,066	2,973
Expected return	137	160
Estimate deviation	-38	-91
Gain/loss on insurance reductions	-7	
Premiums paid	222	196
Pensions paid	-167	-178
Changes to pension scheme	-31	-16
Pension liabilities additions/disposals and currency adjustments	6	21
Net pension assets 31.12	**3,187**	**3,066**
Expected premium payments (pension assets) in 2012	208	

	Storebrand Life Insurance		SPP	
NOK million	**2011**	**2010**	**2011**	**2010**
Real estate	17%	16%	3%	
Bonds at amortised cost	38%	26%		
Mortgage loans and other loans	2%	2%		
Equities and units	22%	21%	11%	28%
Bonds	14%	30%	70%	65%
Certificates	6%	2%		
Other short-term financial assets	1%	3%	16%	7%
Total	**100%**	**100%**	**100%**	**100%**

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

Realised return on assets	4.5%	4.7%	8.6%	6.0%

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

NOK million	**2011**	**2010**
The period's payment to contribution scheme	34	
Current service cost including employer's national insurance contributions	205	214
Interest on pension liabilities	171	172
Expected return on pension assets	-137	-160
Gain/loss on insurance reductions	-5	
Corrected costs included in previous years		-2
Net pension cost recognised in profit and loss account in the period	**268**	**225**

Main assumptions used when calculating net pension liability 31.12

	Storebrand Life Insurance		SPP	
NOK million	**2011**	**2010**	**2011**	**2010**
Discount rate	3.1%	4.0%	3.8%	3.8%
Expected return on pension fund assets in the period	4.6%	4.9%	5.0%	5.0%
Expected earnings growth	3.6%	3.9%	3.5%	3.5%
Expected annual increase in social security pensions	3.75%	3.75%	3.0%	3.0%
Expected annual increase in pensions in payment	1.5%	2.0%	2.0%	2.0%
Disability table	KU	KU		
Mortality table	K2005	K2005	DUS06	DUS06

FINANCIAL ASSUMPTIONS

The calculation assumptions are set based on the rules in IAS 19. Particular uncertainty is linked to long-term assumptions such as future inflation, real wage growth, and the regulation of G. Since there is no deep and active market for high quality corporate bonds in Norway, IAS 19 requires that the government bond rate be used as the discount rate. IAS 19 does not require the existence of a deep and active market for government bonds in order to use this interest rate as the discount rate. When setting financial assumptions, company-specific issues are considered, including increase in direct salaries.

ACTUARIAL ASSUMPTIONS

In Norway, there are standardised assumptions for mortality/disability trends, and other demographic factors, 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 , with turnover falling in the higher age groups.

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

Net pension liabilities 31.12

NOK million	2011	2010	2009	2008	2007
Discounted present value of defined benefit pension liabilities	4,770	4,493	4,108	4,296	3,677
Pension assets at fair value	3,187	3,066	2,973	2,897	2,760
Deficit/(Surplus)	**1,583**	**1,427**	**1,135**	**1,399**	**917**
Fact based adjustments pension liabilities	32	1			
Fact based adjustments pension assets	-13	-90			

Sensitivity analysis pension calculations

Change in discount rate	1%	-1%
Percentage change in pension		
Norway		
Pension liabilities	-22%	30%
The period's net pension costs	-19%	25%
Sweden		
Pension liabilities	-18%	20%
The period's net pension costs	-10%	10%

The pension liabilities are especially sensitive to changes in the discount rate. Seen in isolation, a reduction in discount rate would result in an increase in the pension liabilities.

NOTE 24 | Remuneration to senior employees and elected officers of the company

Senior employees *NOK '000s*	Ordinary salary	Bonus paid[1]	Other benefits[2]	Post termination salary (months)	Pension accrued for the year	Present value of pension	Loan	Interest rate at 31.12.11*	Repay-ment period*
Idar Kreutzer	4,685	5,127	171	24	1,284	24,908	13,441	2.75 – 4.39%	2018 – 2037
Odd Arild Grefstad	3,130	2,159	170	18	955	15,864	3,500	2.75%	2036
Lars Aa. Løddesøl	3,637	1,635	161	18	1,657	17,146	10,764	2.75 – 4.7%	2012 – 2041
Hans Aasnæs	4,502	1,882	171	18	1,586	26,675	1,700	2.75%	2027
Gunnar Rogstad	2,488	793	169	6	1,072	6,108			
Truls Nergaard	2,320	415	128	18	1,048	2,823			
Sarah McPhee	3,671	796	100		2,785	3,102			
Total 2011	**24,433**	**12,806**	**1,070**		**10,386**	**96,626**	**29,405**		
Total 2010	28,114	8,039	1,860		10,063	81,609	36,296		

* Percentage intervals indicate that there are several loans with differing interest rates and repayment periods.

NOK '000s	No. of shares owned[3]	Bonus earned in 2011[4]	Bonus to be paid in 2012	Bonus transferred to share bank in 2012
Idar Kreutzer	121,294	860	430	430
Odd Arild Grefstad	42,446	658	329	329
Lars Aa. Løddesøl	36,748	91	46	46
Hans Aasnæs	60,077	960	480	480
Gunnar Rogstad	107,059	593	296	296
Truls Nergaard	13,335	454	227	227
Sarah McPhee[5]	40,400	693	277	416
Total 2011	**421,359**	**4,310**	**2,085**	**2,224**

NOK '000s	Remuneration	No. of shares owned[3]	Loan	Interest rate at 31.12.11*	Repayment period*
Board of Directors					
Birger Magnus	598	20,000			
Halvor Stenstadvold	388	8,645			
Birgitte Nielsen	345				
Annika Marie Lundius	140				
Ann-Mari Gjøstein	345	258			
Knut Dyre Haug	363	11,963	1,594	2.75%	2030
Jon Arnt Jacobsen	285	3,100			
John Staunsberg Dueholmen	285				
Kirsti Valborgland	285	2,072	3,513	2.75 - 3.65%	2020 - 2041
Heidi Skaaret	363				
Birgitta Monica Caneman	145				
Total 2011	**3,539**	**46,038**	**5,107**		
Total 2010	3,370	48,818	5,950		
Control Committee					
Elisabeth Wille	315	163			
Harald Moen	225	595			
Ida Hjort Kraby	110				
Ole Klette	225				
Tone M. Reierselmoen	225	1,734	504	4,25%	2021
Finn Myhre	275		8,249	3.84 - 3.94%	2014 - 2036
Total 2011	**1,375**	**2,492**	**8,753**		
Total 2010	1,295	3,076	8,972		

* Intervals indicate that there are several loans with differing interest rates and repayment periods.

1. Bonus paid - liquidation of Bonus bank
   As a consequence of the new remuneration regulations, Storebrand made the necessary adjustments to the Group's bonus model with effect from 2011. In this connection, the existing bonus bank was liquidated inthe first half of 2011. Payments for 2011 are therefore considerably higher than the normal bonus payment level. This is to be seen as a one-time occurrence. The bonus bank's assets comprised retained bonuses earned in previous years. 50% of amounts paid after tax were used to purchase Storebrand shares with a lock-in period of 18 months. Based on current market conditions, no raises in salary or bonuses were resolved for Storebrand's senior management in 2012, and a moderate local adjustment in salaries is to be implemented in the rest of the organisation, slightly over 1% in Norway and 2% in Sweden.
2. Comprises company car, telephone, insurance, concessionary interest rate, other taxable benefits.
3. The summary shows the number of shares owned by the individual, as well as his or her close family and companies where the individual exercises significant influence, cf. The Accounting Act, Section 7-26.
4. Earned bonus at 31.12.11. Senior executives are contractually entitled to performance related bonuses . 50% of the earned bonus is paid in cash. The remaining amount is converted to synthetic shares based on the market priice. These are registered in a share bank with a lock-in period of three years. At the end of three years, the value of the synthetic share is calculated at a new market price. Half of the amount paid from the share bank shall, after tax, be used to purchase shares in Storebrand ASA at market price, with a new three-year lock -in period.
5. The retirement age for SPP's CEO is 62 years old. SPP's CEO is covered by a defined contribution based scheme in addition to a defined benefits scheme.

Loans to Group employees totalled NOK 1 888 million.

The Board of Storebrand ASA will submit the statement to the 2012 annual general meeting on the salary and other remuneration of senior employees, cf.

Section 6-16 a of the Public Limited Liabilities Companies Act, based on the Group's previously adopted guidelines concerning remuneration for senior employees in Storebrand .

STOREBRAND ASA – THE BOARD OF DIRECTOR 'S STATEMENT ON THE FIXING OF THE SALARY AND OTHER REMUNERATION FOR SENIOR EMPLOYEES

The Board of Storebrand ASA has had a special Compensation Committee since 2000. The Compensation Committee is tasked with providing recommendations to the Board concerning all matters to do with the company's remuneration of the CEO . The Committee shall remain informed about and suggest guidelines for the fixing of remuneration for senior employees in the Group. In addition the Committee is the advisory body for the CEO in relation to remuneration regimes that cover all employees in the Storebrand Group, including Storebrand's bonus system and pension scheme.

In 2011, a common Remuneration Board was established for those Group companies that are subject to the requiremens regarding remuneation pursuant to the regulations issued by the Ministry of Finance on 1.12.10 "Regarding remuneration in the financial sector". This Committee shall prepare issues which, pursuant to the regulations, shall be dealt with by the Board of Directors. The Compensation Committee will continue to function in accordance with current practice.

1. ADVISORY GUIDELINES FOR THE COMING FINANCIAL YEAR

Storebrand aims to base remuneration on competitive and stimulating principles that help to attract, develop and retain highly qualified staff. Optimised financial remuneration helps to create a performance culture with clear goals for all employees and correct assessments by managers that differentiate between good and less good performances,

Financial remuneration shall be designed to:

1. Help support continuous improvement, stimulate internal cooperation and create a values-based performance culture
2. Help focus the efforts of employees
3. Ensure the Group's strategy and plans provide the basis for the goals and requirements set for employees' performance
4. Ensure it is based on long-term thinking, balanced goal-oriented management, and real value creation
5. Ensure it is based on an assessment of the individual's results and compliance with corporate principles
6. Facilitate a clear, transparent and team-based process for setting goals and goal structures
7. Ensure that both the development of financial remuneration and job requirements are embedded in the employee's role, responsibilities and influence in the Group
8. Ensure that the composition and level of the components of the financial remuneration are balanced and in line with the market

The salaries of senior employees are fixed on the basis of a position's responsibilities and complexity. Regular comparisons are made with corresponding positions in the market in order to adjust the pay level to the market. Storebrand does not wish to be a pay leader in relation to the sector.

Senior employees in Storebrand can, in addition to their fixed salary, receive remuneration in the form of an annual bonus, participation in the Group's group pension scheme and usual benefits . Senior employees may also be entitled to a severance pay arrangement, which guarantees they will receive their salary less other income for a specific period of up to 24 months upon the termination of their employment contract.

2. BINDING GUIDELINES FOR SHARES, SUBSCRIPTION RIGHTS, OPTIONS, ETC, FOR THE 2012 FINANCIAL YEAR

2.1 THE BONUS SYSTEM

The main elements of the bonus system will be continued

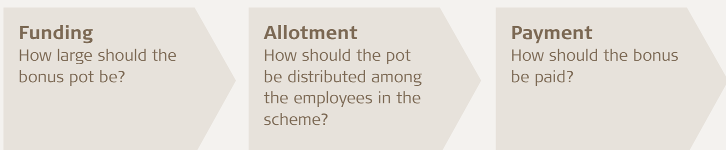
The Storebrand Group's bonus scheme for the 2012 financial year complies with the regulations laid down by the Ministry of Finance on 1 December 2010 relating to remuneration schemes in financial institutions. Much of the Group's bonus scheme for senior employees in 2012i is a continuation of earlier bonus schemes. Earlier bonus schemes have been very robust with regard to ensuring the overall goals of increasing the correspondence between owners' and executives' incentives and helping to ensure that management does not take inappropriately large risks.

Two categories of financial remuneration

Senior employees and employees who influence the company's risk are divided into two categories with regard to financial remuneration. Senior employees for whom accounting and control functions make up a large part of their duties receive fixed salaries only. The other senior employees have a bonus scheme linked to value creation in the Group, in the unit and through the performances of individual employees.

Overall structure of the bonus scheme

The overall structure of the bonus scheme is outlined in the figure below



Bonuses are findnaced through the value-creation inthe Group, but allocation is dependent on the unit's value creation and the employees' own performances.

Financing

Each year, specific quantitative targets are set governing how value creation in the company will provide the financing of bonus. The goal of value creation is based on risk-adjusted results that exclude the market-based results and profit sharing. Significant one-time effects shall be excluded. The calculation of the financing is based on the last two years' value creation. For 2012, the previous year is used as no corresponding risk-adjusted result is available for 2010. For 2012, the creation value is the average of the percentage achievement of targets for 2011 and 2012 respectively. The overall Group result also must be in excess of a predetermined level to prevent curtailment of bonus earnings based on risk-adjusted profit. Negative group profit before tax result in full deduction and zero bonus. In addition, an RoE (before tax) greater than 5% and satisfactory financial strength are assumed.

The Board of Storebrand ASA sets the target that determines how the risk adjusted value creation will fund the bonus.

Calculation of the allotment result
A unit's value creation is measured using a scorecard that is anchored in the unit's strategic, financial and operation goals. Scorecards contain both quantitative and qualitative goals. Specific goals are also set each year with respect to the senior employees'performance. This is documented using a special monitoring system. The allotment result depends on both the unit's result and individual target attainment.

Calculation of bonus entitlement
The target bonus for senior employees is intended over time to amount to between 20 per cent and 40 per cent of fixed salary. The maximum target attainment for funding and allotment is 150 per cent respectively. Senior employees' bonus entitlements are calculated using the following formula:
Expected bonus level x Funding result x Allotment result
The maximum possible bonus entitlement is 90 per cent of annual salary.

Payment of bonus
Individual bonus banks have been set up for senior employees with bonus schemes. The bonus entitlement is not paid directly, but must be credited to the bonus bank. The amount credited to the bonus bank is exposed 50 percent to the bank interest rate and 50 percent to Storebrand's share price in the relevant qualifying year. 1/3 of the bonus account balance is paid each year. The bonus bank balance can be withheld if the bonus entitlement has been calculated on the basis of incorrect information.

Compulsory purchase of shares in Storebrand ASA
Senior employees must spend half of the paid bonus, after tax, on purchasing Storebrand ASA shares at market price. SPP's CEO must spend 60 per cent on purchasing shares. These shares are subject to a lock-in period of 3 years. The lock-in period continues to apply if the employee leaves the company.

2.2 PENSION SCHEME
The company shall arrange and pay for an ordinary group pension insurance common to all employees and which applies from the moment employment commences. Otherwise, the applicable pension rules at any given time apply. The current retirement age is 65 years old.

2.3 SEVERANCE PAY
The CEO and executive vice presidents are entitled to severance pay if their contracts are terminated by the company.
Entitlement to severance pay is also triggered by resignation if this is due to substantial organisational changes or equivalent situations that make it unreasonable for the employee to remain in his or her position. If the employment relationship is brought to an end due to a gross breach of duty or other material non-performance of the employment contract, the provisions in this section do not apply. Any income gained through work, including fees for service provision, the exercising of an office, etc shall result in an equal amount being deducted from the severance pay.

Severance pay amounts to the pensionable salary at the end of the employment relationship, excluding any bonus schemes.

The CEO is entitled to 24 months' severance pay. Other executive vice presidents are entitled to 18 months' severance pay.

2.4. SHARE PROGRAMME STAFF
Senior employees are granted, as are other Storebrand employees, the opportunity to purchase a limited number of shares in Storebrand ASA at a discount under an employee share purchase programme.

3. THE MANAGEMENT POLICY APPLIED IN 2011

3.1 GENERAL
The senior employee policy practised in 2011 was based on the statement regarding the fixing of the salary of senior employees that was dealt with by the annual general meeting in April 2010.

3.2 PAID BONUS FOR 2010 QUALIFYING YEAR
The targets set for funding bonuses were achieved in the 2010 qualifying year. Therefore, bonuses were awarded to senior employees based on results and performance in 2010 and which were paid out in March 2011. Payments from the bonus bank in March 2010 were made pursuant to the rules that applied in the 2009 qualifying year. 1/3 of the existing balance in the bonus bank was paid out after the awarding of the bonus for the 2009 qualifying year and after calculating the return using the bank interest rate and the development of the Storebrand share between 1 January 2009 and 31 December 2009 and 31.12.2009, respectively. 42 344 shares were purchased.

As a consequence of the new compensation regulations, Storebrand made, with effect from 2011, the necessary adjustments to the group bonus model. In this connection, the existing bonus bank was liquidated in the first half of 2011. Payments in 2011 were therefore significantly higher than normal level of bonus payments. This is regarded as a one time occurrence. The funds in the bonus bank consisted of withheld bonuses earned in previous years. 50% of the amount paid after tax was used to purchase Storebrand shares with an 18-month lock-in period. On the basis of prevailing market conditions, it was decided not to increase the salary and bonus framework for Storebrand's corporate management in 2012, and only a modest local salary adjustment will take place in the rest of the organisation, just over 1% in Norway and 2% in Sweden.

3.3 CALCULATION OF BONUS PAYMENT FOR 2010 QUALIFYING YEAR
The average bonus entitlement for a member of the executive management team is calculated using the following formula:
Expected bonus level x Group's funding x Individual target attainment

The average expected bonus level was NOK 938,000. Group funding was 114 per cent and the average target attainment by units and individuals was 106 per cent for the 2010 qualifying year. This results in an average bonus entitlement of NOK 1 289 000. This amount was credited to the bonus bank. In 2010, the return on the cash portion of the bonus bank was 3.04 per cent and the return on the share portion of the bonus bank was 10.3 per cent. The awarding and payment of bonuses complied with the applicable guidelines for 2010. 1/3 of the bonus account balance was paid out. Half of the amount paid out was used to purchase shares with a 3-year lock-in period. On liquidation of the bonus bank, NOK 796 000 was paid to each Group Director, including funds for share purchases with a lock-in period of 18 months.

3.4 CALCULATION OF BONUS ENTITLEMENT FOR 2011
The criteria for funding bonuses were achieved in 2011. The funding of the bonus was linked to risk-adjusted profit. The minimum requirement to consolidated profit, ROE and capital adequacy requirements were met. The Financing result was 59% calculated according to the guidelines for the bonus scheme. Given the individual results of 100% was the average bonus awarded NOK 493 000. The allocation for 2011 was also dependent on the units' performance and individual performance. 50% of the allotted bonus (40% in Sweden) was paid in cash, while the remaining amount was converted to a number of synthetic shares based on market price and registered in a share bank with a 3 -year lock-in period.. Allocation of bonus followed the guidelines that applied for 2011. A report on the implementation of the compensation scheme will be prepared by an independent control function.

4. STATEMENT CONCERNING THE EFFECTS OF SHARE-BASED REMUNERATION AGREEMENTS FOR THE COMPANY AND SHAREHOLDERS
In accordance with the new guidelines , section 2.1 above, for half of senior employees' net paid out bonus in 2012 must be spent on purchasing shares in Storebrand ASA at market prices with a 3 year lock-in period. In the opinion of the Board of Directors this has no negative consequences for the company and shareholders given the orientation of the scheme and the size of the individual executive vice presidents' portfolio of shares in Storebrand ASA.

NOTE 25 | Remuneration paid to auditors

The remuneration paid to Deloitte AS and coadjutant companies amounts to:

NOK million	Deloitte	Other auditors	2011	2010
Statutory audit	11.5		11.5	10.3
Other reporing duties	1.7	0.2	1.9	2.3
Tax advice	2.0	0.1	2.1	1.3
Other non-audit services*	1.9	0.1	1.9	1.4
Total remuneration to auditors	**17.0**	**0.4**	**17.4**	**15.4**

*The fee is mainly due to assistance in connection with inquirys from public authorities.

The amounts are excluding VAT.

NOTE 26 | Other costs

NOK million	2011	2010
Pooling	-152	-200
Interest costs, insurance	-42	-13
Disagio bank and insurance	-1	-3
Insurance related costs	-5	-58
Borrowing expenses	-25	-13
Other costs	-49	-6
Total other costs	**-274**	**-294**

NOTE 27 | Interest expenses

NOK million	2011	2010
Interest expense - funding	-161	-131
Interest expense - subordinated loans	-519	-517
Total interest expenses[1]	**-681**	**-648**

1. Interest expenses for Storebrand Bank are included in net interest income for banking enterprises.

NOTE 28 | Tax

Tax cost in the result

NOK million	2011	2010
Tax payable	-16	-67
Deferred tax	-128	367
Total tax charge	**-144**	**300**

Reconciliation of expected and actual tax cost

NOK million	2011	2010
Ordinary pre-tax profit	885	1 217
Expected income tax at nominal rate	-248	-341
Tax effect of		
realised/unrealised shares	-782	863
Share dividends received	164	-10
associated companies	21	-6
permanent differences	-309	337
recognition/write-down of tax assets	949	-1 174
Changes from previous years	61	630
Total tax charge	**-144**	**300**

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

NOK million	**2011**	**2010**
Tax-increasing temporary differences		
Securities[1]	1,404	3,266
Real estate[1]	8,350	7,143
Operating assets	301	303
Pre-paid pensions	48	30
Securities liabilities		51
Gains/losses account	322	402
Other	681	663
Total tax-increasing temporary differences	**11,107**	**11,858**
Tax-reducing temporary differences		
Securities[1]	-1,720	-1,597
Real estate	-8	
Operating assets	-19	-30
Provisions	-161	-1,699
Accrued pension liabilities	-1,455	-1,294
Securities liabilities	-9	
Gains/losses account	-36	-26
Other	-201	-119
Total tax-reducing temporary differences	**-3,609**	**-4,765**
Carryfoward losses	-6,914	-10,451
Benfits carried forward	-773	-1,057
Total tax loss and assets carried forward	**-7,687**	**-11,507**
Basis for net deferred tax and tax assets	**-189**	**-4,414**
Write-down of basis for deferred tax assets	-19	4,600
Net basis for deferred tax and tax assets[2]	**-208**	**186**
Net deferred tax assets/liabilities in balance sheet	**-58**	**52**
Recognised in balance sheet		
Deferred tax assets	58	117
Deferred tax		169

1. Tax-increasing and tax-reducing temporary differences on investment properties and any other items for 2010 are adjusted in relation to the financial statements for 2010. This has resulted in a net increase in tax-increasing temporary differences of NOK 1.3 billion compared to previously presented figures.
2. The basis for net deferred tax assets also includes itemsthat are recorded against the total profit.

On 1 January 2012, the Ministry of Finance distributed, for consultation purposes, its proposal to limit the exemption method for shares etc. owned by life insurance companies and pension companies. This refers primarily to shares that are included in the Norwegian life insurance companies' customer portfolios. Under the proposal, any amendment to the legislation will have effect from 1.1.2012. The exemption method for shares as currently formulated, including the deduction for provisions to the insurance reserve, implies that life insurance companies may have a profit for tax purposes in the case of a decline in values and a loss for tax purposes in the case of an increase in value of shares within the EEC area. In the event that the proposed amendment is implemented, new calculations will be made of the Norwegian group's tax positions. If the proposed amendment to the tax legislation is passed, it is assumed that the tax charge will be close to 28% of the Norwegian business' pre-tax profit. Not all aspects of the proposed amendments are clear as yet and the proposal has not yet been adopted. The current tax regulations have been applied when preparing the accounts that are presented at 31.12.2011.

The Storebrand Group has a significant tax-related deficit linked to the Norwegian life insurance activities. This is because there are major differences between income and losses for accounting purposes and for tax purposes associated with investments in equities within the EEC area. Under Norwegian tax regulations, realised gains are virtually tax free, whilst realised losses are not deductible for taxation purposes. However, an increase or reduction in insurance provisions allows tax deductions or represents taxable income. In 2011, the carryforward tax losses were reduced, inter alia because of a loss on the share portfolios and as a result of other temporary differences between recorded values and values for taxation purposes. The Group's tax-increasing temporary differences also include temporary differences linked to the Group's investment properties. These properties are for the most part recorded in the Norwegian life insurance company's customer portfolios and recorded in the accounts of Storebrand Eiendom Holding AS, which is owned by Storebrand Livsforsikring AS. Even though these property companies are included in the customer portfolio, and can be sold virtually free of tax, the tax-increasing temporary differences linked to the underlying properties are included in the Group's temporary differences, where deferred tax is calculated at a 28 per cent nominal tax rate. As a result of changes in temporary differences, and the effect of permanent differences for accounting and taxation purposes, and the fact that that tax-increasing temporary differences relating to the investment properties referred to are included in the basis on which deferred tax is calculated, a tax charge has arisen for the Group in 2011, comprising changes in deferred tax. The value of the Group's existing tax-related deficit is included in the calculation of deferred tax.

NOTE 29 | Intangible assets

NOK million	Intangible assets: Brand names	IT systems	Customer lists	VIF[1]	Rights SPP Fonder	Other intangible assets	Goodwill	2011	2010
Acquisition cost 01.01,	204	401	504	8,559	9	10	1,347	11,035	10,304
Additions in the period									
– Devloped internally		27						27	32
– Purchased separately		60						60	20
Currency differences on converting foreign units	1		3	59			5	69	640
Other changes									39
Acquisition cost 31.12	**205**	**488**	**508**	**8,618**	**9**	**10**	**1,352**	**11,190**	**11,035**
Accumulated depreciation and write-downs 01.01	-52	-248	-152	-3,623	-3	-10	-140	-4,228	-3,562
Write-downs in the period		-5						-5	-15
Amortisation in the period[2]	-17	-48	-50	-290	-2			-407	-393
Currency differences on converting foreign units	-1		-1	-27				-30	-234
Other changes							2	2	-24
Acc. depreciation and write-downs 31.12	**-70**	**-301**	**-204**	**-3,940**	**-5**	**-10**	**-137**	**-4,667**	**-4,228**
Book value 31.12	**135**	**187**	**304**	**4,678**	**3**		**1,215**	**6,523**	**6,807**

1. Value of business-in-force, the difference between market value and book value of the insurance liabilities in SPP.
2. NOK 17 million was classified as depreciation under operating costs.

In 2011, write-downs totalling NOK 4.6 million related to the VPS nominee solution linkede to the Fund sales and capialisations related to Basel II project from 2006.

INTANGIBLE ASSETS LINKED TO ACQUISITION OF SPP

Storebrand Livsforsikring AS acquired SPP Livförsäkring AB and its subsidiaries in 2007. The majority of the intangible assets associated with SPP are assets of VIF (value of business in force), for which a separate sufficiency test has been performed as per the requirements of IFRS 4. In order to determine whether goodwill and other intangible assets connected with SPP has been the subject of a drop in value, estimates are made of the recyclable amount for the relevant cash-flow generating units. Recyclable amounts are established by computing the enterprise's utility value. SPP is regarded as a single cash flow generating unit and the development of future administration results, risk results and financial results for SPP will affect its utility value. In the computation of this utility value, the management have made use of Board-addressed budgets and prognoses for the coming three-year period.

The prognoses for the various elements of the result are based on the development in recent years, effects of measures during the prognosis period, as well as assumptions about the normalised development of the financial markets based on the current financial strategy and applicable market interest rates. The administration result is expected to develop positively due to the cost-efficiency measures, and the growth in sales of products and services that are cost-effective to manage and have lower capital requirements. In addition to the coming three-year period, cash flows are projected for the period 2015 to 2019 based on growth in the various result elements of between 2 per cent and 4 per cent per annum. A stable growth rate of 3 per cent is also assumed in the calculation of the terminal value. For increase in profit, the long-term main drivers will be the return on total assets , the underlying inflation and wage growth. The utility value is calculated using a required rate of return after tax of 8 per cent. The required rate of return is computed on the basis of risk-free interest and added to a premium that reflects the risk in the enterprise.

INTANGIBLE ASSETS LINKED TO BANKING ACTIVITIES
A cash flow based valuation based on the expected pre-tax result is conducted when calculating the utility value for the banking group. The calculation is based on Board approved budgets and prognoses for the coming three-year period. The prognosis assumes an improvement in the result where the costs programme is implemented, and growth in other income based on developments and the efforts made in recent years. A stable growth rate of 2.5 per cent is assumed in the calculation of the terminal value, equal to expected inflation. The utility value is calculated using a required rate of return after tax of 9 per cent. The required rate of return is computed on the basis of risk-free interest and a premium that reflects the risk in the enterprise.

The executive management has assessed the recoverable amount of goodwill as per 31 December 2011and concluded that no write-down is necessary.

Sensitivity analyses are conducted with respect to the assumptions regarding the development of the result and required rate of return. The management are of the opinion that it is improbable that possible reasonable changes in the key presumptions would bring about a need for a write-down.

Specification of intagible assets

NOK million	Useful economic life	Depr. rate	Depr. method	Book value 2011
Brand name SPP	10 years	10%	Straight line	104
Brand name (Hadrian Eiendom)		not depreciated		31
IT systems	5 years	20%	Straight line	188
Customer lists SPP	10 years	10%	Straight line	304
Value of business in force SPP	10 years	10%	Straight line	4,678
Rights to withdraw fees from SPP Fonder	10 years	10%	Straight line	3
Total				**5,309**

Goodwill distributed by business acqusition

NOK million	Business area	Acquisition cost 01.01	Accumulated depreciation 01.01	Book value 01.01	Supply/ disposals/ currency effect	Write-downs	Book value 31.12
Delphi Fondsforvaltning	SB Fondene	35	-4	32			32
Hadrian Eiendom AS	SB Bank	16		16			16
Storebrand Bank ASA	SB Bank	563	-141	422			422
Øvrige datterselskaper i Storebrand Bank Group	SB Bank	48	-50	-2		2	
SPP	SB Liv	732		732	5		737
Storebrand Baltic	SB Liv	4		4			4
Evoco	SB Liv	4		4			4
Total		**1,402**	**-195**	**1,208**	**5**	**2**	**1,215**

Goodwill is not amortised, but is tested annually for impairment.

NOTE 30 | Tangible fixed assets

NOK million	Equipment	Vehicles	Fixtures & fittings	2011	2010
Book value 01.01	57	22	111	190	209
Additions	12		3	15	51
Disposals		-20	-11	-31	-11
Addition via acquisition/merger			3	3	
Depreciation	-28	-1	-14	-42	-44
Currency diffs. from converting foreign units					1
Other changes			-3	-3	-16
Book value 31.12	**41**	**1**	**89**	**131**	**190**
Acquisition cost opening balance	161	37	180	378	396
Acquisition cost closing balance	173	3	158	334	396
Accumulated depreciation and write-downs opening balance	-104	-16	-70	-189	-186
Accumulated depreciation and write-downs closing balance	-132	-2	-69	-203	-203

Depreciation plan and financial lifetime	
Depreciation method	Straight line
Equipment	4-6 years
Vehicles	6 years
Fixtures & fittings	4-6 years

NOTE 31 | Tangible fixed assets - operational leasing

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

NOK million	Minimum lease payment < 1 year	Minimum lease payment 1 - 5 years	Minimum lease payment > 5 years
Lease < 1 year	35		
Lease 1 - 5 years	15	19	
Lease > 5 years	78	314	219
Total	**128**	**332**	**219**

Amount through profit and loss account

NOK million	2011	2010
Lease payments through profit and loss account	130	155
Future lease income through profit and loss account		3

This primarily concerns lease of office buildings at Lysaker and in Stockholm, as well as some movables.

The external lease regarding office buildings durate from 2012 until 2019, with an optional renewal.

NOTE 32 | Investments and receivables in associated companies

NOK million	2011	2010
Income		
NREP Logistics ab (publ)	124	24
Formuesforvalting AS	298	310
Handelsbodarna AB	34	30
Other	988	338
Result		
NREP Logistics ab (publ)	10	
Formuesforvalting AS	-3	21
Handelsbodarna AB	-2	-2
Other	-2	-2
Assets		
NREP Logistics ab (publ)	2,038	8
Formuesforvalting AS	334	326
Handelsbodarna AB	444	374
Other	29	31
Liabilities		
NREP Logistics ab (publ)	2,018	6
Formuesforvalting AS	196	166
Handelsbodarna AB	438	368
Other	11	19

Ownership interests in associated companies

NOK million	Ownership interest	Acquisition cost	Book value 01.01	Additions/ disposals	Share of profit	Share of other income and costs	Book value 31.12
Seilduksgaten 25/31 AS	50.0%	27	25	-25			
Norsk Pensjon AS	25.0%	5	4				4
Inntre Holding	34.3%	2	44	2	-3	-1	42
Formuesforvaltning	14.2%	78	76	4			79
Handelsboderna i Sverige Fastighets AB	50.0%	6	8		-1	15	22
NREP Logistics ab (publ)	47.5%	6	50		5	28	83
Visit Karlstad	15.0%	1	1	-1			
Total		**126**	**208**	**-20**		**42**	**231**
Booked in the statement of financial position							
Investments in associated companies - company			148				125
Investments in associated companies - customers			60				106
Total investments in associated companies			**208**				**231**

Receivables for associated companies

NOK million	2011	2010
Formuesforvaltning AS	69	39
Handelsbodarna AB	125	96
NREP Logistics ab (publ)	304	131
Total	**497**	**266**
Allocation by company and customers		
Receivables in associated companies - company	69	39
Receivables in associated companies - customers	428	227
Total receivables for associated companies	**497**	**266**

Income from associated companies

NOK million	2011	2010
Proportion of the result		2
Interest income	25	13
Unrealised change in value	43	46
Total	**68**	**61**
Allocation by company and customers		
Receivables in associated companies - company	-4	3
Receivables in associated companies - customers	72	59
Total receivables from associated companies	**68**	**61**

For further information about close associates, see note 54.

NOTE 33 | Joint Ventures

Joint Ventures are businesses the Group operates together with external partners.

The consolidated financial statements include the following companies with the amounts shown

NOK million	2011	2010
Income		
Storebrand Helseforsikring AS	166	154
Evoco	2	1
Group result		
Storebrand Helseforsikring AS	27	28
Evoco		
Assets		
Storebrand Helseforsikring AS	439	187
Evoco	1	1
Liabilities		
Storebrand Helseforsikring AS	105	96
Evoco	1	

Ownership interest

	2011	2010
Storebrand Helseforsikring AS	50%	50%
Evoco	50%	50%

NOTE 34 | Classification of financial assets and liabilities

Financial assets

NOK million	Lendings and receivables	Investments, held to maturity	Fair value, held for sale	Fair value, FVO	Available for sale	Liabilities at amortised cost	Total
Bank deposits	9,371						9,371
Shares and units				85,258			85,258
Bonds and other fixed-income securities	64,961	8,152		142,930	5,162		221,205
Lending to financial institutions	269						269
Lending to customers	35,546			788			36,333
Accounts receivable and other short-term receivables	3,703						3,703
Derivatives			6,440	1			6,440
Total financial assets 2011	**113,849**	**8,152**	**6,440**	**228,977**	**5,162**		**362,579**
Total financial assets 2010	97,870	710	8,272	237,911	8,331		353,094
Financial liabilities							
Subordinated loan capital						7,496	7,496
Liabilities to financial institutions				3,497		2,519	6,016
Deposits from banking customers						18,477	18,477
Securities issued						13,627	13,627
Derivatives			2,720				2,720
Other current liabilities						10,095	10,095
Total financial liabilities 2011			**2,720**	**3,497**		**52,213**	**58,430**
Total financial liabilities 2010			1,252	6,034		46,728	54,013

NOTE 35 | Fair value of financial assets and liabilities at amortised cost

	2011		2010	
NOK million	Book value	Fair value	Book value	Fair value
Financial assets				
Loans to and due from financial institutions	269	269	699	698
Lending to customers	35,702	35,471	37,006	36,762
Bonds held to maturity	8,152	8,484		
Bonds classified as loans and receivables	64,961	66,385	48,194	48,926
Financial liabilities				
Debt raised by issuance of securities	13,626	13,398	11,623	11,734
Liabilities to financial institutions	2,519	2,514	2,197	2,687
Deposits from banking customers	18,477	18,477	18,629	18,629
Subordinatd loan capital	7,496	7,502	7,606	7,710

Lending to customers/liabilities to financial institutions/debt raised by issuance of securities
The fair value of lending to customers subject to variable interest rates is recognised as book value. However, the fair value of lending to corporate customers with margin loans is slightly lower than book value since some loans have lower margins than they would have had, had they been taken upat year end 2011. The shortfall is calculated using a discounted difference between the agreed margin and the current market price over the remaining term to maturity. Fair value is also adjusted for individual write-downs.

The fair values of lending, liabilities to financial institutions and debt raised by issuance of securities are based on valuation techniques. The valuation techniques use interest rate curves and credit spreads from external sources. The calculations are made using the QRM risk management system.

Bonds at amortised cost
As a general rule, the fair value of bonds is based on prices obtained from Reuters and Bloomberg. Bonds that are not quoted regularly will normally be valued on the basis of recognised theoretical models. The latter is particularly true for bonds denominated in NOK. These sorts of valuations are based on discount rates consisting of swap interest rates plus a credit premium. The credit premium will often be issuer specific and normally based on a consensus of credit spreads quoted by a selected brokerage house. The imparimen ttests carried out have resulted in write.downs of NOK 45 million in 2011.

Debt issued by issuance of securities
The bonds are recognised on the basis of our theoretical models using the issuer-specific credit spead over swap.
Bonds are valued on the basis of registered sales of the bonds and quoted prices from brokers. All prices are quality assured in relation to EOM (end of month) reports from brokers.

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

NOTE 36 | Bonds at amortised cost

Lending and receivables

	2011				2010	
NOK million	**Nominal value**	**Acquisition cost**	**Book value**	**Fair value**	**Book value**	**Fair value**
Government and government-guaranteed bonds	25,372	26,183	26,147	26,589	21,871	22,202
Credit bonds	12,484	12,461	12,638	12,901	10,689	10,755
Mortgage and asset backed securities	18,020	16,413	16,678	16,996	10,673	10,759
Supranational organisations	9,624	9,211	9,499	9,898	4,961	5,210
Total bonds at amortised cost	**65,500**	**64,267**	**64,961**	**66,385**	**48,194**	**48,926**
Storebrand Bank						
Modified duration			0.16			
Average effective yield			3.2%			
Storebrand Life Insurance						
Modified druation				5,12		4.51
Average effective yield			5.7%	4.5%	5.4%	4.6%
Distribution beween company and customers						
Lending and receivables company			1,985		299	
Lending and receivables customers with guarantee			62,976		47,895	
Total			**64,961**		**48,194**	

Bonds held to maturity

	2011			
NOK million	Nominal value	Acquisition cost	Book value	Fair value
Mortgage and asset backed bonds	7,993	7,990	8,152	8,484
Modifed duration				7.39
Average effective yield			4.9%	4.4%
Distribution beween company and customers:				
Bonds held to maturity - company			169	
Bonds held to maturity - customers with guarantees			7,983	
Total			**8,152**	

A yield is calculated for each bond, based on both the paper's book value and the observed market price (fair value). For fixed income securities with no observed market prices the effective interest rate is calculated on the basis of of the fixed interest rate period and classification of the individual security with respect to liquidity and credit risk. Calculated effective yields are weighted to give an average effective yield on the basis of each security's share of the total interest rate sensitivity.

NOTE 37 | Lendings to customers

Lendings

NOK million	2011	2010
Corporate market	14,201	15,187
Retail market	22,289	22,499
Gross lending	**36,490**	**37,686**
Write-down of lending losses	-157	-257
Net lending	**36,333**	**37,428**

Non-performing and loss-exposed loans

NOK million	2011	2010
Non-performing and loss-exposed loans without identified impairment	159	436
Non-performing and loss-exposed loans with identified impairment	171	262
Gross non-performing loans	**330**	**698**
Individual write-downs	-103	-174
Net non-performing loans	**227**	**524**

For further information about lending, see note 9 credit risk.

NOTE 38 | Reinsurer's share of technical reserves

NOK million	2011	2010
Book value 01.01	185	1,229
Change in premium and claims reserves	26	-966
Other changes	-34	-79
Book value 31.12	**176**	**185**

See note 46 and 47 for liabilities.

NOTE 39 | Real estate

Book value of investment properties[1]

NOK million	2011	2010
Book value 01.01	27,102	24,160
Supply due to purchases	2,078	2,503
Supply due to additions	573	476
Disposals	-1,244	-152
Net write-ups/write-downs	265	50
Taken over properties[2]	-32	43
Exchange rate changes	5	22
Book value 31.12	**28,747**	**27,102**
Distribution by company and customers:		
Company	1,276	1,231
Customer	27,471	25,871
Total income from real estate	**28,747**	**27,102**

1. Consists of investment properties in Storebrand Life Insurance Group and taken over properties in Storebrand Bank Group
2. Storebrand Bank Group has taken over properties in connection with defaulted loans.The properties are valued individually on the basis of the estimated income and costs associated with the completion/sale of the property projects.

Property type

			2011		
NOK million	2011	2010	Duration of lease (years)	m²	Leased amount in%[1]
Office buildings (including parking and storage):					
Oslo-Vika/Filipstad Brygge	6,044	4,930	6.9	135.7	95%
Rest of Greater Oslo	7,746	6,180	4.8	408.5	93%
Rest of Norway	2,719	3,856	11.7	197.9	98%
Shopping centres (including parking and storage)	10,321	10,656	3.2	547.4	100%
Multi-storey car parks	654	696	4.7	27.4	
Office buildings in Sweden	853	387	8.0	40.4	60%
Cultural/conference centres in Sweden	399	354	20.0	18.7	89%
Taken over properties	12	43			
Total investment properties	**28,747**	**27,102**		**1,376**	
Properties for own use	1,800	1,668	7	44	95%
Total properties	**30,547**	**28,770**		**1,376**	

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

Geographical location:

NOK million	2011	2010
Oslo - Vika/Fillipstad Brygge	6,698	5,625
Rest of Greater Oslo	9,664	7,603
Rest of Norway	12,594	14,512
Sweden	1,252	742
Other	340	289
Total properties	**30,547**	**28,770**

There have not been made any further agreements with regards to buying or selling of real estate in 2011. NOK 309 million in Storebrand and SEK 209 million in SPP have been committed but not drawn on in international real estate funds.

CALCULATION OF FAIR VALUE FOR REAL ESTATE

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

Cash flow

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

Required rate of return

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

Composition of the required rate of return:
Risk free interest rate
Risk markup, adjusted for:

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

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

External valuations

To ensure that every property will be taxated as a minimum every third year, there is a methodic approach in order to choose a representative selection of property to taxate every quarter. As per 31 December 2011, valuations had been obtained for approximately 35 per cent of Storebrand's property portfolio in Norway.

The properties are valued on the basis of the following effective required rate of return (incl. 2.5 per cent inflation):

Segment

	Required rate of return (%)		Fair value (*NOK million*)	
Office buildings (including parking and storage):	**2011**	**2010**	**2011**	**2010**
Oslo-Vika/Filipstad Brygge	7.20 - 8.70	7.50 - 8.50	6,698	5,625
Rest of Greater Oslo	7.70 - 9.79	8.25 - 10.00	9,206	7,559
Rest of Norway	8.40 - 9.75	8.75 - 9.75	2,719	3,856
Shopping centre portfolio	7.74 - 9.25	8.00 - 9.25	10,321	10,656
Culture and conference Sweden	7.00 - 9.00	7.00 - 9.00	1,252	742
Other			340	289

SENSITIVITIES

Valuations are particularly sensitive to changes in the required rate of return and assumed future cash flows. A change of 0.25 per cent in the required rate of return, where everything else remains the same, would result in a change in value in the real estate portfolio of 989 million, which is equivalent to 3.42 per cent. Around 25 per cent of a property's cash flow is linked to signed leases. This means that changes in the uncertain components of the cash flow of 1 per cent result in a change in value of 0.75 per cent.

Tangible fixed assets and properties for own use

NOK million	2011	2010
Book value 01.01	1,668	1,718
Additions	82	65
Disposals	-1	
Revaluation booked in balance sheet	31	5
Depreciation	-68	-47
Write-ups due to write-downs in the period	49	47
Write-downs in the period	27	-105
Currency diffs. from converting foreign units	12	-14
Book value 31.12	**1,800**	**1,668**
Acquisition cost opening balance	1,668	1,718
Acquisition cost closing balance	1,751	1,773
Accumulated depreciation and write-downs opening balance	-105	
Accumulated depreciation and write-downs closing balance	-124	-105
Allocation by company and customers:		
Properties for own use - company	407	352
Properties for own use - customers	1,393	1,316
Total	**1,800**	**1,668**
Depreciation method:		Straight line
Depreciation plan and financial lifetime:		50 years

NOTE 40 | Biological assets

NOK million	2011	2010
Book value 01.01	589	552
Additions due to purchases/new planting (forest)	29	36
Disposals		-1
Translation difference	-3	-28
Change in fair value less sales expenses	1	29
Book value 31.12	**616**	**589**

Biological assets booked in the statement of financial statement consist of forests in the subsidiaries AS Værdalsbruket and Foran Real Estate SIA in Latvia.

NOTE 41 | Accounts receivable and other short-term receivables

NOK million	2011	2010
Accounts receivable	418	355
Receivables concerning insurance contracts	1,173	996
Pre-paid commissions	406	349
Interest earned/pre-paid expenses	215	246
Remuneration fees earned external	61	140
Receivables in connection with reinsurance	119	79
Claims on insurance brokers	628	
Sales credit in real estate	273	
Other current receivables	410	1,690
Book value 31.12	**3,703**	**3,856**
Allocation by company and customers:		
Accounts receivable and other short-term receivables - company	1,803	1,892
Accounts receivable and other short-term receivables - customers	1,900	1,964
Total	**3,703**	**3,856**

Age distribution for accounts receivable, etc 31.12 (gross)

	2011			2010		
NOK million	Accounts receivable	Receivables insurants	Receivables in connection with reinsurance	Accounts receivable	Receivables insurants	Receivables in connection with reinsurance
Receivables not fallen due	400	993	118	353	801	79
Past due 1 - 30 days	19	135	1	2	145	
Past due 31 - 60 days		21			12	
Past due 61 - 90 days		4			17	
Past due > 90 days	1	20		1	21	
Gross accounts receivable/receivables from reinsurance	**420**	**1,173**	**119**	**357**	**996**	**79**
Provisions for losses 31.12	-2			-2		
Net accounts receivable/receivables from reinsurance	**418**	**1,173**	**119**	**355**	**996**	**79**

NOTE 42 | Equities and units

NOK million	2011		2010
	Acquisition cost	Fair value	Fair value
Equities	24,549	26,079	29,425
Fund units	48,441	50,526	29,567
Private Equity fund investments	6,123	6,676	33,850
Indirect real estate funds	2,908	1,976	
Total equities and units	**82,021**	**85,258**	**92,843**
Allocation by company and customers:			
Equities and units - company		322	351
Equities and units - customers with guarantee		48,280	54,102
Equities and units - customers without guarantee		36,656	38,390
Total		**85,258**	**92,843**

See also note 9.

NOTE 43 | Bonds and other fixed-income securities

NOK million	2011		2010
	Acquisition cost	Fair value	Fair value
Government and government-guaranteed bonds	45,156	46,885	59,813
Credit bonds	21,357	21,332	42,179
Mortgage and asset backed securities	34,444	34,562	25,049
Supranational organizations	2,286	2,212	2,833
Bond funds	42,675	43,101	26,871
Total bonds and other fixed-income securities	**145,919**	**148,092**	**156,745**
Allocation by company and customers:			
Bonds and other fixed-income securities - company		20,058	19,013
Bonds and other fixed-income securities - customers with guarantee		109,202	122,820
Bonds and other fixed-income securities - customers without guarantee		18,831	14,912
Total		**148,092**	**156,745**

Fair value

	Fair value					
	Storebrand Life Insurance	SPP Life Insurance	Euroben	Storebrand Bank	Storebrand Insurance	Storebrand ASA
Modified duration	2.4	2.3	5.2	0.15	0.22	0.36
Average effective yield	3.3%	1.6%	1.4%	2.9%	2.6%	3.3%

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 44 | Derivatives

Nominal volume

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

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

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

NOK million	Gross nominal volume 1)	Average nominal volume 2)	Net nominal volume 1)	Assets Fair value[1]	Liabilities Fair value[1]
Equity derivatives	8,510	6,700	-7,371		
Interest derivatives	128,200	222,290	59,568	6,207	1,539
Currency derivatives	65,399	96,730	10,519	228	1,176
Credit derivatives	579	785	-460	6	4
Total derivatives 2011	**202,689**	**326,505**	**62,256**	**6,440**	**2,719**
Total derivatives 2010	212,432	346,303	-10,108	4,964	1,252
Distribution between company and customers:					
Derivatives - company				1,291	736
Derivatives - customers with guarantee				5,122	1,923
Derivatives - customers without guarantee				27	60
Total				**6,440**	**2,719**

1. Values 31.12.
2. Average for the year.

The above table includes net positions in indirect investments.

NOTE 45 | Currency exposure

Financial assets and liabilities in foreign currencies

	Balance sheet items excluding currency derivatives	Forward contracts	Net position		
NOK million	Net in balance sheet	Net sales	in currency	in NOK	Of which SPP and Benco
AUD	102	-120	-18	-112	135
CAD	151	-177	-26	-154	191
CHF	184	-136	48	307	502
DKK	183	-62	120	126	149
EUR	1,315	-1,338	-17	-78	1,186
GBP	237	-271	-34	-311	561
HKD	266	-216	50	38	104
LTL	3		3	9	
JPY	23,736	-30,187	-6,451	-506	353
NZD	136	-146	-11	-50	4
SEK	154,324	-437	153,887	133,739	125,755
SGD	25	-21	4	18	57
USD	3,452	-4,106	-661	-3,956	2,932
NOK[1]	9,171		9,172	9,171	
Insurance liabilities in foreign currency				-125,184	-125,184
Total net currency positions 2011				**13,058**	**6,745**
Total net currency positions 2010				2,065	-1,615

1. Equity and bond funds denominated in NOK with foreign currency exposurein i.a. EUR and USD NOK 9 billion.

Storeband Life Insurance

The company actively hedges the major part of its foreign currency risk. Currency risk arises from investments in international securities, and to a lesser extent from subordinated loans denominated in foreign currencies. Currency risk is hedged through forward foreign exchange contracts at the portfolio level, and currency positions are regularly monitored within specified total limits. Negative foreign exchange positions are closed no later than the business day following the date on which they arise. In addition, there are separate limits for entering into active currency positions. These positions are included in the note relating to short-term positions. Storebrand utilises a currency hedging principle called block hedging, which makes currency hedging more efficient. The currency hedging of the investment in the subsidiary Storebrand Holding AB was reduced in 2011 and from 2011 the subsdiiary BenCo is no longer hedged.

SPP

SPP practices currency hedging to a certain extent with respect to its international investments. In the case of equities the currency hedging will be between 50 per cent and 100 per cent, and for other classes SPP actively hedges the major part of its foreign currency risk.

Bank activities

Storebrand Bank ASA hedges net items in the balance sheet by way of forward exchange contracts.

NOTE 46 | Technical insurance reserves - life insurance

Specification of balance sheet items conserning life insurance

NOK million	Group defined benefits fee-based	Group investment with choise and unit-linked fee based	Paid-up policies profit sharing	Individual profit sharing	Risk products *)	Life and Pensions Norway 2011	Guaranteed products	Unit Linked SPP	Total SPP 2011	BenCo	Total Storebrand Group 2011	Total Storebrand Group 2010
Additional statutory reserves	2,978		1,799	665		5,442					5,442	5,439
Conditional bonus							7,417		7,417	2,622	10,038	11,503
Market value adjustment reserve												1 971
Total buffer capital	**2,978**		**1,799**	**665**		**5,442**	**7,417**		**7,417**	**2,622**	**15,480**	**18,913**
Premium reserve	77,158	21,932	62,899	19,897	1,277	183,163	73,880	31,895	105,774	12,357	301,294	291,306
- of which RBNS	301	154	51	14	107	521				1,350	1,871	623
- of which IBNR	66	52	110	19	218	247					247	554
- of which premium income received in advance	689	32	16	14	107	750					750	752
Pensjoners' surplus reserve	8					8					8	24
Premium reserve/deposit reserve	3,895		25			3,921					3,921	4,295
Other technical reserves					492	492					492	426
- of which RBNS					44	44					44	
- of which IBNR					435	435					435	
Claims reserve	34	18	13	194	431	690	83		83	1	774	810
- of which RBNS	27	16	1	97	309	141					141	554
- of which IBNR	7	2	11	97	122	117	83		83	1	201	649
Total insurance liabilities - life insurance	**81,096**	**21,950**	**62,938**	**20,091**	**2,200**	**188,274**	**73,963**	**31,895**	**105,857**	**12,358**	**306,489**	**296,862**

*) Including personal risk and employee insurance of the Insurance segment.

Change in insurance liabilities - life insurance

NOK million	Group defined benefits fee-based	Group investment with choise and unit-linked fee based	Paid-up policies profit sharing	Individual profit sharing	Risk products*	Life and Pensions Norway	Guaranteed products	Unit Linked SPP	Total SPP 2011	BenCo	Total Storebrand Group
Book value 01.01	81,643	20,346	58,623	21,216	2,004	183,833	68,960	32,026	100,987	12,042	296,862
Net premium income	10,369	5,274	658	604	1,145	18,050	2,500	3,869	6,369	700	25,120
Net financial income	2,546	-550	2,305	680	106	5,087	6,414	-2,593	3,821	-2,235	6,673
Insurance claims for own account	-13,088	-2,515	1,287	-2,590	-657	-17,564	-4,788	-1,233	-6,021	-1,041	-24,626
Other changes	-375	-606	65	182	-398	-1,133	876	-174	702	2,892	2,461
Book value 31.12	**81,096**	**21,950**	**62,938**	**20,091**	**2,200**	**188,274**	**73,963**	**31,895**	**105,857**	**12,358**	**306,489**

*) Including personal risk and employee insurance of the Insurance segment.

Market value adjustment reserve

NOK million	2011	2010	Change 2011	Change 2010
Equities		1,404	-1,404	2,227
Interest-bearing		567	-567	-287
Total market value adjustment reserves at fair value		**1,971**	**-1,971**	**1,940**

See note 47 for insurance liabilities - P&C.

NOTE 47 | Technical insurance reserves - P&C insurance

Insurance liabilities

NOK million	P&C	Health	2011	2010
Reserve for undischarged risk				
Non-earned gross premiums	244	66	311	276
The Norwegian FSA's minimum requirement	244	66	311	276
Gross claims reserves	266	31	297	207
The Norwegian FSA's minimum requirement	237	31	268	193
Gross claims liabilities	**237**	**31**	**268**	**177**
Administration reserve	12	2	14	27
The Norwegian FSA's minimum requirement	12	1	13	27

Change in gross insurance liabilities

NOK million	2011	2010
Book value 01.01	510	1,473
Change in premium and claims reserves	110	-881
Change in administration reserve	-13	2
Exchange rate changes		-4
Other changes		-81
Book value 31.12	**606**	**510**

Assets and liabilities - P&C insurance

NOK million	2011	2010
Reinsurance share of insurance technical reserves	9	9
Total assets	**9**	**9**
Premium reserve	311	276
Claims reserve	282	207
- fo which RBNS	128	113
- of which IBNR	143	94
Administration reserve	14	27
Total liabilities	**606**	**510**

See note 46 for insurance liabilities - life insurance.

NOTE 48 | Deposits from banking customers

NOK million	2011	2010
Corporate market	6,956	7,448
Retail market	11,521	11,351
Total	**18,477**	**18,799**

NOTE 49 | Other current liabilities

NOK million	2011	2010
Accounts payable	216	84
Accrued expenses/appropriations	447	577
Appropriations earnout	12	16
Governmental fees and tax withholding	380	511
Accrued interest	24	16
Collateral received derivatives	4,340	1,782
Liabilities in connection with direct insurance	1,615	1,306
Liabilities in connection with reinsurance	1	48
Liabilities fund arbitration	517	89
Minority real estate fund[1)]	1,540	1,108
Other current liabilities	1,004	1,145
Book value 31.12	**10,095**	**6,681**

1. As of January 2014 the partisipants are able to claim redemption on a yearly basis.The redemption are conditioned to a total demand of NOK 100 million. The redemption amounts to 98,75% of VEK. See note 8.

Specification of reserves

	2011			2010
NOK million	Restructuring	Earnout	Total	Total
Book value 1.1	6	16	23	28
Increase in the period	3	5	7	6
Amount recognised against reserves in the period	-8	-11	-19	-14
Change due to discounting		2	2	2
Book value 31.12	**1**	**12**	**13**	**23**

NOTE 50 | Hedge accounting

FAIR VALUE HEDGING OF INTEREST RISK

Storebrand uses fair value hedging for interest risk. The hedged items are financial assets and financial liabilities measured at amortised cost. Derivatives are recognised at fair value over profit or loss . Changes in the value of the hedged item that can be attributed to the hedged risk are adjusted in the book value of the hedged item and reconised in the income statement.

The effectiveness of hedging is monitored at the individual security level, except in the case of structured bond loans where effectiveness is monitored at the portfolio level. Each portfolio consists of swaps and hedging items that mature within the same half-year period.

Hedging instrument/hedged item – fair value hedging

	2011				2010			
	Contract/ nominal value	Book value[1]		Booked	Contract/ nominal value	Book value[1]		Booked
NOK million		Assets	Liabili-ties			Assets	Liabili-ties	
Interest rate swaps	8,963	746		91	8,936	661		37
Subordinated loans	3,366			8	3,339		3,653	-28
Debt raised through issuance of securities	5,594		6,070	-108	5,594		5,862	-13

1. Book values as at 31.12.

CURRENCY HEDGING OF NET INVESTMENT IN SPP

In 2011, Storebrand utilised cash flow hedging for the currency risk linked to Storebrand's net investment in SPP. 3 month rolling currency derivatives were used in which the spot element in these is used as the hedging instrument. The effective share of hedging instruments is recognised in total profit. The net amount recognised in total profit in 2011, i.e. the effective share of the hedging instruments and the currency effect on the hedged object was NOK 117million. The net investment in SPP is partly hedged and therefore the expectation is that future hedge effectiveness will be around 100 per cent.

Hedging instrument/hedged item - cash flow

	2011				2010			
	Contract/ nominal value	Book value[1]		Booked	Contract/ nominal value	Book value[1]		Booked
NOK million		Assets	Liabilities			Assets	Liabili-ties	
Currency derivatives	6,364		136		12,573	222		
Underlying items		12,761				13,239		

1. Book values at 31.12.

NOTE 51 | Collateral

NOK million	2011	2010
Collateral for Derivatives trading	-2,047	-1,840
Collateral received in connection with Derivatives trading	4,113	978
Received collateral for Security Lending Programme J.P. Morgan	343	391
Total received and pledged collateral	**2,409**	**-471**

Collateral pledged in connection with futures and options are regulated on a daily basis in the daily margin clearing on individual contracts. Received collateral for Security Lending Programme will be made up by the return of the loaned seurities.

NOK million	2011	2010
Book value of bonds pledged as collateral for the bank's lending from Norges Bank	2,159	2,926
Booked value of securities pledged as collateral in other financial institutions	287	
Booked value of bonds pledged as collateral for swap agreement of state paper for covered bonds	3,497	5,856
Total	**5,943**	**8,782**

Securities pledged as collateral are linked to lending access in Norges Bank for which, pursuant to the regulations, the loans must be fully guaranteed with collateral in interest-bearing securities and/or the bank's deposits in Norges bank. Storebrand Bank ASA has a F-loan for NOK 1.4 billion in Norges Bank as per 31.12.2011.

NOTE 52 | Contingent liabilities

NOK million	2011	2010
Guarantees	294	302
Unused credit limit lending	5,697	5,844
Uncalled residual liabilities re limited partnership	5,898	5,635
Other liabilities/lending commitments	1,409	817
Total contingent liabilities	**13,297**	**12,597**

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

The case is being heard by Stockholm District Court from 7 -17 February 2012. The case deals with matters of principal that are important above and beyond the case in question, and the consequences of a possible negative outcome on the portfolios are expected to have a significant economic value. Based on an overall assessment of the case, and based on external legal reviews, it is regarded as remote that the judgment will be in favour of the plaintiffs. No provisions have been made relating to this lawsuit.

Storebrand Bank was in 2009 sued for damages based on economic loss from two customers' investment in one of Storebrand Banks structured savings products. The bank won both in the local and district court and the case has been appealed to the Norwegian High Court, due to the case's principle question. The High Court heard the case in January 2012 but no conclusion has been communicated at the date of the accounts completion. The bank sees it as highly probable that the case for damages will not succeed and has therefore not made any provisions in the accounts.

NOTE 53 | Securities lending and buy-back guarantees

Securities lending

NOK million	2011	2010
Share lending	330	372
Collateral received for securities lent	343	391
Collateral received in cash and reinvested in bonds	227	296
Collateral received in cash and reinvested in bondsr - nominal value	227	296

Storebrand Life Insurance has a securities lending agreement with J.P.Morgan. The agreement only applies to international equities. The agreement gives J.P. Morgan the right to lend out equities from this portfolio. J.P. Morgan is responsible for ensuring that the lent equities are returned to Storebrand Life Insurance's portfolio immediately Storebrand Investments sells an equity. J.P. Morgan receives collateral from the equity borrower and the collateral can be placed in defined fixed income securities. Storebrand Kapitalforvaltning receives daily summaries of the securities that have been lent out. Income linked to lending equities is settled monthly and is shared according to the agreement between Storebrand Life Insurance and J.P. Morgan.

Covered bonds - Storebrand Bank Group

NOK million	**2011**	**2010**
Book value of covered bonds	6,665	7,224
Book value associated with financial liabilities	3,497	5,856

Transferred financial assets consist of swap agreements with the state through the Ministry of Finance concerning the posting of financial collateral (see note 51). The swap agreements are entered into through auctions that are administrated by Norges Bank. In the swap arrangement, the state sells treasury bills to the bank through a time-restricted swap for covered bonds. The bank can either keep the treasury bill and receive payment from the state when the bill falls due for repayment, or it may sell the treasury bill in the market. When bills matures within the term of the swap agreement, the bank must purchase new bills from the state at the price that is determined by the market price for treasury bills. This roll-over will be on-going throughout the entire term of the agreement. Upon expiry of the swap agreement, the bank is obliged to purchase the covered bonds back from the state at the same price that the state purchased them for. Storebrand Bank ASA will receive the returns on the transferred covered bonds.

NOTE 54 | Capital adequacy and solvency requirements

The Storebrand Group is a cross-sectoral financial group subject to capital requirements pursuant to Basel I/II (capital adequacy) and the solvency rules on a consolidated basis. Pursuant to the solvency rules, solvency margin requirements are calculated for the insurance companies in the Group, while for the other companies a capital requirement pursuant the capital adequacy regulations is calculated. The calculations in the tables below conform to the regulations relating to the application of the solvency rules on a consolidated basis, etc., cf. Section 7.

Primary capital consists of core (tier 1) capital and supplementary capital. Pursuant to the regulations for calculating primary capital, core (tier 1) capital is materially different to equity in the financial statements. The table below shows a reconciliation of core (tier 1) capital in relation to equity. Issued hybrid tier 1 capital can account for 15 per cent of the core (tier 1) capital, while any overshoot can be included in the tsupplementary capital. A percentage of the conditional bonus is included in the core (tier 1) capital pursuant to the conditions stipulated by The Norwegian FSA and this applies to that part of the insurance capital that is not guaranteed in SPP. Supplementary capital which consists of subordinated loans cannot exceed more than 100 per cent of the core (tier 1) capital, while non-perpetual subordinated loan capital cannot exceed more than 50 per cent of the core (tier 1) capital.

Pursuant to Basel II the capital requirement for primary capital is 8 per cent of the basis for calculating the credit risk, market risk and operational risk. The insurance companies in the Group are included in capital adequacy with a capital requirement pursuant to the regulations in Basel I.

In a cross-sectoral financial group the sum of the primary capital and other solvency margin capital shall cover the sum of the solvency margin requirements for the insurance activities and the requirements for primary capital of financial institutions and securities firms.

In the solvency margin requirement that is used for the insurance companies, this requirement is calculated as 4 per cent of the gross insurance fund. This applies in both Norway and Sweden. INn Sweden, the requirement also covers 1 per cent of Conditional bonus and 0.1 - 0.3 per cent of the death risk in unit-linked insurance. The solvency margin capital in insurance differs slightly from primary capital which is used in capital adequacy. Primary capital includes a proportion of conditional bonuses, but this capital cannot be included in the solvency margin capital. A proportion of additional statutory reserves and the risk equalisation fund are also included in the solvency margin capital.

Primary capital in capital adequacy

NOK million	2011	2010
Share capital	2,250	2,250
Other equity	16,528	16,168
Equity	**18,777**	**18,417**
Hybrid tier 1 capital	1,779	1,779
Conditional bonus[1)]	3,024	3,359
Goodwill and other intangible assets	-6,635	-6,918
Deferred tax assets	-58	-111
Risk equalisation fund	-469	-287
Deductions for investments in other financial institutions	-3	-44
Secuity reserves	-238	-132
Minimum requirement reassurance allocation	-7	-7
Capital adequacy reserve	-121	-399
Dividend not allocated in financial statements		-491
Other equity	132	118
Core capital (tier 1)	**16,181**	**15,285**
Perpetual subordinated capital	5,024	5,039
Ordinary primary capital	400	500
Deduction for investments in other financial institutions	-3	-44
Capital adequacy reserve	-121	-399
Supplementary capital	**5,300**	**5,097**
Net primary capital	**21,482**	**20,382**

Minimum requirements primary capital in capital adequacy

NOK million	2011	2010
Credit risk		
Of which by business area		
Capital requirement insurance	10,653	10,672
Capital requirement banking	1 598	1,628
Capital requirements securities undertakings	9	14
Other capital requirements	48	60
Total minimum capital requirements credit risk	**12,308**	**12,373**
Operational risk	118	132
Deductions	-24	-78
Minimum requirements primary captial	**12,401**	**12,427**
Capital adequacy ratio	**13.9%**	**13.1%**
Core (tier 1) captial ratio	**10.4%**	**9.8%**

Solvency requirements for cross-sectoral financial groups

NOK milion	2011	2010
Requirements re primary capital and solvency capital		
Capital requirements Storebrand Group from capital adequacy statement	12,401	12,427
-capital requirements insurance companies	-10,653	-10,672
Capital requirements pursuant to capital adequacy regulations	1,748	1,755
Requirements re solvency margin capital insurance	11,500	10,905
Total requirements re primary capital and solvency capital	**13,249**	**12,660**

Primary capital and solvency capital		
Net primary capital	21,482	20,382
Change in solvency capital for insurance in relation to primary capital		
Conditional bonus - not approved as solvency capital[1)]	-3,024	-3,359
Other solvency capital	3,060	2,955
Total primary capital and solvency capital	**21,519**	**19,978**
Surplus solvency capital	**8,270**	**7,318**

1. In connection with the acquisition of SPP in 2007, Storebrand LIvsforsikring AS time-limited permission from the Financial Services Authority to include parts of Conditional bonuses in SPP as eligible core capital when calculating capital adequacy. As of 1 April 2012, this permission expires . For figures as of 31/12/11, capital adequacy and core capital adequacy for the group are 11.9% and 8.5% respectively, when the conditional bonus is not included in the primary capital. This will not involve changes in the Group's solvency capital or the solvency margin for Storebrand Life Insurance.

NOTE 55 | Information about close associates

Companies in the Storebrand Group have transactions with close associates who are shareholders in Storebrand ASA and senior employees. These are transactions that are part of the products and services offered by the Group's companies to their customers. The transactions are entered into on commercial terms and include occupational pensions, private pensions savings, P&C insurance, leasing of premises, bank deposits, lending, asset management and fund saving. See note 24 for further information about senior employees.

Storebrand ASA's largest owner is Gjensidige Forsikring with an ownership interest of 24.3 per cent. Storebrand Kapitalforvaltning AS sells some management services to Gjensidige Forsikring. These services are provided on normal commercial conditions.

Internal transactions between group companies are eliminated in the consolidated financial statements, with the exception of transactions between the customer portfolio in Storebrand Livsforsikring AS and other units in the Group. See note 1 Accounting Policies for further information.

For further information about close associates, see note 32, 33 and 49.

NOTE 56 | Sold business and discontinued operations

Agreement was reached on the sale of Oslo Reinsurance Company (UK) Ltd in December 2010. The sale was subject to the approval of the authorities. Approval was granted in February 2011 and control of the company was finally transferred to the buyer in March. The company changed its name to OX RE at the same time. The agreed transfer sum was transferred at the same time and Storebrand's result has not been affected by the transfer in 2011.

Storebrand Bank ASA have decided to exit estate agency business and the Ring Eiendomsmegling AS Group will be liquidated or sold. As a consequence the annual result, assets and liabilities are classified as hold for sale in the Group accounting. The 2010 corresponding figures have been revised.

Profit and loss account 1 January - 31 December

Storebrand ASA

NOK million	Note	2011	2010
Operating income			
Income from investments in subsidiaries	2	474	1 158
Net income and gains from financial instruments:			
– equities and other units			11
– bonds and other fixed-income securities		73	41
– financial derivatives/other financial instruments		-12	-8
Other financial instruments		4	1
Operating income		**539**	**1,204**
Interest expenses		-161	-131
Other financial expenses		-16	-441
Operating costs			
Personnel costs	3,4,5	-31	-23
Depreciation	12	-1	-2
Other operating costs		-133	-106
Total operating costs		**-165**	**-131**
Total costs		-343	-703
Pre-tax profit		**196**	**502**
Tax	6	504	
Profit for the period		**700**	**502**
Allocations			
Other equity		700	11
Allocated divident			491
Total allocations		**700**	**502**

Statement of financial position 1 January - 31 December

Storebrand ASA

NOK million	Note	2011	2010
Fixed assets			
Deferred tax assets		632	
Pension assets	4	46	30
Tangible fixed assets	12	32	45
Shares in subsidiaries	7	16,658	16,609
Total fixed assets		**17,368**	**16,683**
Current assets			
Owed within group	17	474	1,158
Lending to group companies	17	986	17
Other current receivables		5	22
Investments in trading portfolio:			
– equities and other units	8		
– bonds and other fixed-income securities	9, 11	1,268	1,313
– financial derivatives/other financial instruments	10, 11, 15	53	37
Bank deposits		126	74
Total current assets		**2,912**	**2,621**
Total assets		**20,280**	**19,304**
Equity and liabilities			
Share capital	13	2,250	2,250
Own shares	13	-18	-19
Share premium reserve	13	9,485	9,485
Total paid in equity		**11,717**	**11,715**
Other equity	13	4,718	3,919
Total equity	13	**16,434**	**15,634**
Non-current liabilities			
Pension liabilities	4	195	183
Securities issued	14, 15	3,544	2,898
Total non-current liabilities		**3,739**	**3,081**
Current liabilities			
Financial derivatives	10	23	
Debt within group	17	46	54
Provision for dividend	13		491
Other current liabilities		39	44
Total current liabilities		**107**	**589**
Total equity and liabilities		**20,280**	**19,304**

Lysaker, 13 February 2012
The Board of Directors of Storebrand ASA
Translation – Not to be signed

Birger Magnus
Chairman of the Board

Birgitte Nielsen   Jon Arnt Jacobsen   Halvor Stenstadvold   Heidi Skaaret   Jon S. Dueholm

Monica Caneman   Knut Dyre Haug   Kirsti Valborgland   Ann-Mari Gjøstein   Idar Kreutzer
Chief Executive Officer

Cash flow statement 1 January - 31 December

Storebrand ASA

NOK million	**2011**	**2010**
Cash flow from operational activities		
Receipts – interest, commission and fees from customers	78	37
Net receipts/payments – securities at fair value	36	-51
Payments relating to operations	-225	-231
Net receipts/payments – other operational activities	1,158	965
Net cash flow from operational activities	**1,046**	**720**
Cash flow from investment activities		
Net payments – sale/capitalisation of subsidiaries	-992	-184
Net receipts/payments – sale/purchase of real estate and fixed assets	11	-5
Net cash flow from investment activities	**-981**	**-189**
Cash flow from financing activities		
Payments – repayments of loans	-874	-966
Receipts – new loans	1,504	601
Payments – interest on loans	-170	-149
Receipts – issuing of share capital	17	9
Payments – dividends	-491	
Net cash flow from financing activities	**-13**	**-505**
Net cash flow for the period	**53**	**26**
Net movement in cash and cash equivalents	53	26
Cash and cash equivalents at start of the period	74	48
Cash and cash equivalents at the end of the period	**126**	**74**

Notes Storebrand ASA

NOTE 1 | Accounting policies

The financial statements of Storebrand ASA have been prepared in accordance with the Accounting Act, generally accepted accounting policies in Norway, and the Regulations relating to annual accounts, etc. for insurance companies. Storebrand ASA does not apply IFRS to the company's financial statements.

USE OF ESTIMATES AND DISCRETIONARY ASSUMPTIONS
In preparing the annual financial statements, Storebrand has made assumptions and used estimates that affect reported amounts of assets, liabilities, revenues, costs, as well as the information provided on contingent liabilities. Future events may cause these estimates to change. Such changes will be recognised in the financial statements when there is a sufficient basis for using new estimates.

CLASSIFICATION AND VALUATION POLICIES
Assets and liabilities have been valued in accordance with the general valuation rules of the Accounting Act. Assets intended for permanent ownership and use are classified as fixed assets, and assets and receivables due for payment within one year are classified as current assets. Equivalent policies have been applied to liability items.

PROFIT AND LOSS ACCOUNT AND STATEMENT OF FINANCIAL POSITION
Storebrand ASA is a holding company with subsidiaries within insurance, banking and asset management. The layout plan in the Regulations relating to annual financial statements etc. for insurance companies has not been used. A layout plan that complies with the Accounting Act has been used.

DIVIDENDS AND GROUP CONTRIBUTIONS
In the company's accounts, investments in subsidiaries and associated companies are valued at acquisition cost less any write-downs. Storebrand ASA's primary income is the return on capital invested in subsidiaries. Group contributions and dividends received in respect of these investments are therefore recorded as ordinary operating income. Proposed and approved dividends and group contributions from subsidiaries at the end of the year are recognised in the financial statements of Storebrand ASA as income in that accounting year.

A prerequisite for recognition is that this is earned income in a subsidiary that Storebrand owns. Otherwise, this is recorded as an equity transaction. This means that the investment in the subsidiary is reduced by dividends or group contributions that are received.

TANGIBLE FIXED ASSETS
Tangible fixed assets for own use are recognised at acquisition cost less accumulated depreciation. Write-downs are made if the book value exceeds the recoverable amount of the asset.

PENSION LIABILITIES FOR ITS OWN EMPLOYEES
The company uses the Norwegian standard for pensions accounting NRS 6, which permits the use of IAS 19 Employee Benefits. With effect from 1 January 2010, Storebrand ASA booked actuarial gains and losses directly against equity. The entire effect of the change was recognised in 2010. The comparable figures remain unchanged.

The net pension cost for the period is made up of the sum of pension entitlement accrued in the period, interest cost on the calculated pension liability and the expected return on pension assets. Pension costs and pension liabilities for defined benefit schemes are calculated using a linear profile for the accrual of pension entitlement and expected final salary as the basis for calculating the benefit obligation, based on assumptions about discount rate, future increases in salary, pensions and social security pension benefits, the future return on pension assets and actuarial assumptions about mortality, voluntary retirement etc. The discount rate used is the risk-free interest rate appropriate for the remaining term. Where a scheme is funded, the pension assets are valued at fair value and deducted from the net liability in the balance sheet.

The effect of changes to the pension scheme is charged to the profit and loss account as incurred, unless the change is conditional on future accrual of pension entitlement. In such a case, the effect is amortised on a straight-line basis over the time until the entitlement has been fully earned. Employer's social security contributions are included in the pension liability and as part of the estimate deviation are included in equity

TAX
The tax cost in the profit and loss account consists of tax payable and changes in deferred tax. Deferred tax and deferred tax assets are calculated on the differences between accounting and tax values of assets and liabilities. Deferred tax assets are recorded in the balance sheet to the extent it is considered likely that the company will have sufficient taxable profit in the future to make use of the tax asset. Deferred tax is applied directly against equity to the extent that it relates to items that are themselves directly applied against equity.

CURRENCY
Current assets and liabilities are translated at the exchange rate on the balance sheet date. Shares held as fixed assets are translated at the exchange rate on the date of acquisition.

FINANCIAL INSTRUMENTS

Equities and units

Investments in subsidiaries and associated companies are valued at cost price less any write-down of value. The need for any write-down is assessed at the end of each accounting period.

Other equities and units are valued at fair value. Where the share or interest in question is listed on a stock exchange or another regulated market, fair value is determined as the bid price on the last trading day immediately prior to or on the balance sheet date.

Any repurchase of own shares is dealt with as an equity transaction, and own shares (treasury stock) are presented as a reduction in equity.

Bonds and other fixed income securities

Financial assets and liabilities are recognised in the statement of financial position from such time Storebrand becomes party to the instrument's contractual terms and conditions. Ordinary purchases and sales of financial instruments are booked on the transaction date. When a financial asset or a financial liability is initially recognised in the accounts, it is valued at fair value plus, in the case of a financial asset or a financial liability that is not at fair value in the profit and loss account, transaction costs directly related to the acquisition or issue of the financial asset or the financial liability.

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 associated with ownership of the asset is transferred.

Bonds and other fixed income securities are recognised at fair value. Fair value is the amount for which an asset could be sold for, or a liability settled with, between knowledgeable, willing parties in an arm's length transaction. For financial assets that are listed on a stock exchange or another regulated market place, fair value is determined as the bid price on the last trading day up to and including the balance sheet date, and in the case of an asset that is to be acquired or a liability that is held, the offer price.

Financial derivatives

Financial derivatives are recognised at fair value. The fair value of such derivatives is classified as either an asset or a liability with changes in fair value through profit or loss.

Bond loans

Bond loans are recorded at amortised cost using the effective yield method. The amortised cost includes the transaction costs on the date of issue.

ACCOUNTING TREATMENT OF DERIVATIVES AS HEDGING

Fair value hedging

Storebrand uses fair value hedging, where the item hedged is fixed rate funding measured at amortised cost. Derivatives that fall within this category are recognised at fair value in the profit and loss account. The gain or loss on the hedged item attributable to the hedged risk adjusts the book value of the hedged item and is recognised in profit or loss.

NOTE 2 | Income from investments in sucsidiaries

NOK million	**2011**	**2010**
Storebrand Livsforsikring AS	200	850
Storebrand Fondene AS	47	80
Storebrand Bank ASA	50	50
Storebrand Kapitalforvaltning AS	177	178
Total	**474**	**1 158**

NOTE 3 | Personnel costs

NOK million	2011	2010
Ordinary wages and saleries	-15	-16
Employer's social security contributions	-8	-9
Personnel costs[1]	-1	9
Other benefits	-9	-8
Total	**-33**	**-23**

1. See the specification in note 4.

NOTE 4 | Pensions costs and pension liabilities

Storebrand's employees in Norway have both a defined contribution pension scheme and a defined benefit pension scheme that are established in Storebrand Livsforsikring AS. With effect from 1 January 2011, no new members have been included in the defined benefit scheme. From that date, a defined contribution scheme was established. The defined contribution scheme applies to all new employees from 1 January 2011, and for those who elected to transfer from defined benefit to defined contribution pensions. 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 = the public pension base rate in the National Insurance Scheme at 31.12.2011, amounting to NOK 79 216), plus 8 per cent of the contribution basis between 6G and 12G. Contributions are credited to the employees' pension accounts monthly. Future pensions are dependent on the size of the contributions and the return on the pension savings.

Employees who are members of the defined benefit contribution scheme are secured a pension equivalent to approximately 70 per cent of the pension basis at the date of retirement. Full pension rights are earned after 30 years membership in the scheme. The period's cost shows the employees' pension earnings of future defined pensions in the accounting year. From 1.7.2011, retirement age is 67 years. Nevertheless, employees are entitled to retire at the age of 65 and receive a pension which is paid directly over the income statement. In the case of underwriters, retirement age is 65 years.

Pensions paid to employees between the ages of 65 and 67 years, and pensions relating to salaries in excess of 12G are paid directly by the companies, and apply to both defined contribution scheme members and defined benefit scheme members. Guarantees have been issued for earned pensions for salaries exceeding 12G on retirement before the age of 65. Pension terms and conditions are in accordance with the pension regulations. Storebrand is obliged to have a mandatory occupational pension scheme pursuant to the Act on Mandatory Occupational Pensions. The company's pension schemes satisfy the requirements of this Act.

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

NOK million	2011	2010
Present value of insured pension benefit liabilities	1,568	1,630
Pension assets at fair value	-1,614	-1,660
Net pension liabilities/assets for the insured schemes	-46	-30
Present value of the uninsured pension liabilities	195	183
Net pension liabilities in the statement of financial position	**149**	**153**

Booked in the statement of financial position:

NOK million	2011	2010
Pension asset	46	30
Pension liabilities	195	183

Changes in the net defined benefits pension liabilities in the period

NOK million	2011	2010
Net pension liabilities 01.01	1,813	1,894
Net pension cost recognised in the period	3	4
Interest on pension liabilities	68	79
Pension experience adjustments	53	24
Pensions paid	-175	-188
Net pension liability	**1,763**	**1,813**

Changes in the fair value of pension assets

NOK million	2011	2010
Pension assets at fair value 01.01.	1,660	1,720
Expected return	71	92
Pension experience adjustments	11	-34
Premium paid	36	48
Pensions paid	-164	-166
Net pension assets	**1,614**	**1,660**

Expected premium payments (pension assets) in 2012: 37 million NOK

Pension assets are based on the financial assets held by Storebrand Life Insurance, which are composed of as per 31.12.:

NOK million	2011	2010
Properties and real estate	17%	16%
Bonds at amortised cost	38%	26%
Secured and other lending	2%	2%
Equities and units	22%	21%
Bonds	14%	30%
Commercial papers	6%	2%
Other short-term financial assets	1%	3%
Total	**100%**	**100%**
Booked returns on assets managed by Storebrand Life Insurance were:	4.5%	4.7%

Net pension cost booked to profit and loss accounts in the period

NOK million	2011	2010
Net pension cost recognised in the period	3	4
Interest on pension liabilities	68	79
Expected return on pension assets	-71	-92
Net pension cost booked to profit and loss accounts in the period	**1**	**-9**

Net pension cost includes employer's national insurance contribution and is included in operating costs.

Main assumptions used when calculating net pension liability as per 31.12

	2011	2010
Discount rate	3.1%	4.0%
Expected return on pension fund assets in the period	4.6%	4.9%
Expected earnings growth	3.6%	3.9%
Expected annual increase in social security pension	3.75%	3.75%
Expected annual increase in pensions in payment	1.5%	2.0%
Disability table	KU	KU
Mortality table	K2005	K2005

ACTUARIAL ASSUMPTIONS:
Standarised assumptions regarding the development of mortality and other demographic factors as produced by the Norwegian Financial Services Association. Average employee turnover rate of 2-3 per cent of entire workforce. The disability table was developed by Storebrand Livsforsikriing AS.

Net pension liability 31.12

NOK million	2011	2010
Discounted current value of defined benefit pension liabilities	1,763	1,813
fair value of pension asets	1,614	1,660
Deficit	**149**	**153**

NOTE 5 | Remuneration of the CEO and elected officers of the company

NOK '000s	2011	2010
Chief Executive Officer		
Salery	4,685	4,102
Bonus (performance-based)[1]	5,127	1,377
Total remuneration	9,812	5,479
Other taxable benefits	171	266
Pension costs[2]	1,284	986
Board of Representatives	589	512
Control Committee[3]	1,375	1,295
Chairman of the Board	598	566
Board of Directors including the Chairman	3,539	3,505
Remuneration paid to auditors		
Statutory audit	1,295	999
Other reporting duties	189	986
Other non-audit services	1,364	253

1. Bonus paid/liquidation of bonus bank
   As a consequence of the new remuneration regulations, Storebrand has made the necessary adjustments to the group's bonus model with effect from 2011. In this connection, the existing bonus bank was liquidated during the first half of 2011. Payments for 2011 are therefore considerably higher than the normal bonus payment level. This is to be seen as a one-time occurrence. The bonus bank's assets comprised retained bonuses earned in previous years. 50% of amounts paid after tax were used to purchase Storebrand shares with a lock-in period of 18 months. Based on current market conditions, no raises in salary or bonuses were resolved for Storebrand's senior management in 2012, and a moderate local adjustment in salaries is to be implemented in the rest of the organisation, slightly over 1% in Norway and 2% in Sweden.
2. Pension costs relate to accrual for the year.
3. The Control Committee covers all the Norwegian companies in the group which are required to have a control committee.

For further information on senior employees, the Board of Directors, the Control Committee and the Board's statement on fixing the salary and other remuneration of senioremployees, see note 24 in the Storebrand Group.

Idar Kreutzer is the Chief Executive Officer of Storebrand ASA and the figures provided in the notes are for total remuneration from the group. He is entitled to 24 months' salary following the expiry of the normal notice period. All forms of work-related income from other sources including consultancy assignments will be deducted from such payments.

NOTE 6 | Tax

The following is a specification of the difference between accounting proft and taxable income for the year:

NOK million	2011	2010
Pre-tax profit	196	502
Dividend		-8
Shares realised		22
Permanent differences	-292	-502
Change in temporary differences	-9	-34
Tax base for the year	**-105**	**-20**
- Use of losses carried forward		
Payable tax	**-105**	**-20**

Tax cost

NOK million	2011	2010
Payable tax		
Change in deferred tax	504	
Tax cost	**504**	

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

Tax increasing temporary differences		
Pensions	46	30
Securities	1	
Other	2	3
Total tax increasing temporary differences	**49**	**32**
Tax reducing temporary differences		
Securities		-3
Operating assets	-3	-19
Provisions	-1	-1
Accrued pension liabilities	-195	-183
Gains/losses account	-14	
Total tax reducing temporary differences	**-213**	**-206**
Net tax increasing/(reducing) temporary differences	**-164**	**-174**
Losses carried forward	-1,545	-1,440
Allowances carried forward	-546	-546
Write-down of deferred tax assets[1]		2,160
Net tax increasing/(reducing) temporary differences	**-2,256**	
Net deferred tax asset/liability in the statement of financial position	**632**	
-of which changes in deferred tax assets recognised in the balance sheet	128	

1. Deferred tax relating to net temporary differences and carryforward tax losses are recognised. This is because it is considered likely that future taxable income will be available in order to exploit the tax benefit. Carryforward unexploited benefits arose in 2002 and 2003 and must be exploited within 10 years.

Reconciliation of tax cost and ordinary profit

Pre-tax profit	196	502
Expected tax at nominal rate (28%)	-55	-140
Tax effect of:		
dividends received		2
gains on equities		-6
permanent differences	82	141
regonition of deferred tax benefit in balance sheet	477	4
Tax cost	**504**	
Effective tax rate	-258	

NOTE 7 | Parent company's shares in subsidiaries and associated companies

NOK million				
	Business office	**Interest/votes in%**	**Carrying amount**	
Subsidiaries			**2011**	**2010**
Storebrand Livsforsikring AS	Oslo	100%	13,153	13,153
Storebrand Bank ASA	Oslo	100%	2,630	2,630
Storebrand Kapitalforvaltning AS[1]	Oslo	100%	249	218
Storebrand Fondene AS[2]	Oslo	100%	176	161
Storebrand Skadeforsikring AS	Oslo	100%	359	359
Storebrand Leieforvaltning AS	Oslo	100%	10	10
Jointly controlled/associated companies				
Storebrand Helseforsikring AS	Oslo	50%	78	78
AS Værdalsbruket[3]	Værdal	25%	4	1
Total			**16,658**	**16,609**

1. Made a group contribution in 2011 of NOK 26 million as a capital injection.
2. Made a group contribution in 2011 of NOK 15 million as a capital injection.
3. 74.9 per cent owned by Storebrand Livsforsikring AS.

NOTE 8 | Equities and units

NOK million	**2011**		**2010**	
	Acquisition cost	**Fair value**	**Acquisition cost**	**Fair value**
Unlisted equities	1		1	
Total equities	**1**		**1**	

NOTE 9 | Bonds and other fixed-income securities

NOK million	2011		2010
	Acquisition cost	Fair value	Fair value
State and state guaranteed	229	234	400
Company bonds	543	547	652
Covered bonds	485	487	226
Supranational organisations			36
Total bonds and other fixed-income securities	**1,258**	**1,268**	**1,313**
Modified duration		0.36	0.36
Average effective yield		3.32%	2.80%

NOTE 10 | Financial derivatives

NOK million	Gross nominal volume	Average nominal volume	Net nominal volume	Fair value	
				Assets	Liabilities
Interest rate swaps [1)]	1,300	1,300	1,300	53	
Currency derivatives	972	457	-972		23
Total derivatives 2011	**2,272**	**1,757**	**328**	**53**	**23**
Total derivatives 2010	1,300	1,300	1,300	37	

1. Used for hedge accounting, see also note 15.

NOTE 11 | Financial risks

Credit risk by rating

NOK million	AAA	AA	A	BBB	Totalt
Short-term holdings of interest-bearing securities	Fair value	Fair value	Fair value	Fair value	Fair value
Category of issuer or guarantor					
State and state guaranteed		234			234
Company bonds		20	489	38	547
Covered bonds	432	55			487
Supranational organisations					
Total 2011	**432**	**310**	**489**	**38**	**1,268**
Total 2010	499	221	543	50	1,313

NOK million	AA	A	Total
Counterparties	Fair value	Fair value	Fair value
Derivatives	14	39	53
Bank deposits	126		126

Interest risk

Interest rate sensitivity is a measure of interest rate risk based on how changes in interest rates will affect the market value of bonds and other securities.

An increase/reduction of 1.5 percentage points in the interest rate will change the value of bonds and other securities by NOK 3 million.

Liquidity risk

Undiscounted cash flows for financial liabilities *NOK million*	**0–6 months**	**6–12 months**	**1–3 years**	**3–5 years**	**Total value**	**Book value**
Securities issued/bank loans	340	115	2,466	1,068	3,989	3,544
Total financial liabilities 2011	340	115	2,466	1,068	3,989	3,544
Derivatives linked to funding 2011	26	-36	-33		-43	-53
Total 2010	**66**	**798**	**1,168**	**1,140**	**3,172**	**2,898**

Storebrand ASA had as per 31 December 2011 liquid assets of NOK 1.4 billion.

Currency risk

Financial assets and liabilities in foreign currencies	**Balance sheet items excl. currency derivatives**	**Currency forwards**	**Net position**	
NOK million	Net on balance sheet	Net sales	in currency	in NOK
SEK	1,112	-1,136	-24	-21

NOTE 12 | Tangible fixed assets

NOK million	**Real estate**	**Equipment, vehicles, fixtures & fittings**	**2011**	**2010**
Book value 01.01	35	37	72	66
Accumulated depreciation	-24	-3	-27	-25
Book value 01.01	10	35	45	41
Additions				7
Disposals	-10	-1	-11	-1
Depreciation/write-downs for the year		-1	-2	-2
Book value 31.12		**32**	**32**	**45**

Straight line depreciation periods for tangible fixed assets are as follows:

Equipment. fixtures and fittings	4–8 years
Vehicles	6 years
IT systems	3 years

NOTE 13 | Equity

NOK million	Share capital[1]	Own shares	Share premium	Other equity	Equity 2011	Equity 2010
Equity 01.01	2,250	-19	9,485	3,919	15,634	16,026
Profit for the year				700	700	502
Pension experience adjustments				86	86	-414
Own shares bought back[2]		2		19	21	15
Allocated dividend						-491
Employee share[2]				-6	-6	-5
Equity 31.12	**2,250**	**-18**	**9,485**	**4,718**	**16,434**	**15,634**

1. 449 909 891 shares with a nominal value of NOK 5.
2. Det er i 2011, 334 278 shares were sold to our own employees. Holding of own shares 31 December 2011 was 3 504 654.

NOTE 14 | Bond and bank loans

NOK million	Interest rate	Currency	Net nominal value	2011	2010
Bond loan 2005/2011	Variable	NOK	750		752
Bond loan 2009/2012	Variable	NOK	282	282	406
Bond loan 2009/2014[1]	Fixed	NOK	550	582	570
Bond loan 2009/2014[1]	Fixed	NOK	550	570	560
Bond loan 2010/2013[1]	Fixed	NOK	200	211	210
Bond loan 2010/2013	Variable	NOK	400	400	400
Bond loan 2011/2016	Variable	NOK	1,000	997	
Total bond loans				**3,042**	**2,898**
Bank loan 2011/2013	Fixed	NOK	507	502	
Total bond and bank loans[2]				**3,544**	**2,898**

1. Loans with fixed rates are hedged by interest swaps, which are booked at fair value through profit and loss. Changes in values of loans that can be related to the hedged risk are included in the carrying amount and included in the result.
2. Loans are booked at amortised cost and include earned not due interest.

Signed loan agreements have standard covenant requirements. The terms and conditions have been redeemed persuant to signed loan agreements. Storebrand ASA has an unused drawing facility of EUR 145 million.

NOTE 15 | Hedge accounting

The company uses fair value hedging to hedge interest rate risk. The effectiveness of hedging is monitored at the individual security level.

Hedging instrument/hedged item – fair value hedging

	2011				2010			
	Contract/	Book value[1]		Booked	Contract/	Book value[1]		Booked
NOK million	nominal value	Assets	Liabilities		nominal value	Assets	Liabilities	
Interest rate swaps	1,300	53		18	1,300	37		27
Securities issued	1,300		1,363	-19	1,300		1,340	-28

1. Book value 31.12.

NOTE 16 | Shareholders

The 20 largest shareholders[1]

	Ownership interest in%
Gjensidige Forsikring	24.3%
J.P.Morgan Chase Bank	5.4%
Folketrygdfondet	3.9%
Clearstream Banking S.A.	2.5%
Fidelity Funds-Europe	2.5%
State Street Bank and Trust Co.	2.3%
Varma Mutual Pension Company	1.8%
Kas Deposotary Trust Company	1.4%
Deutsche Wertpapierservice Bank AG	1.4%
Skandinaviska Enskilda Banken	1.3%
Citibank N.A. London	1.1%
State Street Bank and Trust Co.	1.1%
J.P.Morgan Chase Bank	1.1%
Citibank N.A. London	1.1%
BNP Paribas Secs Services Paris	0.8%
Storebrand ASA	0.8%
CIP AS Tr.Ignis	0.8%
HSBC Bank Plc	0.8%
State Street Bank and Trust Co.	0.8%
Bank Of New York Mellon	0.8%
Foreign ownership of total shares	**55.1%**

1. The summary includes Nominee (client account).

NOTE 17 | Information about close assosiates

	Number of shares[1]
Senior employees	
Idar Kreutzer	121,294
Odd Arild Grefstad	42,446
Lars Aa. Løddesøl	36,748
Hans Aasnæs	60,077
Truls Neergård	13,335
Gunnar Rogstad	107,059
Sarah McPhee	40,400

	Number of shares[1]
Board of Directors	
Halvor Stenstadvold	8,645
Annika Lundius	
Knut Dyre Haug	11,963
Ann-Mari Gjøstein	258
Birger Magnus	20,000
Jon Arnt Jacobsen	3,100
John S-Duemoen	
Kirsti Valborgland	2,072
Heidi Skaaret	
Birgitte Nielsen	
Brigitta Monica Caneman	

Board of Representatives	Number of shares[1]
Aril Thoresen	
Maalfrid Brath	8,063
Terje R. Venold	
Karen Helene Ulltveit-Moe	
Olaug Svarva	
Trond Thire	2,499
Roar Engeland	
Vibeke Hammer Madsen	
Tor Haugom	168
Unn Kristin Johnsen	434
Rune Pedersen	6,340
Tommy Christiansen	684
Marianne Lie	
Johan Henrik Andresen	
May Helene Moldenhauger	275
Merete E. Valderhaug	
Pål Syversen	
Lars Trondsgaard	
Tond Berger	837
Helge L. Baastad	
Anne Lise Aukner	
Tore Eugen Kvalheim	
Morten Fon	
Terje Andersen	
Annika Fallenius	
Jostein Furnes	
Per-Erik Hauge	2,018

Control Committee	Number of shares[1]
Elisabeth Wille	163
Ole Klette	
Harald Moen	595
Ida Hjort Kraby	
Tone M. Reierselmoen	1,734
Finn Myhre	

1. The summary shows the number of shares owned by the individual, as well as his or her immediate family and companies where the individual exercises significant influence, confer the Accounting Act, Section 7-26.

Transactions between group companies

NOK million	2011	2010
Profit and loss account items:		
Group contributions and dividends from subsidiaries	474	1 158
Purchase and sale of services (net)	-93	-76
Interest	11	
Statement of financial position items:		
Subordinated loans to group companies[1]	986	17
Due from group companies	474	1 158
Payable to group companies	46	54

1. Loan to Storeband Holding AB in the amount of SEK 1,100 million, recorded in the accounts as NOK 968 million. Loan to Storebrand Bank AS NOK 17 million.

NOTE 18 | Number of employees/person-years

	2011	2010
Number of employees	12	11
Number of full time equivalent positions	12	11
Average number of employees	11	11

Storebrand ASA and the Storebrand Group

Declaration by the members of the Board and the CEO

On this date, the Board of Directors and the Chief Executive Officer have considered and approved the annual report and annual financial statements for Storebrand ASA and the Storebrand Group for the 2011 financial year and as per 31 December 2011 (2011 Annual Report).

The consolidated financial statements are prepared in accordance with the EU-approved International Financial Reporting Standards (IFRS) and interpretations, as well as the other disclosure obligations stipulated in the Norwegian Accounting Act and which must be applied as per 31 December 2010. The annual financial statements for the parent company were prepared in accordance with the Norwegian Accounting Act, Norwegian Annual Accounts Regulations as they apply to Insurance Companies and the additional requirements in the Norwegian Securities Trading Act. The annual report for the Group and parent company complies with the requirements of the Norwegian Accounting Act and Norwegian Accounting Standard no. 16 as per 31 December 2011.

In the best judgment of the Board and the CEO, the annual financial statements for 2011 have been prepared in accordance with applicable accounting standards, and the information in the financial statements provides a fair and true picture of the parent company's and Group's assets, liabilities, financial standing and results as a whole as per 31 December 2011. In the best judgment of the Board and the CEO, the annual report provides a fair and true overview of important events during the accounting period and their effects on the annual financial statements for Storebrand ASA and the Storebrand Group. In the best judgment of the Board of Directors and the CEO, the descriptions of the most important risk and uncertainty factors the Group will face in the next accounting period, as well as the descriptions of related parties' significant transactions, also provide a fair and true overview.

Lysaker, 13 February 2012
The Board of Directors of Storebrand ASA
Translation – Not to be signed

Birger Magnus
Chairman of the Board

Birgitte Nielsen | Jon Arnt Jacobsen | Halvor Stenstadvold | Heidi Skaaret

Jon S. Dueholm | Monica Caneman | Knut Dyre Haug

Kirsti Valborgland | Ann-Mari Gjøstein | Idar Kreutzer, Chief Executive Officer

Independent auditor's report

For 2011

Deloitte.

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Translation from the original Norwegian version

To the Annual Shareholders' Meeting of Storebrand ASA

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Storebrand ASA, which comprise the financial statements for the parent company and the financial statements for the group. The financial statements of the parent company comprise the balance sheets as at December 31, 2011, the income statement and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information. The financial statements of the group comprise the statement of financial position as at December 31, 2011, the statement of comprehensive income, the statement of changes in equity, cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

Auditor's Responsibility

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

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

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

Deloitte.

Opinion on the financial statements for the parent company
In our opinion, the financial statements of the parent company are prepared in accordance with the law and regulations and give a true and fair view of the financial position of Storebrand ASA as at December 31, 2011, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian accounting act and accounting standards and practices generally accepted in Norway.

Opinion on the financial statements for the group
In our opinion, the financial statements of the group are prepared in accordance with the law and regulations and give a true and fair view of the financial position of the group Storebrand ASA as at December 31, 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report and the allocation of the profit
Based on our audit of the financial statements as described above, it is our opinion that the information concerning the financial statements presented in the Board of Directors report and in the statement of corporate governance principles and practices, the going concern assumption and 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, 16 February 2012
Deloitte AS

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

Storebrand ASA

Statement of the Control Committee and The Board of Representatives for 2011

STOREBRAND ASA – STATEMENT OF THE CONTROL COMMITTEE FOR 2011

At its meeting on 28 February 2012, the Control Committee of Storebrand ASA examined the annual accounts as proposed by the Board (consisting of the parent and consolidated financial statements) and the 2011 annual report for Storebrand ASA

With reference to the auditor's report of 16 February 2012, the Control Committee finds that the proposed annual report and accounts can be adopted as Storebrand ASA's annual report and accounts for 2011.

Lysaker, 28 February 2012
Translation – not to be signed.

Elisabeth Wille
Chair of the Control Committee

STOREBRAND ASA – THE BOARD OF REPRESENTATIVES' STATEMENT FOR 2011

The annual financial statements as proposed by the Board, the Board's report, the auditor's report and the Control Committee's statement have been submitted to the Board of Representatives, in the manner prescribed by the law.

The Board of Representatives recommends that Annual General Meeting approve the Board's annual report and accounts of Storebrand ASA and the Storebrand Group.

The Board of Representatives has no further comments to the Board's proposal regarding the allocation of the profit for the year of Storebrand ASA.

Lysaker, 8 March 2012
Translation – not to be signed.

Terje Venold
Chairman of the Board of Representatives

Auditor's report on corporate sustainability

Deloitte.

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To the management of Storebrand ASA

AUDITOR'S REPORT

We have reviewed the reporting on 2011 Corporate Sustainability Indicators presented in the "Storebrand's corporate sustainability work", pages 174 – 175 in the Annual Report 2011 Storebrand ASA. The selection of indicators and the information presented are the responsibility of and have been approved by the management of the Company. Our responsibility is to draw a conclusion based on our review

We have based our work on the international standard ISAE 3000 "Assurance Engagements other than Audits and Reviews of Historical Financial Information", issued by the International Auditing and Assurance Standards Board. The objective and scope of the engagement were agreed with the management of the Company and included those subject matters on which we have concluded below.

Based on an assessment of materiality and risks, our work included analytical procedures and interviews with management and employees responsible for the subject matters, as well as a review on a sample basis of supporting evidence.

We believe that our work provides an appropriate basis for us to conclude with a limited level of assurance on the subject matters. In such an engagement, less assurance is obtained than would be the case had an audit-level engagement been performed.

Conclusion
In conclusion, in all material respects, nothing has come to our attention that causes us not to believe that:

- Storebrand ASA has applied procedures, as summarised on page 175, for the purpose of collecting, compiling and validating data for 2011 for the selected indicators, to be included in the presentation on pages 174 – 175 in the Annual Report 2011 Storebrand ASA.
- The information accumulated as a result of the procedures noted above for the selected indicators is consistent with the source documentation presented to us and appropriately reflected on the pages referred to above.
- Storebrand ASA applies a reporting practice for its reporting on sustainability that is aligned with the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines reporting principles and the reporting fulfils Application Level B+ according to the GRI guidelines. The GRI Index referred to on page 175 appropriately reflects where relevant information on each of the elements and performance indicators of the GRI guidelines is presented.

Oslo, 16 February, 2012
Deloitte AS

Translation – not to be signed

Preben J. Sørensen
State Authorized Public Accountant
(Corporate Responsibility)

Storebrand's corporate sustainability work

Scorecard

	Status 2010	Status 2011	Target 2011–2012
Economic Value Creation			
Shareholders			
Solvency margin of Storebrand Life Insurance	164%	161%	150%
Dow Jones Sustainability Index	74 points	78 points	≥ 75 points
Profitability of corporate responsibility	–	Discontinued	Discontinued
Social Responsibility			
Customers			
UN's principles for responsible investments (UN PRI)	In upper quartile in 1 out of 7 areas	In upper quartile in 2 out of 7 areas	In upper quartile in 3 out of 7 areas
Proportion of investments (on balance) that have a clear sustainable profile	–	Definition of the indicator is primarily developed	Develop indicator + baseline assessment
Investments in microfinance and alternative asset classes	Explored new opportunities	2 new investments Committed NOK 279.8 million Invested NOK 190.7 million	Explore new opportunities and increase investments if appropriate
Customer satisfaction – retail customers[1]	63	63	65
Customer satisfaction – corporate customers	Same level as others in industry	No. 3 in the industry for companies > 20 employees. No. 2 in the industry for companies < 20 employees.	Number 1 in the industry
Customer's awareness and support of Storebrand's corporate sustainability work	–	Definition of the indicator is developed in 2011 Baseline assessment conducted in 2012	Develop indicator + baseline assessment
Prevention and detection of fraud	–	Maintained	Ensure compliance with internal guidelines and participate in external professional forums
Processing time for complaints	55% within 3 weeks	61% within 3 weeks	70% within 3 weeks
Employees			
Ethics work in the Group[2]	–	80%	85%
Sick leave[3]	3.8%	3.8%	3.5%
Employees' health and wellbeing	–	Indicator developed with baseline; 66% believe the measured health indicators are met, 73% believe the measured job satisfaction factors are met	Develop indicator + baseline assessment
Proportion of female managers	38%	38%	Within 40–60%
Diversity	Analysed measures	Indicator developed with baseline; 77% believe that diversity is maintained in Storebrand	Develop indicator + baseline assessment
Productivity measurements LEAN[4]	–	Indicator developed and target established	Develop indicator + establish target
Employees' awareness and support of Storebrand's corporate responsibility work	79%	82%	85%
Suppliers			
Environmental requirements for suppliers	Implemented guidelines	System for measuring under development Percentage reported from 2012	50% of new agreements contain environmental requirements

Environmental considerations

Society

CO_2 emissions (metric tons)[5]	1.394	Reduced by 6% to 1.308	Reduce by 14% to 1.200
Air travel (individual flights)[6]	8.408 individual flights	9.053 individual flights	Stable level
Energy consumption (externally managed properties)	–	Work on the assessment has been initiated. Completion in 2012	Assess
Energy consumption (managed properties)[7]	253 kWh/m^2	Reduced by 6% to 238 kWh/m^2	Reduce by 3% to 245 kWh/m^2
Energy consumption (head office)[8]	210 kWh/m^2	194 kWh/m^2	160 kWh/m^2
Environmental certification of managed properties[9]	–	60% certified	50% certified

1. Revised target for 2012 is 65. Originally announced target for the period 2011-2012 was 67.
2. Measures employee awareness, proportion of employees who complete e-learning course (every third year), proportion who participate in dilemma training and proportion of manager who have reported on compliance with the code of ethics.
3. One-year target for 2011 of 3.5% continued in 2012.
4. Productivity report is prepared from Q12011 and processed quarterly in corporate management.
5. Baseline 2010 for measurement of CO_2 emissions has been changed from 1,836 to 1,394 metric tons due to the termination of the company car scheme. Status 2010 was originally reduced by 35% compared to baseline 2008.
6. The number of individual flights for 2010 is adjusted compared to earlier report. The figures now include Sweden.
7. Energy consumption (managed properties) for 2010 is adjusted compared to earlier report.
8. Energy consumption (head office) for 2010 is adjusted compared to earlier report.
9. Certification according to the Norwegian environmental standard "Miljøfyrtårn", 13 of 22 managed properties are certified in 2011. In addition 12 of 15 externally managed shopping centres are certified.

OUR WORK ON SUSTAINABILITY

Storebrand has signed the UN Principles for responsible business: Global Compact, which is the foundation of all our work with sustainability. The principles cover the following areas: human rights, labour, environment and anti-corruption. Furthermore, we support the UNs principles for sustainable investments, UNPRI. We have been working actively with the development of the World Business Council for Sustainable Developments Vision 2050 and are working towards a world in 2050 where "9 billion people are living well and within our planet's resources".

CORPORATE SUSTAINABILITY REPORTING

Since 1995, Storebrand Group has published environmental and sustainability reports. Since 2008, sustainability reporting has been incorporated into the Group's annual reports. We use Global Reporting Initiative's guidelines as a tool for corporate sustainability reporting. In our opinion, our reporting practice confirms, in general, with GRI's reporting principles and qualifies for level B in accordance with these guidelines. Our website (www.storebrand.no) provides references to where information on the indicators is to be found, and whether these are answered completely or partly.

Storebrand seeks to ensure transparency in its work on corporate responsibility, and demands accountability and quality in this work. The results relating to sustainability have therefore been reviewed and attested to by Deloitte AS. Such reviews increase the credibility of the reporting and the data presented. Additionally, they also increase internal confidence that the information has been gathered, collated and quality assured in a proper manner.

SCORECARD CORPORATE SUSTAINABILITY

The Group's Scorecard for sustainability (formerly the Corporate Responsibility Action Plan) is a dynamic compilation of the Group's defined sustainability targets that Storebrand Group considers most important to report to the stock market. Together, they form the basis for our reporting to relative sustainability indexes such as Dow Jones Sustainability Index and FTSE4Good.

The Scorecard for sustainability is owned and followed up by the Group's Strategy Department. This implies that the Strategy Department selects the corporate targets that are material to our work relating to sustainability. Only in exceptional cases, does the Strategy Department set its own goals for this sustainability work and delegate these throughout the organisation. The relevant Executive Vice President is responsible for all of these targets. The targets are set for a two-year period, but results are reported annually. Status reports on Scorecard for sustainability targets are made annually to corporate management and the Board of Directors.

Terms and expressions

GENERAL

Subordinated loan capital
Subordinated loan capital is loan capital which ranks after all other debt. Subordinated loan capital forms part of tier 2 capital in the calculation of capital adequacy.

Duration
The average remaining term of the cash flow on interest-bearing securities. Modified duration is calculated on the basis of duration and is an expression of sensitivity to changes in underlying interest rates.

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

Earnings per ordinary share
Earnings per share is calculated as the majority's proportion of the result after tax costs divided by the number of shares. The number of shares used in the calculation is taken as the average number of ordinary shares outstanding over the course of the year. In case of new issues of shares, the new shares are included from the date of subscription.

CAPITAL ADEQUACY

Primary capital
Primary capital is capital eligible to fulfil the capital requirements under the authorities' regulations. Primary capital may comprise of core (tier 1) capital and tier 2 capital.

Capital requirements
A capital requirement is calculated for credit risk, market risk and operational risk. Individual assets and off-balance sheet items are given a risk weighting based on the estimated risk they represent. The capital requirement is 8 per cent of the basis for calculating credit risk, market risk and operational risk.

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

Core (tier 1) capital
Core (tier 1) capital is part of primary capital and consists of the primary capital less the minimum requirement for reinsurance provisions in P&C insurance, goodwill, other intangible assets, net prepaid pensions, 50 per cent of any capital adequacy reserve, and cross-ownership deductions in other financial institutions. Issued hybrid tier 1 capital can account for 15 percent of the core (tier 1) capital, while any excess can be included in the supplementary capital. A proportion of the conditional bonus is included in core (tier 1) capital pursuant to the conditions set by The Norwegian FSA.

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

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

INSURANCE

Reinsurance (Reassurance)
The transfer of part of the risk to another insurance company.

IBNR reserves (incurred but not reported)
Reserves for the compensation of insured events that have incurred but not yet been reported to the company.

RBNS reserves (reported but not settled)
Reserves for the compensation of reported but not yet settled claims.

LIFE INSURANCE

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

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

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

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

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

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

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

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

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

Individual unit linked insurance
Endowment insurance or allocated annuity in which the customer bears the financial risk.

Contractual liabilities
Allocations to premium reserves for contractual liabilities shall, as a minimum, equal the difference between the capital value of the company's future liabilities and the capital value of future net premiums (prospective

calculation method). Additional benefits due to an added surplus are included.

Result

Administration result

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

Financial result

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

Risk result

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

Profit sharing and result allocated to owner

See note 2 page 89-91.

Other terms

Insurance reserves – life insurance

For a more detailed description of the technical insurance reserves and accrual accounting for premiums and compensation see note 1 – accounting policies, section 11, page 84-86.

Solidity capital

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

Solvency margin requirements

An expression of the risk associated with the insurance-related liabilities. Calculated on the basis of the insurance fund and the risk policies total for each insurance sector.

Solvency margin capital

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

Buffer capital

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

P&C INSURANCE

F.o.a.

Abbreviation for the term "for own account", i.e. before additions/deductions for reinsurance.

Insurance reserves - P&C insurance

For a more detailed description of the technical insurance reserves and accrual accounting for premiums and compensation see note 1 - accounting policies, section 11, page 84-86.

Insurance (technical) profit/loss

Premium income less claims and operating costs.

Risk result

Premium income exclusive claims.

Cost ratio

Operating expenses as a percentage of premiums earned.

Claims ratio

Claims incurred as a percentage of premiums earned.

Combined ratio

The sum of the cost ratio and the claims ratio.

BANKING

Level repayment loan

Periodic payments (representing both capital and interest) on a level repayment loan remain constant throughout the life of the loan.

Annual percentage rate (APR)

The true interest rate calculated when all borrowing costs are expressed as an annual payment of interest in arrears. In calculating the APR, allowance must be made for whether interest is paid in advance or arrears, the number of interest periods per annum, and all fees and commissions.

Real rate of interest

The return produced after allowing for actual or expected inflation. Preferably expressed as a nominal rate less the rate of inflation.

Net interest income

Total interest income less total interest expense. Often expressed as a percentage of average total assets (net interest margin).

Instalment loan

An instalment loan is a loan on which the borrower makes regular partial repayments of principal in equal amounts throughout the repayment period. The borrower pays the sum of a fixed instalment amount and a reducing interest amount at each instalment date. Payments accordingly reduce over the life of the loan assuming a fixed interest rate.

FINANCIAL DERIVATIVES

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

Share options

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

Stock futures (stock index futures)

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

Basis swaps

A basis swap is an agreement to exchange principle and interest rate terms in different currencies. At the maturity of the contract, the principal and interest rate terms are exchanged back to the original currency. Basis swaps are used for currency hedging of loans.

Forward Rate Agreements (FRA)

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

Credit derivatives

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

Interest rate futures

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

Interest rate swaps/asset swaps

Interest rate swaps/asset swaps are agreements between two-parties to exchange interest rate terms for a specified period. This is normally an agreement to exchange floating rate payments for fixed rate payments, and this instrument is used in the management of long term interest rate risk.

Interest rate options

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

Forward foreign exchange contracts/ foreign exchange swaps

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

Foreign exchange options

A foreign exchange option confers a right (but not an obligation) to buy or sell a currency at a predetermined exchange rate. Foreign exchange options are used for hedging subordinated loans.

Storebrand Group Companies

	ORG. NUMBER	INTEREST
Storebrand ASA	**916 300 484**	
Storebrand Livsforsikring AS	**958 995 369**	**100.0%**
Storebrand Holding AB		100.0%
SPP Fonder AB		100.0%
SPP Livförsäkring AB		100.0%
SPP Liv Pensionstjänst AB		100.0%
SPP Fastigheter AB		100.0%
SPP Liv Fondförsäkring AB		100.0%
SPP Varumärkes AB		100.0%
SPP Kundcenter AB		100.0%
Storebrand Eiendom AS	972 415 731	100.0%
Storebrand Fastigheter AB		100.0%
Storebrand Pensjonstjenester AS	931 936 492	100.0%
Aktuar Systemer AS	968 345 540	100.0%
Storebrand Eiendom Holding AS	989 976 265	100.0%
Storebrand Kontor Oslo Sentrum AS	990 653 267	100.0%
Storebrand Kjøpesenter Holding AS	876 734 702	100.0%
Storebrand Eiendom Norge AS	990 653 402	100.0%
Storebrand Hjemmel AS	990 653 194	100.0%
Storebrand Eiendom Invest AS	995 250 543	100.0%
Storebrand Eiendomsfond Invest AS	995 871 424	100.0%
Storebrand Finansiell Rådgivning AS	989 150 200	100.0%
AS Værdalsbruket [1]	920 082 165	74.9%
Norsk Pensjon AS	890 050 212	25.0%
SIA Foran Real Estate [2]		95.8%
Storebrand Baltic UAB		50.0%
Evoco UAB		50.0%
Storebrand Realinvesteringer AS	995 237 954	100.0%
Storebrand Livsforsikring Direct Investment Ltd. 2006-2008	994 193 066	100.0%
Storebrand Livsforsikring Vintage 1999 Ltd.	990 587 086	100.0%
Storebrand Livsforsikring Vintage 2001 Ltd.	995 574 683	100.0%
Storebrand Eiendom Indirekte AS	992 183 489	100.0%
Benco Insurance Holding BV		89.96%
Storebrand Bank ASA	**953 299 216**	**100.0%**
Storebrand Boligkreditt AS	990 645 515	100.0%
Storebrand Eiendomskreditt AS	991 853 634	100.0%
Filipstad Tomteselskap AS	984 133 561	100.0%
Ring Eiendomsmegling AS	987 227 575	100.0%
Storebrand Baltic UAB		50.0%
Hadrian Eiendom AS	976 145 364	100.0%
Hadrian Utvikling AS	975 794 784	96.1%
Bjørndalen Panorama AS	991 742 565	100.0%
Filipstad Invest AS	995 215 918	100.0%
Storebrand Fondene AS	**930 208 868**	**100.0%**
Storebrand Luxembourg S.A.		99.8%
Storebrand Kapitalforvaltning AS	**984 331 339**	**100.0%**
Storebrand Alternative Investments AB		100.0%
Storebrand Forsikring AS	**930 553 506**	**100.0%**
Storebrand Helseforsikring AS	**980 126 196**	**50.0%**
Storebrand Leieforvaltning AS	**911 236 184**	**100.0%**

1) Storebrand ASA owns 25.1 per cent and the total stake in Storebrand is 100 per cent of AS Værdalsbruket.
2) SPP Livförsäkring AB owns 29.4 per cent and Storebrand Livsforsikring AS owns 66.4 per cent of SIA Front Real Estate.

HEADQUARTERS:

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