2009 Market Consistent Embedded Value

Supplementary information – 3 March 2010

storebrand

Market Consistent Embedded Value

Supplementary information regarding Market Consistent Embedded Value 2009 of the life insurance business of Storebrand Group

MAIN FEATURES

- Embedded value of Storebrand Life Group was NOK 28,484 million at year-end 2009.
- The total embedded value earnings (after opening adjustments) for the financial year 2009 were NOK 6,882 million, representing a 29.7% return on the opening embedded value. The operating earnings were NOK 2,170 million, representing an operating return of 9.4%. The main driver of change in the embedded value at year-end 2009 has been a variance caused by financial market development of NOK 4,320 million.
- The value of new business written in 2009 was NOK 421 million (at point of sale).
- The embedded value calculations are compliant with EEV Principles using a market consistent approach and have been reviewed externally by Towers Watson.

I. INTRODUCTION

The purpose of this document is to provide further information on the disclosure of the embedded value 2009 for Storebrand Group. It includes business written in Storebrand Livsforsikring AS (SBL) and the Swedish life insurance business SPP Livsförsäkring AB (SPP). For simplicity, the value of Euroben Ltd has been fully consolidated into the results shown for SPP.

An embedded value is an actuarially determined estimate of the value of the company excluding any value attributable to future new business. The calculation of embedded values requires the use of a number of assumptions with respect to the business, operating, and economic conditions, and other factors, some of which are determined by economic conditions and financial markets. Although the operating and demographic assumptions used represent estimates which Storebrand considers reasonable, actual future operating conditions and actual future experience may vary from that assumed in the calculation of the embedded value, and such variations may be material. Consequently, the inclusion of embedded value information herein should not be regarded as a representation by Storebrand, Towers Watson, or any other person, that the stream of future after-tax profits used to determine the embedded value will be achieved.

II. RESULTS FOR STOREBRAND LIFE GROUP

All results in this document are presented in NOK.

The total embedded value as at 31 December 2009 for the life insurance business of Storebrand Life Group after capital movements is NOK 28,484 million. The value of in-force (VIF) at year-end 2009 is NOK 19,588 million while shareholder surplus is NOK 8,896 million. The value of in-force includes the present value of shareholder profits (PVFP) in a certainty equivalent scenario (including profits arising in the asset management company of Storebrand Group which are induced by its life insurance business), an allowance for the time value of options and guarantees (TVOG), frictional costs of holding required capital (FCRC) and an allowance for residual non-hedgeable risks (CNHR).

Embedded value for Storebrand Life Group

The following table shows the embedded value at year-end 2009 and the published embedded value at year-end 2008:

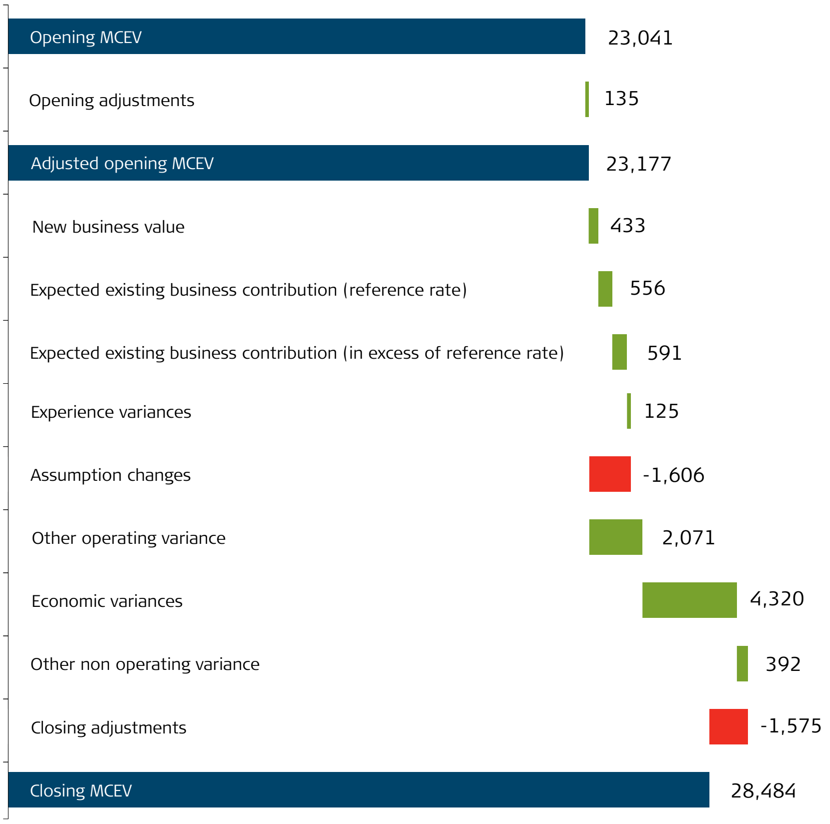
NOK mill.	MCEV 2008	MCEV 2009
Total shareholder surplus at market value	**8,431**	**8,896**
comprising		
- Free surplus	882	1,992
- Required capital	7,550	6,904
Value of in-force business	**14,610**	**19,588**
comprising		
- Present value of future profits (PVFP)	23,893	30,405
- Time value of financial options and gurantees (TVOG)	-5,183	-6,847
- Frictional costs of required capital (FCRC)	-236	-162
- Cost of residual non hedgeable risks (CNHR)	-3,864	-3,808
Total embedded value	**23,041**	**28,484**
Look through value included in the PVFP	*4,022*	*3,495*

An implied discount rate has been derived at year-end 2009 for Storebrand Life Group of 9.1% (8.9% for SBL and 9.8% for SPP). The approach for deriving this implied discount rate is described in Section V.

The current tax legislation in Norway leads to an effective tax rate of 0% for profits arising in SBL and the group's asset management company. As an effect of the holding company structure in Sweden, whereby part of the profits can be transferred to the group as a tax-free group contribution, it is currently expected that the effective tax rate for profits arising in SPP will be zero. Therefore, a tax rate of 0% has been applied for SPP.

2009 Embedded value earnings analysis

The following chart shows the embedded value earnings:



The following table shows the movements in the embedded value in 2009:

	Analysis of MCEV Earnings			
NOK mill.	**Free Surplus**	**Required Capital**	**Value of In-force**	**Total MCEV**
(1) Opening MCEV	**882**	**7,550**	**14,610**	**23,041**
(2) Opening adjustments	167	0	-32	135
(3) Adjusted opening MCEV	**1,049**	**7,550**	**14,578**	**23,177**
(4) New business value	-444	86	791	433
(5) Expected existing business contribution (reference rate)	185	0	370	556
(6) Expected existing business contribution (in excess of ref. rate)	584	-115	121	591
(7) Transfers from VIF and required capital to free surplus	911	9	-920	0
(8) Experience variances	-18	-58	202	125
(9) Assumption changes	0	0	-1,606	-1,606
(10) Other operating variance	-354	0	2,425	2,071
(11) Operating MCEV earnings	**864**	**-78**	**1,384**	**2,170**
(12) Economic variances	3,059	-2,365	3,626	4,320
(13) Other non operating variance	0	0	392	392
(14) Total MCEV earnings	**3,922**	**-2,442**	**5,402**	**6,882**
(15) Closing adjustments	-2,979	1,797	-392	-1,575
(16) Closing MCEV	**1,992**	**6,904**	**19,588**	**28,484**

Detailed description of embedded value earnings

1) Opening MCEV: Published embedded value at year-end 2008.

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

The adjustment of NOK 135 million is caused by the change in the ownership structure in Euroben and Nordben and the corresponding establishment of the new holding company Benco.

3) Adjusted opening MCEV: Embedded value at year-end 2008 after opening adjustments.

4) New business value: Value of new business in 2009 based on year-end 2009 assumptions. The value of new business written in 2009 is NOK 421 million (at point of sale). The value of new business of NOK 433 million shown in the MCEV earnings includes the unwinding to the year-end and is based on start-of-the-year exchange rates.

The consumption of capital by the new business is NOK -444 million (negative amount shown in "Free Surplus") comprising capital required for solvency purposes of NOK 86 million and NOK 358 million relating to the acquisition costs (including commissions, etc.) for the new business.

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

The total expected existing business contribution of NOK 556 million comprises the unwinding of the value of in-force of NOK 370 million and the risk free return on the shareholder surplus of NOK 185 million.

6) Expected existing business contribution (in excess of reference rate): The existing business contribution in excess of the reference rate reflects the additional return on the opening MCEV in line with management expectations for the business. In this step the real world returns described in Section VI are assumed for the first projection year (2009). Also, the excess return includes the release of the allowance for options and guarantees (TVOG) and cost of non hedgeable risks (CNHR) for the year 2009.

The total expected return over risk-free rate at the end of 2008 was NOK 591 million.

In total, the expected existing business contribution (points 5 and 6 above) amount to NOK 1,147 million, which represents an expected return of 4.9% on the adjusted opening MCEV.

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

The transfer from the value of in-force to the free surplus amounts to NOK 920 million. Additionally, the required capital is increased by NOK 9 million with a corresponding reduction in the free surplus.

8) Experience variances: These variances result from deviations of actual profits from expected profits due to operational and actuarial considerations. Experience variances can be sub-divided into effects on the 2009 profit (shown in the column "Free surplus") and those with effect on the future profits (shown in the column "Value of in-force").

The total experience variances amount to NOK 125 million comprising a positive contribution from SBL of NOK 546 million and a negative contribution from SPP of NOK -421 million.

The positive variance for SBL is mainly caused by lower transfers of funds and discontinuation of contracts than anticipated in the previous years' calculations. A minor impact of lower expenses and better than expected mortality and disability result is also included herein.

Experience variances include one-off expenses in SBL of NOK 48 million, mainly related to IT-investments as a result of new pension reform in Norway.

For SPP, the NOK -421 million experience variance comprises NOK -319 million caused by higher discontinuation rate of contracts, NOK -223 million variances in the deferred capital contribution, lower look-through profits, interest on sub-ordinated debt and cash injection in DB. Further there is a negative variance of NOK -262 million due to higher than expected expenses in 2009. Better than expected risk profits of NOK 384 million (mainly related to a one time profit caused by a release of disability reserves) partially offset the negative variances above.

For SPP, one-off expenses of NOK 182 million are included in the variances, mainly related to downsizing and IT costs as a result of separation from Handelsbanken and integration to Storebrand.

9) Assumption changes: : Changes in assumptions relate to changes in operational and actuarial assumptions from 2008 to 2009, and have an effect on value of in-force only.

The total effect of changes in assumptions for the group for 2009 amounts to NOK -1,606 million, split into NOK -66 million for SBL and NOK -1,540 for SPP.

For SBL, there are some partially offsetting effects. Higher surrender and paid-up rates along with revised mortality/ disability assumptions caused a decrease of NOK -701 million. Included here is the result from introducing a dynamic mortality. The effect is approximately NOK -600 million, resulting in a decrease in PVFP of around -100 million in the fee based portfolio and increase in the TVOG of around NOK 500 million in the 20/80 portfolio.

For SBL, a decrease in assumed future expenses increases the value of in-force by NOK 1,069 million. Higher expenses assumed for the asset management within the asset management company have caused a decrease of the look-through value included in the value of in-force of NOK -434 million.

For SPP, a reduction in the assumed replacement rate (the probability of an employee ending his employment being replaced by a new employee) from 65% to 40% and increased transition to paid-up policies led to a decrease in the value-of in-force of NOK -1,021 million, whereby each of the two above-mentioned points contribute almost equally. Moreover, an increase of the assumed level of future maintenance expenses and higher assumed asset management expenses lead to another decrease of NOK -520 million.

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

The total variance amount to NOK 2,071 million, split into NOK 1,247 million for SBL and NOK 824 million for SPP.

For SBL, a recognition of the actual margins in the defined benefit on fee based business led to a net increase of the value of in-force of NOK 933 million. Additionally, model improvements and corrections have led to another increase in the value of in-force of NOK 314 million.

For SPP, change in the terms and conditions for the defined benefit portfolio (with regard to the profit sharing mechanism) and modelling of the payout phase of unit linked contracts has led to an increase in the value of in-force of NOK 1,305 million. A change in the allocation of expenses to different product portfolios and correction of look-through modelling have led to a decrease of NOK -640 million. Finally, a change in the insurance risk pricing basis has led to an increase in the value of NOK 158 million.

11) Operating MCEV earnings: Sum of items 4) to 10). These earnings can be considered as earnings under management control in contrast to economic earnings. The total operating MCEV earning amount to NOK 2,170 million, split into NOK 2,986 million for SBL and NOK -759 million for SPP. Overall, this represents a return on the opening MCEV of 9.4%.

12) Economic variances: Like the operating variances, the economic variances are split into effects on the 2009 profit and all future profits. The variances in the shareholder surplus comprises the impact of the investment performance in 2009 on shareholder profits and movements in the required capital. The change in the value of in-force represents the effect on future profits from the change in the economic environment during 2009.

Total economic variances in 2009 amount to NOK 4,320 million.

For SBL, the higher than expected investment return an positve impact of currency hedging against movements in Swedish Krona led to a variance of NOK 1,241 million. The change in the yield curve, higher implied volatility and increased buffer capital have caused another increase of NOK 2,223 million.

For SPP, total economic variance amounts to NOK 855 million, whereof NOK 690 million is caused by higher than expected investment return in Unit Link business during 2009. The remaining NOK 165 million arises from a combination of actual returns in the traditional portfolios and from the change in the yield curve and implied volatilities.

13) Other non operating variance: Regulatory changes implemented in 2009 and other non operating changes are shown in this item (e.g. changes in tax laws or other business related laws).

The other non operating variances amount to NOK 392 million. This is due to an improved approach for calculating the cost of residual non-hedgeable risks, including the use of more appropriate risk drivers for the risk capital components and the approach to allow for the illiquidity of the Norwegian and Swedish swap market. See Section V Methodology.

14) Total MCEV earnings: Sum of items 11) to 13). The movements from 31 December 2008 to 31 December 2009 show MCEV total earnings of NOK 6,882 million. This represents a return of adjusted opening MCEV of 29.7%, split into economic variances and other non-operating variances of 20.3% and operating earnings of 9.4%.

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

Closing adjustments in aggregate amount to NOK -1,575 million comprising NOK -610 million dividend to Storebrand ASA, NOK -107 million profits from asset management and

NOK -858 million reflecting the change in the exchange rate between the Norwegian and Swedish currency, which has a corresponding positive economic variance due to currency hedging.

16) Closing MCEV: MCEV for the Storebrand Life Group at year-end 2009.

Value of new business (VNB)

The following table shows the consolidated value of new business written in 2009:

NOK mill.	VNB
Value of new business	
comprising	
- Present value of future profits (PVFP)	679
- Time value of financial options and gurantees (TVOG)	-141
- Frictional costs of required capital (FCRC)	-3
- Cost of residual non hedgeable risks (CNHR)	-114
Total value of new business	**421**
Look through value included in the PVFP	*97*

New business margins

The following table shows the new business margins for the new business written in 2009:

NOK mill.	
Value of new business	**421**
Regular premiums	1,112
Single Premiums	5,834
APE	1,695
APE margin (%)	25 %
PVNBP	15,295
PVNBP margin (%)	2.8%

The implied discount rate for the new business amounts to 7.7%, the internal rate of return 16.0%.

Sensitivities for Storebrand Life Group

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

Sensitivities 1 & 2:
A parallel shift of 100 basis points is applied to the starting yield curve. The market values of bonds are adjusted accordingly. It should be noted that a 100 basis points parallel shift for the entire yield curve has been reflected. (The extrapolation method described in Section VI has not been applied to the shifted curve.)

Sensitivities 3 & 4:
The initial market values of all equity and property holdings (including mutual funds in unit linked and defined contribution businesses) are reduced by 10% (in Sensitivity 4 only equity market values have been reduced). As this is an immediate drop in market values, there is no relief from the dynamic risk management principles. However, the effect of existing hedging assets has been reflected.

Sensitivity 5:
The implied volatilities at evaluation date for equity and property are increased by 25%.

Sensitivity 6:
The implied volatilities at evaluation date for swaptions are increased by 25%.

Sensitivity 7:
Future maintenance expenses are reduced by 10%.

Sensitivity 8:
Proportionate decrease of future lapse rates by 10%.

Sensitivity 9:
Mortality rates are reduced by 5% going forward for annuity business only.

Sensitivity 10:
Mortality rates are reduced by 5 % going forward for life business only.

Sensitivity 11:
Salary and expense inflation rates are increased by 50 basis points.

Sensitivity 12:
Required capital set equal to the minimum level of required solvency capital. It should be noted that for Norway the minimum is given by the banking requirement (Basel 1) which equals approximately 143% of the EU minimum solvency requirement. For Sweden 100% of the EU minimum solvency requirement has been allowed for in this sensitivity.

The following table shows the sensitivity results for the embedded value at year-end 2009:

NOK mill.	Total MCEV	Change	in %
Base	**28,484**		
1. 100 basis points increase in the interest rate	30,480	1,996	7%
2. 100 basis points decrease in the interest rate	22,927	-5,557	-20%
3. 10% decrease in equity/property capital	25,583	-2,901	-10%
4. 10% decrease in equity capital	27,280	-1,205	-4%
5. 25% increase in equity/property implied volatilities	26,362	-2,122	-7%
6. 25% increase in swaption implied volatilities	26,769	-1,715	-6%
7. 10% decrease in maintenance expenses	30,682	2,197	8%
8. 10% proportionate decrease in lapse rates	29,259	775	3%
9. Mortality rates -5% - annuity business	27,415	-1,069	-4%
10. Mortality rates -5% - life business	28,517	33	0%
11. Salary and expense inflation +50 basis points	28,756	272	1%
12. Required capital equal to minimum level of solvency capital	28,552	38	0%

The table below shows the sensitivity results of the value of new business written in 2009:

NOK mill.	Total VNB	Change	in %
Base	**421**		
1. 100 basis points increase in the interest rate	442	21	5%
2. 100 basis points decrease in the interest rate	354	-67	-16%
3. 10% decrease in equity/property capital	375	-46	-11%
4. 10% decrease in equity capital	398	-23	-5%
5. 25% increase in equity/property implied volatilities	397	-24	-6%
6. 25% increase in swaption implied volatilities	398	-24	-6%
7. 10% decrease in maintenance expenses	464	42	10%
8. 10% proportionate decrease in lapse rates	490	69	16%
9. Mortality rates -5% - annuity business	416	-5	-1%
10. Mortality rates -5% - life business	424	2	1%
11. Salary and expense inflation +50 basis points	426	5	1%
12. Required capital equal to minimum level of solvency capital	422	1	0%

III. RESULTS BY COMPANY

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

The table below shows the embedded value for SBL, SPP and the consolidated embedded value at year-end 2009:

NOK mill.	MCEV 2009 Storebrand	MCEV 2009 SPP	MCEV 2009 Consolidated
Total shareholder surplus at market value	**15,716**	**4,936**	**8,896**
comprising			
- Free surplus	11,417	1,484	1,992
- Required capital	4,299	3,452	6,904
Value of in-force business	**15,431**	**4,157**	**19,588**
comprising			
- Present value of future profits (PVFP)	24,649	5,756	30,405
- Time value of financial options and gurantees (TVOG)	-6,048	-799	-6,847
- Frictional costs of required capital (FCRC)	-112	-51	-162
- Cost of residual non hedgeable risks (CNHR)	-3,058	-750	-3,808
Total embedded value	**31,147**	**9,093**	**28,484**
Look through value included in the PVFP	*2,743*	*752*	*3,495*

Results for Storebrand Livsforsikring

The embedded value shown below for SBL reflects its value before consolidation at year-end 2008 and 2009. In order to derive the embedded value shown for Storebrand Life Group above the embedded value of SPP has to be added and the book value of SPP deducted.

Embedded Value for SBL

NOK mill.	MCEV 2008	MCEV 2009
Total shareholder surplus at market value	**15,093**	**15,716**
comprising		
- Free surplus	10,404	11,417
- Required capital	4,690	4,299
Value of in-force business	**10,094**	**15,431**
comprising		
- Present value of future profits (PVFP)	18,066	24,649
- Time value of financial options and gurantees (TVOG)	-4,595	-6,048
- Frictional costs of required capital (FCRC)	-137	-112
- Cost of residual non hedgeable risks (CNHR)	-3,239	-3,058
Total embedded value	**25,187**	**31,147**
Look through value included in the PVFP	*3,098*	*2,743*

The following table shows the breakdown of the value of in-force by portfolio:

NOK mill.	Total	Fee based business	20/80	35/65	DC/UL	Risk
Value of in-force business						
comprising						
- Present value of future profits (PVFP)	24,649	11,546	6,312	698	4,243	1,850
- Time value of financial options and gurantees (TVOG)	-6,048	-2,487	-2,937	-625	0	0
- Frictional costs of required capital (FCRC)	-112	-46	-54	-6	-3	-2
- Cost of residual non hedgeable risks (CNHR)	-3,058	-979	-1,383	-124	-558	-15
Total value of in-force business	**15,431**	**8,035**	**1,939**	**-57**	**3,682**	**1,832**
Look through value included in the PVFP	*2,743*	*1,004*	*1,319*	*121*	*296*	*3*

The following table shows the value of new business for SBL by portfolio:

NOK mill.	Total	Fee based business	20/80	35/65	DC/UL	Risk
Value of new business						
comprising						
- Present value of future profits (PVFP)	568	251	92	0	150	75
- Time value of financial options and gurantees (TVOG)	-129	-79	-50	0	0	0
- Frictional costs of required capital (FCRC)	-2	-1	-1	0	0	0
- Cost of residual non hedgeable risks (CNHR)	-89	-25	-26	0	-37	-1
Total value of new business	**348**	**146**	**15**	**0**	**113**	**74**
Look through value included in the PVFP	*61*	*23*	*23*	*0*	*15*	*0*

The following table shows the new business margins for 2008 (as published) and 2009:

NOK mill.	2008 (excl CNHR and FCRC)	2008 (incl CNHR and FCRC)	2009 (excl CNHR and FCRC)	2009 (incl CNHR and FCRC)
Fee based business, 20/80 and 35/65 portfolio				
VNB	413		214	161
PVNBP	10,387		5,311	5,311
Regular Premiums	316		116	116
Single Premiums	5,476		2,700	2,700
APE	863		386	386
APE margin (%)	48%		55%	42%
Margin on PVNBP	4.0%		4.0%	3.0%
Defined Contribution and Unit Linked				
VNB	157		150	113
PVNBP	5,954		5,362	5,362
Regular Premiums	426		317	317
Single Premiums	1,013		2,186	2,186
APE	528		535	535
APE margin (%)	30%		28%	21%
Margin on PVNBP	2.6%		2.8%	2.1%
Risk business				
VNB	165		75	74
PVNBP	651		372	372
Regular Premiums	192		104	104
Single Premiums	0		0	0
APE	192		104	104
APE margin (%)	86%		72%	71%
Margin on PVNBP	25.3%		20.2%	19.9%
Total				
VNB	735	504	439	348
PVNBP	16,992	16,992	11,044	11,044
Regular Premiums	934	934	537	537
Single Premiums	6,489	6,489	4,886	4,886
APE	1,583	1,583	1,026	1,026
APE margin (%)	46%	32%	43%	34%
Margin on PVNBP	4.3%	3.0%	4.0%	3.2%

Sensitivities for SBL

The following table shows the sensitivity results for the MCEV:

NOK mill.	Total MCEV	Change	in %
Base	**31,147**		
1. 100 basis points increase in the interest rate	32,465	1,318	4%
2. 100 basis points decrease in the interest rate	26,669	-4,479	-14%
3. 10% decrease in equity/property capital	28,852	-2,296	-7%
4. 10% decrease in equity capital	30,512	-635	-2%
5. 25% increase in equity/property implied volatilities	29,109	-2,038	-7%
6. 25% increase in swaption implied volatilities	29,283	-1,864	-6%
7. 10% decrease in maintenance expenses	32,583	1,436	5%
8. 10% proportionate decrease in lapse rates	31,699	552	2%
9. Mortality rates -5% - annuity business	30,822	-325	-1%
10. Mortality rates -5% - life business	31,180	33	0%
11. Salary and expense inflation +50 basis points	31,802	655	2%
12. Required capital equal to minimum level of solvency capital	31,173	26	0%

The following table shows the sensitivity results for the Value of New Business:

NOK mill.	Total VNB	Change	in %
Base	**348**		
1. 100 basis points increase in the interest rate	360	12	3%
2. 100 basis points decrease in the interest rate	285	-64	-18%
3. 10% decrease in equity/property capital	311	-37	-11%
4. 10% decrease in equity capital	337	-11	-3%
5. 25% increase in equity/property implied volatilities	320	-28	-8%
6. 25% increase in swaption implied volatilities	318	-30	-9%
7. 10% decrease in maintenance expenses	360	12	3%
8. 10% proportionate decrease in lapse rates	377	29	8%
9. Mortality rates -5% - annuity business	344	-5	-1%
10. Mortality rates -5% - life business	350	2	1%
11. Salary and expense inflation +50 basis points	367	19	5%
12. Required capital equal to minimum level of solvency capital	349	1	0%

Results for SPP

The embedded value for SPP at year-end 2008 and 2009 is shown below. The values include the embedded value of SPP's Irish subsidiary Euroben Ltd.

NOK mill.	MCEV 2008	MCEV 2009
Total shareholder surplus at market value	**5,240**	**4,936**
comprising		
- Free surplus	-589	1,484
- Required capital	5,829	3,452
Value of in-force business	**4,516**	**4,157**
comprising		
- Present value of future profits (PVFP)	5,827	5,756
- Time value of financial options and guarantees (TVOG)	-587	-799
- Frictional costs of required capital (FCRC)	-99	-51
- Cost of residual non hedgeable risks (CNHR)	-624	-750
Total embedded value	**9,756**	**9,093**
Look through value included in the PVFP	*924*	*752*

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

NOK mill.	Total	Defined Benefit	Defined Contribution	Unit Linked	Risk	Euroben
Value of in-force business						
Comprising						
- Present value of future profits (PVFP)	5,756	1,346	626	3,138	384	262
- Time value of financial options and gurantees (TVOG)	-799	22	-819	0	0	-1
- Frictional costs of required capital (FCRC)	-51	-15	-33	-2	0	0
- Cost of residual non hedgeable risks (CNHR)	-750	-401	-260	-88	0	0
Total value of in-force business	**4,157**	**951**	**-486**	**3,048**	**384**	**260**
Look through value included in the PVFP	*752*	*148*	*195*	*408*	*0*	*0*

The following table shows the value of new business for SPP:

NOK mill.	Total	Defined Benefit	Defined Contribution	Unit Linked	Risk
Value of new business					
Comprising					
- Present value of future profits (PVFP)	111	-5	-55	182	-11
- Time value of financial options and gurantees (TVOG)	-12	-2	-10	0	0
- Frictional costs of required capital (FCRC)	0	0	0	0	0
- Cost of residual non hedgeable risks (CNHR)	-25	-1	-4	-21	0
Total value of new business	**73**	**-7**	**-70**	**161**	**-11**
Look through value included in the PVFP	*36*	*0*	*3*	*33*	*0*

The negative value of new business for DB business is mainly due to low sales volumes and relatively high acquisition expenses. The negative value for DC business is mainly caused by high acquisition expenses and commissions for 2009 as well as a relatively high level of maintenance expenses. The negative value for risk business is driven by a high level of expenses (acquisition and maintenance).

The value of new business is expected to improve in 2010 caused by reducing expenses, an increase in prices on mortality risk and the full impact of the new commission structure.

The following table shows the 2009 new business margins for SPP:

NOK mill.	Total	Defined Benefit	Defined Contribution	Unit Linked	Risk
Value of new business	**73**	**-7**	**-70**	**161**	**-11**
Regular premiums	575	4	102	446	23
Single premiums	948	0	724	224	0
APE	670	4	175	468	23
APE margin (%)	11%	-194%	-40%	34%	-48%
PVNBP	4,251	77	981	3,063	130
PVNBP margin (%)	1.7%	-9.7%	-7.1%	5.3%	-8.4%

Sensitivities for SPP

The following table shows the sensitivity results for the MCEV:

NOK mill.	Total MCEV	Change	in %
Base	**9,093**		
1. 100 basis points increase in the interest rate	9,771	678	7%
2. 100 basis points decrease in the interest rate	8,014	-1,078	-12%
3. 10% decrease in equity/property capital	8,487	-606	-7%
4. 10% decrease in equity capital	8,523	-570	-6%
5. 25% increase in equity/property implied volatilities	9,009	-84	-1%
6. 25% increase in swaption implied volatilities	9,241	149	2%
7. 10% decrease in maintenance expenses	9,854	761	8%
8. 10% propotionate decrease in lapse rates	9,316	223	2%
9. Mortality rates -5% - annuity business	8,349	-743	-8%
10. Mortality rates -5% - life business	9,093	0	0%
11. Salary and expense inflation +50 basis points	8,710	-383	-4%
12. Required capital equal to minimum level of solvency capital	9,104	12	0%

The following table shows the sensitivity results for the value of new business for SPP:

NOK mill.	Total VNB	Change	in %
Base	**73**		
1. 100 basis points increase in the interest rate	82	9	12%
2. 100 basis points decrease in the interest rate	70	-4	-5%
3. 10% decrease in equity/property capital	64	-9	-12%
4. 10% decrease in equity capital	62	-12	-16%
5. 25% increase in equity/property implied volatilities	77	4	5%
6. 25% increase in swaption implied volatilities	80	7	9%
7. 10% decrease in maintenance expenses	103	30	41%
8. 10% propotionate decrease in lapse rates	113	40	54%
9. Mortality rates -5% - annuity business	73	0	-1%
10. Mortality rates -5% - life business	73	0	0%
11. Salary and expense inflation +50 basis points	59	-14	-20%
12. Required capital equal to minimum level of solvency capital	73	0	0%

IV. IFRS RECONCILIATION AND GROUP MCEV

Group MCEV 2009 and IFRS reconciliation

The following table shows a reconciliation of the reconciliation of the IFRS equity for the life insurance business to embedded value at year-end 2009:

NOK mill.	
IFRS Equity Storebrand Life	**15,911**
NGAAP adjustments	
- Security reserver non-life	-140
- Administration reserve non-life	19
- Group contribution NGAAP (provision)	-610
NGAAP Equity Storebrand Life Group	**15,181**
- Total consolidation SBL Group	655
NGAAP Equity Storebrand Life	**15,835**
MCEV adjustments	
- Risk smoothing fund	-225
- Market value debt adjustment	153
- Intangible assets	-48
Shareholders Surplus Storebrand Life	**15,716**
- Book value of SPP in SBL acocunts	-11,756
- Shareholder surplus SPP	4,936
Group Shareholder surplus in MCEV	**8,896**
- Value of In-force SPP	4,157
- Value of In-force SBL	15,431
Total Life MCEV	**28,484**

The table below shows the derivation of the Group MCEV for the Storebrand Group (including the covered and non-covered business) as well as the movements in the Group MCEV in the year 2009. The movements of the Group MCEV are shown separately for the covered and the non-covered business. The IFRS life segment is the covered life business.Other Segments such as the Banking, Asset Management and other businesses (including eliminations) have been similarly included at their IFRS value.

The earnings for the Asset Management business reflect NOK 107 million less profit than IFRS reporting. This represents asset management profits for managing covered business assets that has been modelled with the covered business MCEV.

NOK mill.	IFRS Segment Life	Banking, Asset Management and Other (incl eliminations)	Group MCEV
Opening Group MCEV	**23,041**	**1,319**	**24,361**
Opening adjustments	135	0	135
Adjusted opening values	**23,177**	**1,319**	**24,496**
Operating Earnings	2,170	-155	2,015
Non-operating Earnings	4,712	0	4,712
Total Earnings	**6,882**	**-155**	**6,727**
Other movements in IFRS equity	**0**	**33**	**33**
Closing adjustments	**-1,575**	**717**	**-858**
Closing Group MCEV	**28,484**	**1,914**	**30,398**

V. METHODOLOGY

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

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

The PVFP is the present value of the projected stream of future after-tax profits that are expected to be generated by the policies in force at the valuation date, assuming assets equal to the technical reserves. The profits are determined on local GAAP using a deterministic projection (certainty equivalent scenario).

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

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

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

In-force business and new business: For the purposes of the embedded value, the in-force business is defined as existing policies including future renewals on existing policies for individual business, and existing schemes for group business. New members of existing group schemes have been allowed for implicitly by assuming leaving members are replaced by new members joining. New business is defined as new individual policies written in 2009, and for group business, new business relates to new schemes or schemes which are transferred to the Storebrand Group from another insurer in 2009.

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

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

Required capital: The amount of required capital for SBL has been set as the greater of Norwegian regulatory capital and internal capital requirements. Life insurance in Norway is subject to two solvency requirement tests, the EU requirement (Solvency I) and the banking requirement (Basel I), both of which must be satisfied. The internal requirement is based on Storebrand's understanding of the level necessary to meet rating agency requirements for Storebrand's targeted rating. As at 31 December 2009 the maximum of the two requirements has been the internal capital requirement which is equivalent to 150% of the EU minimum solvency requirements. For SPP, the required capital has been set as 150% of the EU minimum solvency requirement. The required capital is assumed to be released in line with the run off of the business in-force.

The following table shows the capital requirements for SBL and SPP at year-end 2008 and 2009:

Capital Require-ments	SBL		SPP	
	2008	2009	2008	2009
Regulatory minimum	NOK 3.4 bn	NOK 3.3 bn	NOK 4.1 bn	NOK 1.9 bn
Internal Re-quirement	NOK 4.7 bn	NOK 4.3 bn	NOK 5.8 bn	NOK 3.5 bn

In the consolidated embedded value at year-end 2008 and at year-end 2009, the required capital shown reflects the actual group solvency requirement and not the sum of the required capital of SBL and SPP. However, the frictional costs have been derived on an individual company level based on the corresponding required capital shown in the results by company.

Cost of residual non-hedgeable risks: The cost of residual non-hedgeable risks is an allowance for risks that have not been allowed for elsewhere in the calculations. Where possible, the estimated impact of these risks on the embedded value has been assessed and included directly in the cost of residual non-hedgeable risks. Where no direct assessment of the impact of these risks has been possible, a cost of capital approach has been applied based on an estimated risk capital for the risks. The risk capital has been mainly estimated based on QIS4 capital requirements, and a charge of 4% per annum has been applied for most risks.

The cost of residual non-hedgeable risks also includes an allowance for the relative illiquidity of the Norwegian and the Swedish swap markets. The approach to allow for these costs has been improved during 2009. It is calculated based on a cost of capital approach. The corresponding risk capital is calculated by shifting the illiquid part of the yield curve. The term structure from year 0 to 10 is considered sufficiently liquid and no shock is applied. Between year 10 and year 20 the shock is gradually phased in. From 20 years and onwards the term structure has been shocked in line with the QIS4 interest shock. A charge of 4% is then applied to the resulting risk capital to quantify the contribution to the CNHR.

In additon to the improvement described above, some of the risk carriers used to project the initial risk capital amounts into the future have been revised to better reflect the nature of the corresponding risks.

The total cost of residual non-hedgeable risks derived is equivalent to an annual charge of 2.2% on the diversified risk capital for non-hedgeable risks (2.6% at year-end 2008). Thereby, the risk capital has been projected based on appropriate risk drivers.

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

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

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

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

Reinsurance and debt: There are only non-material amounts of reinsurance in Storebrand Group. An adjustment has been made to the shareholder surplus to reflect the difference between the book value of the subordinated loans in SBL and the corresponding market value The adjustment to the shareholder surplus at year-end 2009 amounts to NOK 153 million.

Look-through adjustments: Profits arising in Storebrand's asset management company which are induced by the group's life insurance business have been considered in the value of in-force at year-end 2009 and in the value of new business written in 2009.

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

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

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

Implied discount rate (IDR) and internal rate of return (IRR): The implied discount rate is derived as the discount rate which, if applied to projected shareholder profits using real world economic assumptions as described in Section VI including an allowance for the cost of holding capital, leads to the same embedded value or value of new business calculated via a direct MCEV approach as described above.

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

VI. ASSUMPTIONS

Economic assumptions

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

The following approach to setting the reference rates (for NOK and SEK) has been adopted in the embedded value at year-end 2009:

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

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

The Spot Yield Curve table below shows the risk free yields by currency (including the quoted 20 year and 30 year rates which are assumed to be non-liquid).

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

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

The table below shows implied volatilities for 10 year swaps for various option maturities

Implied volatilities for options on 10 year swaps at the money for various option maturities:

	2008		2009	
Year	NOK	SEK	NOK	SEK
1	13.8%	13.7%	17.9%	22.9%
5	11.9%	12.5%	14.0%	17.8%
10	11.1%	12.2%	12.2%	15.2%

Various equity indices are considered in the stochastic models. Equity volatilities are based on implied volatilities of equity options at the money. Real estate volatility is based on historic market data.

Spot Yield Curve

	2008				2009			
Year	NOK		SEK		NOK		SEK	
	mark to market	mark to model	mark to market	mark to model	mark to market	mark to model	mark to market	mark to model
1	2.8%	2.8%	1.8%	1.8%	2.7%	2.7%	0.8%	0.8%
2	2.9%	2.9%	2.0%	2.0%	3.5%	3.5%	1.6%	1.6%
3	3.1%	3.1%	2.4%	2.4%	3.9%	3.9%	2.2%	2.2%
5	3.9%	3.9%	2.9%	2.9%	4.3%	4.3%	2.9%	2.9%
10	4.7%	4.7%	3.2%	3.2%	4.8%	4.8%	3.7%	3.7%
20	4.7%	5.1%	3.2%	4.3%	5.0%	5.1%	4.1%	4.4%
30	4.4%	5.1%	2.8%	4.3%	4.9%	5.1%	4.1%	4.4%

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

	2008				2009			
	SBL			SPP	SBL			SPP
Year	International equity	Domestic equity	Real Estate	Int. and dom. equity	International equity	Domestic equity	Real Estate	Int. and dom. equity
1	23.0%	32.0%	7.0%	23.7%	22.8%	25.0%	7.0%	22.7%
10	26.0%	28.0%	6.5%	25.8%	28.6%	28.5%	6.5%	27.8%

Real world assumptions for IDR and IRR calculations

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

Capital Requirements	2008	2009
Risk premiums by asset class		
- equity	3.00%	3.50%
- corporate bonds / loans	0.50%	0.50%
- real estate	1.00%	1.75%
- cash	-1.00%	-0.50%

Inflation

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

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

Expenses

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

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

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

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

In the derivation of expense assumptions the one-off expenses as described in Section II under "2009 Embedded value earnings analysis" item 8 have been excluded.

Actuarial assumptions

The assumptions for mortality and morbidity, lapses and paid-up rates are based on recent company experience, and have been reviewed for 2009.

As in previous years a dynamic mortality table, the so-called DUS06, has been used to derive the best estimate mortality assumption for SPP. For the MCEV 2009, also SBL has used a dynamic mortality table. The dynamic mortality table for SBL consists of the FNH2015 table with an annual decrease of 1%.

Tax

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

Exchange rates

An exchange rate of 0,8854 has been applied to amounts in SEK at year-end 2008 and 0,8091 at year-end 2009 consistent with the annual accounts of Storebrand Group.

Statement of Directors

The directors of Storebrand confirm that the embedded value as at 31 December 2009, and the embedded value earnings including the value added by new business in 2009, have been determined using methodology and assumptions which are compliant with EEV principles.

Towers Watson Opinion

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

"Towers Watson has reviewed the methodology and assumptions used to determine the 2009 embedded value results. The review covered the European Embedded Value as at 31 December 2009, the value of 2009 new business, the analysis of 2009 embedded value earnings and the sensitivities of the embedded value and new business value.

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

- the methodology makes allowance for the aggregate risks in the covered business through the methodology as described in this supplementary disclosure document, which includes a stochastic allowance for the cost of financial options and guarantees, and a level of required capital based on regulatory and internal capital requirements and an allowance for the cost of non-hedgeable risks;
- the operating assumptions have been set with appropriate regard to past, current and expected future experience;
- the economic assumptions used are internally consistent and consistent with observable market data and where no deep and liquid markets exist are appropriately modelled; and
- for participating business, the assumed bonus rates and the allocation of profit between policyholders and shareholders are consistent with the projection assumptions, established company practice and local market practice.

Towers Watson has also performed limited high-level checks on the results of the calculations and has confirmed that any issues discovered do not have a material impact on the disclosed embedded values as at 31 December 2009 and the 2009 new business values. Towers Watson has not, however, performed detailed checks on the models and processes involved.

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

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