Storebrand ASA

Capital adequacy regulations (Basel II), Pillar 3

3rd Quarter 2008

storebrand

Contents

1 Introduction

This document is intended to provide information on Storebrand's risk exposure, risk management and capital adequacy in accordance with Pillar 3 of the new capital adequacy regulations (Basel II).

The report will be updated during the course of 2008 in accordance with the regulations in force at the time.

Pursuant to the "regulations relating to the application of the financial strenght rules at a consolidated level etc." Storebrand has determined that the group is an intersectoral group.

2 Capital adequacy regulations / Basel II

The capital adequacy regulations / Basel II are divided into three pillars (areas). Pillar 1 defines the regulatory minimum capital requirements, and therefore represents a further development of the former Basel I regulations. Pillar 2 addresses institutions' internal processes for overall capital adequacy and supervisory review and evaluation (ICAAP), while Pillar 3 addresses the requirements for the disclosure of financial information. The introduction of the new regulations has caused changes to the calculation method for capital adequacy. Basel II also introduces the calculation of operational risk as a new feature. The transition to the Basel II framework has had only a limited effect on Storebrand's treatment of market risk.

3 Description of the consolidation rules

The consolidated accounts of Storebrand ASA include the parent company Storebrand ASA together with its subsidiaries, companies controlled jointly with others (joint ventures) and associated companies. The companies in the group affected by the capital adequacy regulations operate in the areas of banking, life insurance, P&C insurance and asset management.

The consolidated accounts are prepared in accordance with IFRS. Transactions carried out within the group between different units of the group are eliminated in the consolidated accounts.

The dominant business of the Storebrand group is insurance, and the various business areas of the group are subject to differing rules on capital adequacy. Basel II is primarily intended for banks, credit institutions, fund management companies and investment firms, while insurance companies continue to follow the Basel I framework. Insurance companies will in due course be subject to new capital adequacy rules as part of the Solvency II process, and these rules are expected to be addressed by Pillar 2 of Solvency II. Since insurance companies are not subject to Basel II, which applies capital adequacy rules that differ to Basel I, the consolidated capital adequacy of the Storebrand group will be the result of differing principles for capital adequacy.

The following subsidiaries are subject to Basel II as at 30 September 2008:

- The Storebrand Bank group, a subgroup within the Storebrand group
- Storebrand Kapitalforvaltning AS
- Storebrand Finansiell Rådgivning AS

In Q3 2008, Storebrand Fondene AS returned its asset management licence and is thus no longer subject to the capital adequacy regulations (Basel II).

The calculation of capital adequacy is subject to the specific rules on consolidation laid out in the Norwegian Consolidation Regulation.

For the purposes of capital adequacy calculation, all subsidiary companies are consolidated in full, while joint ventures and associated companies are consolidated on a proportional basis. The consolidated accounts apply the equity method when consolidating associated companies. In the case of these companies, the figures used for primary capital and the nominal amounts used for risk-weighted volume will differ from the figures Storebrand's consolidated accounts. A list of associated companies can be found in Note 13 to the Storebrand ASA annual report and accounts for 2007.

The valuation rules applied in the unconsolidated company accounts provide the basis for consolidated capital adequacy. The unconsolidated company accounts are prepared in accordance with generally accepted accounting principles in Norway (N GAAP), with the exception of the unconsolidated accounts of Storebrand Bank ASA which are prepared in accordance with simplified IFRS. In these accounts, most of the changes arising from the transition to IFRS that affected equity were applied as deductions to core capital.

Storebrand is classified as a cross-sectoral financial group. This means that capital adequacy for the P&C insurance and life insurance business must be calculated in accordance with both the capital adequacy rules and the solvency margin regulations. The group includes the following insurance companies: Storebrand Livsforsikring AS and its subsidiaries SPP Livsförsäkring AB, Euroben Ltd and Nordben Life and Pension Ltd, as well as Storebrand Skadeforsikring AS, Oslo Reinsurance ASA and Storebrand Helseforsikring AS. The Norwegian insurance companies in the group are subject to regulations on capital adequacy, but these do not apply to the foreign insurance companies. Asset management activities are subject to separate rules on capital adequacy, and the requirements vary depending on the type of licence under which a particular company operates. This represents whichever is the highest of the requirement for initial capital, capital adequacy with and without operational risk or primary capital in relation to the previous year's fixed costs. This applies to Storebrand Kapitalforvaltning AS and Storebrand Finansiell Rådgivning AS. Following the return of its asset management licence, Storebrand Fondene AS is a funds management company subject to separate rules concerning financial strength. The capital in this type of company shall as a minimum equal the highest of initial capital and 25% of the previous year's overheads.

4 Capital management in the Storebrand group

Storebrand pays particular attention to actively managing its equity and borrowings in a planned manner. This management is tailored to the financial risk and capital requirements of the group's businesses, and 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 efficient capital structure and to maintain an appropriate balance between internal goals and the requirements of the regulatory authorities and the rating agencies.

The group has set long-term targets for the capital ratio of its banking activities to be 10% and for the life insurance solvency margin to be at least 150%. At the close of Q3 Storebrand Life Insurance Group had a solvency margin of 129%. In October, the board of directors of Storebrand ASA decided to inject NOK 1,000 million of new equity and this results in a pro forma solvency margin of 141% as of 30 September 2008. Storebrand Life Insurance (Storebrand Livsforsikring AS) also aims to be rated at the ‘A’ level. The holding company aims to have a net debt ratio of zero over the longer term.

In general, the group is able to manage its capital without suffering any material restrictions so long as it meets the capital adequacy requirements and the various legal entities that make up the group maintain prudent solidity. It is possible to transfer capital from foreign legal entities subject to the approval of the local supervisory authorities. As part of the official approval granted for the acquisition of the SPP group, it was stipulated that if the capital adequacy of the Storebrand ASA Group and of the Storebrand Livsforsikring AS subgroup fell below 6% at the close of 2007 or 2008, or if the solvency margin at these dates fell below 150%, the Financial Supervisory Authority of Norway would be entitled to impose restrictions on dividend payments by Storebrand ASA and Storebrand Livsforsikring AS.

5. Net primary capital / requirements primary capital

NET PRIMARY CAPITAL AS AT 30.09.2008

NOK MILLION	STOREBRAND GROUP	STOREBRAND ASA	STOREBRAND BANK	STOREBRAND KAPITAL-FORVALTNING	STOREBRAND FINANSIELL RÅDGIVNING
Share capital	2 250	2 250	917	4	11
Other equity	12 958	13 054	1 198	139	55
Equity 1)	**15 207**	**15 304**	**2 114**	**143**	**66**
Hybrid Tier 1 capital securities	1 254		274		
Conditional bonus	2 318				
Over funding pension liabilities	-204	-204			
Goodwill and other intangible assets	-7 035		-156	-12	-14
Deferred tax assets	-204		-173	-9	
Minority's share of equity	-153		-6		
Deductions for investmetns in other financial institutions	-9				
Risk equalisation fund	-128				
Security reserves	-166				
Minimum requirements reasurance allocation	-54				
Other	-142		-62	-15	
Core (Tier 1) capital	**10 682**	**15 099**	**1 991**	**107**	**52**
Hybrid Tier 1 capital securities	520				
Perpetual subordinated loan capital	4 066		9		
Dated subordinated loan capital	2 105		675		
Deductions for investmetns in other financial institutions	-9				
Supplementary capital	**6 683**	**0**	**684**	**0**	**0**
Net primary capital	**17 365**	**15 099**	**2 675**	**107**	**52**

1) Equity according to IFRS

Production: ReclameService AS - 11.2008

MINIMUM REQUIREMENTS PRIMARY CAPITAL AS AT 30.09.2008

NOK MILLION	STOREBRAND GROUP	STOREBRAND ASA	STOREBRAND BANK	STOREBRAND KAPITAL-FORVALTNING	STOREBRAND FINANSIELL RÅDGIVNING
Credit Risk					
Of which:					
Local and regional authorities	3		3		
Public corporates	2	1	1		
Institutions	62	1 278	47	3	2
Corporates	876	10	867		
Retail market	188		188		
Loans secured on real estate	668		668		
Loans past-due	37		37		
Covered bonds	8		8		
Units in mutal securities funds	2			2	
Other	123	14	105	3	
Companies using Basel I	9 245				
Total minimum requirements credit risk	**11 213**	**1 304**	**1 921**	**8**	**2**
Operational risk	124	32	77	61	
Deductions	-2		-5		
Minimum requirements primary capital	**11 336**	**1 335**	**1 993**	**69**	**2**

CAPITAL ADEQUACY AS AT 30.09.2008

	STOREBRAND GROUP	STOREBRAND ASA	STOREBRAND BANK	STOREBRAND KAPITAL-FORVALTNING	STOREBRAND FINANSIELL RÅDGIVNING
Capital adequacy ratio	**12.3 %**	**90.5 %**	**10.7 %**	**12.4 %**	**195.7 %**
Core (Tier 1) capital ratio	**7.5 %**	**90.5 %**	**8.0 %**	**12.4 %**	**195.7 %**

SPECIFICATION OF SUBORDINATED LOAN CAPITAL AND HYBRID TIER 1 CAPITAL AS AT 30.09.2008 FOR STOREBRAND ASA GROUP

NOK MILLION	NOMINAL VALUE	CURRENCY	INTEREST	MATURITY	BOOK VALUE 30.09.08
Issuer					
Hybrid Tier 1 capital securities					
Storebrand Bank	168.0	NOK	3 mnd NIBOR + 1.50 %	2014	166.9
Storebrand Bank	106.4	NOK	5.9%	2014	107.4
Storebrand Livsforsikring	1 500.0	NOK	3 month NIBOR + 4.0 %	2018	1 469.1
Perpetual subordinated loan capital					
Storebrand Livsforsikring	300.0	EUR	9.404%	call 2013	2 470.9
Storebrand Livsforsikring	1 700.0	NOK	3 month NIBOR + 3.50 %	call 2018	1 675.5
SPP [1)]	1 000.0	SEK	3 month STIBOR + 2.0 %	period of notice 5 years	847.9
SPP [1)]	600.0	SEK	3 month STIBOR + 2.0 %	period of notice 5 years	508.8
Dated subordinated loan capital					
Storebrand Bank	250.0	NOK	3 month NIBOR + 0.58 %	2012	249.6
Storebrand Bank	150.0	NOK	3 month NIBOR + 1.65 %	2012	150.0
Storebrand Bank	175.0	NOK	3 month NIBOR + 0.70 %	2010	175.0
Storebrand Bank	100.0	NOK	3 month NIBOR + 0.57 %	2011	99.9
Storebrand Livsforsikring	175.0	EUR	3 month EURIBOR + 0.9 %	2009	1 453.1
Total subordinated loan capital and hybrid Tier 1 capital					**9 374.1**

[1)] The loans will be taken over by Storebrand by 21 June 2009, and are not included in the group's primary capital.