Interim report Storebrand Livsforsikring

3rd Quarter 2012

storebrand

Interim report Storebrand Livsforsikring Group
– 3rd Quarter 2012

Storebrand Livsforsikring AS is a wholly owned subsidiary of the listed company Storebrand ASA. For information about the Storebrand Group's 3rd Quater result please refer to the Storebrand Group's interim report for the 3rd Quater of 2012.

The official financial statements of the Storebrand Group are prepared in accordance with the International Financial Reporting Standards (IFRS), while the official consolidated financial statements of Storebrand Livsforsikring AS are prepared in accordance with the Annual Accounts Regulations for Insurance Companies.

The tables below summarises the information in the consolidated financial statements for Storebrand Livsforsikring AS based on IFRS principles.

Macroeconomic situation
The quarter was marked by uncertainty in the financial markets. The central banks in Europe and the US implemented monetary policy measures that have a positive impact on the market. The Norwegian economy is performing well compared with the rest of Europe. Growth in the oil industry and low interest rates are making a positive contribution. The downturn internationally has the opposite effect and is dampening the economy in Norway to some extent. Growth in Europe is expected to be low in the years to come. This will also have an impact on the development of Storebrand's home markets, Norway and Sweden. The low interest rate level is challenging for insurance companies that have to cover an annual interest rate guarantee. At the same time, Storebrand feels there are still good investment opportunities in the market with expected returns that exceed the average interest guarantee of 3.4 per cent. Growth is still expected in Storebrand's core markets. Unemployment in Norway fell from an already low level, and wage growth is expected to be around 4 per cent in 2012. Growth in the life and pensions market is marked by a shift in demand from defined-benefit pensions with an interest rate guarantee to defined-contribution products without an interest rate guarantee.

Risk
Storebrand is exposed to several types of risk through its business areas. Interest rate, property and equity market trends are considered to be the most important risk factors that can affect the Group's results, in addition to life expectancy and disability trends. Over time, it is important to be able to deliver returns that exceed the interest rate guarantee attached to the products. Risk management is therefore a prioritised core area for the Group.

Regulatory changes in private occupational pensions
The Ministry of Finance has announced that a bill will be submitted to the parliament as a follow-up to Norwegian Public Report (NOU) 2012:3 on paid-up policies and capital requirements. This applies, for example, to the proposed investment options for paid-up policies, which are expected to enter into force from 1 January 2013.

The Banking Law Commission's report 2012:13 Pension Acts and the National Insurance Reform II has been circulated for comment and is now under consideration in the Ministry of Finance. This autumn the Banking Law Commission will be working on rules for the transition from the current defined-benefit occupational pension schemes to the new hybrid products that have been proposed. This report will be submitted to the Ministry of Finance around the turn of the year. The Ministry has stated that it aims for the Storting to adopt comprehensive new regulations for occupational pensions, which will include both new products and transitional rules. According to plan, the new regulations will enter into force on 1 January 2014.

Storebrand is positive towards the proposal on new occupational pension products that are well adapted to the new National Insurance and better adapted to the new capital requirements through Solvency II than the existing defined-benefit pensions. The taxation framework allows room for good pension schemes for employees. The proposal provides greater flexibility and more predictable costs for employers compared with current defined-benefit schemes. Capital requirements arising from the new products will be risk-manageable. Their zero guarantee reduces the returns risk and the risk of longevity is significantly reduced as a result of the life expectancy adjustment.

Storebrand believes that it is essential to find good solutions for the transition from the current products to new products, and that this phase of the Banking Law Commission's work will be important to the ability of the Norwegian pension providers to adapt to the Solvency II regulations.

Solvency II
The next milestone in the Solvency II process is to adopt the amendments to the Solvency II Directive, known as the Omnibus II Directive. Important points that are discussed include the transitional provisions and method of determining the risk-free yield curve. These discussions involve the European Commission, European Council and European Parliament. There are delays with respect to the earlier schedule, which assumed the adoption of Omnibus II in September or October. The greatest challenges are linked to how insurance contracts with long-term guarantees should be treated. An impact assessment has been planned, in which the companies will be requested to calculate their capital requirements based on various methods and under different scenarios. There are key problems for both the Norwegian and Swedish operations, and Storebrand and SPP are planning to participate in the impact assessment. The response will be prepared during the period from October to December, and it is expected that the results will be ready in March 2013. It is therefore doubtful that the planned implementation of Solvency II as of 1 January 2014 can be met.

Storebrand is working actively to adapt to the new solvency regulations. The cost programme that has been adopted is an important part of the adaptation process. A number of other measures have also been implemented, including risk reduction in the investment portfolios, adaptations in the products and an optimal allocation of capital in the Group. Storebrand's aim is to adapt to the new regulatory framework as a result of Solvency II without raising more equity.

Amendment of the Norwegian Tax Code
The National Budget 2013, which was published on 8 October 2012, proposes the elimination of the tax exemption method for customer portfolios in life insurance companies with effect from 1 January 2012. Capital gains or losses realised on equities will thus be taxable or deductible, respectively, for equities that are owned by customer portfolios in life insurance companies. This change will mean that the difference between the accounting and taxable results will be less in the future and over time lead to a normalized tax for the group. Life insurance companies will still receive a tax allowance for allocations to insurance reserves. This change has been described in greater detail in note 3 in the financial statements section.

Future reserves for a higher expected life expectancy
The Financial Supervisory Authority is consulting with the Norwegian financial sector on new life expectancy tables. There is a general need for reserves to boost provisions for longer life expectancy within group pensions. The final process, the level of the life expectancy tariffs and reserve requirements, will depend on the Banking Law Commission's work on designing a new occupational pension scheme for the private sector. Based on the current product rules for group pensions, the build-up of reserves will comprise 3-7 per cent of the premium reserve. The new structure for occupational pensions may have a positive effect on the reserve requirement and time horizon. The reserve is expected to be mainly covered through financial and risk profits. Storebrand set aside a total of NOK 1.5 billion in 2010 and 2011 for future longevity reserves. Customers must expect that Storebrand Life Insurance will once again set aside a considerable amount of the returns beyond the interest rate guarantee to cover the projected longer life expectancy in 2012 as well.

RESULT

The presentation of Storebrand Livsforsikring and SPP is exclusive internal transactions.

Result Storebrand Livsforsikring Group according to IFRS principles

	Q3		01.01 - 30.09		
NOK million	2012	2011	2012	2011	Full year 2011
Storebrand Life Insurance	140	18	519	342	481
Insurance	73	80	222	169	223
SPP	247	-221	646	304	291
Other	-7		-5		
Asset Management	16	35	60	75	89
Profit before amortisation	470	-87	1,441	890	1,083
Amortisation intangible assets	-91	-89	-269	-272	-361
Pre-tax profit/loss	**378**	**-176**	**1,173**	**618**	**722**
Tax	-83		-240	56	-730
Profit/loss	**296**	**-176**	**932**	**675**	**-8**

The next pages refers to the development in results for Storebrand Life Insurance, SPP and Insurance. Amounts in brackets show the result for 3Q 2011.

Storebrand Life Insurance

- **Implementation of fee for new paid-up policies and price increase for interest rate guaranteed products**
- **Active conversion of customers from guaranteed products to unit linked insurance**
- **Provisions of NOK 88 million made for restructuring costs in the quarter**

The business area Storebrand Life Insurance[1] offers a wide range of products within occupational pensions, private pension savings and life insurance to companies, public sector entities and private individuals. Also encompasses BenCo, which offers pension products to multinational companies through Nordben and Euroben.

Result

Financial performance Storebrand Life Insurance including BenCo

	3Q		01.01 - 30.09		Full year
NOK million	2012	2011	2012	2011	2011
Administration result	-60	28	9	79	101
Risk result	34	50	124	81	117
Financial result[2]	18	-170	-56	-187	-226
Price of interest guarantee and profit risk	137	131	413	395	520
Other	11	-21	30	-27	-32
Pre-tax profit/loss	140	18	519	342	481

Administration result

Provisions of NOK 88 million have been made for restructuring costs in the 3rd quarter. This represents the estimated costs associated with the Group's cost programme. The underlying administration result shows a positive trend. The underlying cost performance is in particular strong.

In September a fee of 2 per cent of the insurance reserves was established for the issuance of new paid-up policies. This fee will enter into force from 1 March 2013. For defined-contribution pensions, the income is driven up by good portfolio growth.

Risk result

The disability result for group pensions is good, primarily as a result of a higher return of employees to working life. This makes a positive contribution for the quarter and the year to date. The longevity results make a negative contribution to the risk result for the quarter and year to date. The current reserves are too low to account for the increased longevity in recent years. The reserves are now being strengthened as a result.

The financial result consists of the net return on the company portfolio and the company's share of profit sharing.

The company portfolio reported a net result of NOK 14 million (minus NOK 57 million) for the 3rd quarter and minus NOK 54 million (minus NOK 79 million) for the year to date. Storebrand Life Insurance is funded by a combination of equity and subordinated debt. The proportion of subordinated loans of around 30 per cent and interest charges comprise a net amount of around NOK 130 million per quarter for the next 12 months. The company portfolio of NOK 8 billion reported a gross return of 1.6 per cent (0.9 per cent) for the 3rd quarter and 4.0 per cent (3.8 per cent) for the year to date. The reduced credit spreads had a positive impact on the returns for the quarter.

Storebrand has an ongoing plan to increase reserves related to an expected lower mortality for individual pension insurance policies. According to plan, NOK 43 million has been set aside in the 3rd quarter and NOK 129 million has been set aside for the year to date. The remaining reported required build-up of reserves at the end of the 3rd quarter was estimated to be NOK 43 million. The reserves will be increased by the end of 2012 according to plan. This build-up of reserves can be covered by a positive booked investment result. If the annual booked return for the individual portfolio is higher than 5.8 per cent, the build-up of reserves will take place at no direct cost to the owner. At the end of September, the build-up of reserves is covered by positive investment results.

There is also a need to strengthen the reserves in the group pension insurance area to meet the expected increased life expectancy. Storebrand will prioritise use of profit to strengthen the premium reserve to meet the increased life expectancy in the future. Storebrand Life Insurance will set aside a significant portion of the investment result for customers in 2012 to strengthen the premium reserve for group pension insurance.

Financial result

Return on investment portfolios with an interest rate guarantee

	3Q 2012		3Q 2011		01.01 - 30.09 2012		01.01 - 30.09 2011		Full year 2011	
Portolio	Market return	Booked return	Market return	Booked return	Market return	Booked return	Market return	Booked return	Market return	Booked return
Total	2.0%	1.3%	-0.9%	0.4%	4.5%	3.1%	1.7%	3.0%	3.4%	4.6%
Total Group (DB)	2.2%	1.1%	-1.5%	0.1%	5.0%	2.8%	1.1%	2.9%	3.0%	4.8%
Paid-up policies	1.7%	1.5%	-0.3%	0.8%	4.1%	3.3%	2.3%	3.2%	3.8%	4.7%
Individual	1.7%	1.4%	-1.0%	-0.3%	4.2%	3.7%	1.7%	2.1%	3.2%	3.6%

[1] Includes the companies in the Storebrand Life Insurance Group, except Storebrand Eiendom Group, Storebrand Realinvesteringer AS and Storebrand Holding AB, and personal risk and employee cover in Storebrand Livsforsikring AS.
[2] Investment result and profit sharing.

The average annual interest rate guarantee for the various customer portfolios ranges from 3.1 per cent to 3.7 per cent. The guarantee levels for new business have been reduced as a result of the low interest rate level[1]. The booked return as at the 3rd quarter in the customer portfolios is adequate in general to cover the average annual interest rate guarantee. The booked return has also resulted in an undistributed profit to customers and build-up of a customer buffer of NOK 707 million for the 3rd quarter and NOK 1,068 million for the year to date, which must be expected to be used for longevity reserves.

Capital return

The market return for the quarter has been marked by rising equity markets, both nationally and internationally. Short-term interest rates in Norway and internationally have fallen somewhat throughout the quarter, while long-term interest rates have remained relatively stable at low levels.

Market return defined contribution pensions

	3Q		01.01 - 30.09		Full year
Profile	2012	2011	2012	2011	2011
Careful profile	3.0%	-1.6%	6.5%	0.1%	2.8%
Balanced profile	5.1%	-7.3%	9.7%	-6.1%	-1.2%
Aggressive profile	6.1%	-12.0%	11.0%	-11.9%	-5.3%

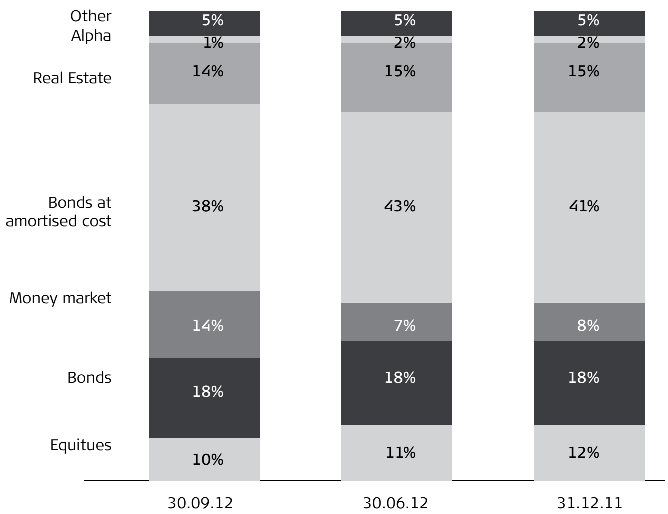
Price of interest rate guarantee and profit risk

NOK 137 million (NOK 130 million) in prepricing for the interest rate guarantee and profit for risk from group pensions was recognised as income in the 3rd quarter. At the end of the quarter, NOK 413 million (NOK 395 million) was recognised as income. The higher income is attributed to higher volumes and higher prices in portions of the portfolio. A decision was made in September to increase the prices for the interest rate guarantee and risk profit for private sector group defined-benefit pensions from 1 January 2014 by around 20 per cent.

Balance sheet

The equity allocation in customer portfolios for paid-up policies and individual products declined in the 3rd quarter. The money market allocation increased correspondingly. For customer portfolios with a guarantee, the held-to-maturity bond allocation declined somewhat in general during the quarter. This is attributed to positions maturing in the portfolios that have not been reinvested in held-to-maturity bonds, but in the money market instead.

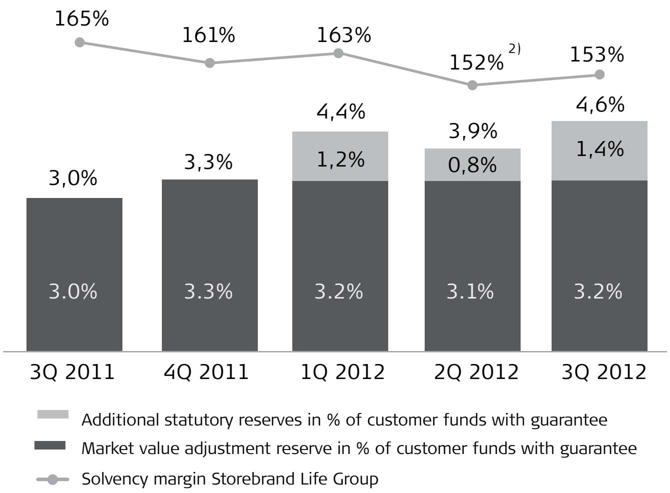
Asset profile for customer portfolios with an interest rate guarantee



There were no major changes in the allocation in the company portfolio during the quarter. The portfolio is invested primarily in the money market, held-to-maturity bonds and property.

The assets under management increased by around NOK 6 billion in the 3rd quarter, and NOK 16 billion as at the 3rd quarter, and totalled NOK 229 billion at the end of the 3rd quarter.

Financial strength



The market value adjustment reserve increased by NOK 1.1 billion during the quarter, and totalled NOK 2.4 billion at the end of the quarter. The additional statutory reserves totalled NOK 5.4 billion at the end of the 3rd quarter, an increase of NOK 0.2 billion during the quarter, which is attributed primarily to reversal of the calculated deduction from the additional statutory reserves as of the 2nd quarter. Calculated deduction as at the 3rd quarter totalled NOK 4 million. The excess value of held-to-maturity bonds valued at amortised cost increased by NOK 2.1 billion in the 3rd quarter and totalled NOK 5.3 billion at the end of the 3rd quarter. The excess value of held-to-maturity bonds is not included in the financial statements.

[1] *Maximum interest rate of 2.5 percent for new contracts and existing premiums as of 01.01.2012*
[2] *Changed consolidation method for solvency calculation as of 2Q 2012.*

The solidity capital[1] was NOK 48.9 billion at the end of the 3rd quarter, which is an increase of NOK 5.7 billion during the quarter as a result of an increase in the customer buffers. The solidity capital has increased by NOK 8.8 billion year to date.

The solvency margin for the Storebrand Life Insurance Group increased by 1 percentage points during the quarter and was 153 per cent at the end of the 3rd quarter. The Storebrand Life Insurance Group's capital adequacy ratio increased by 0.2 percentage points during the quarter and was 11.9 per cent at the end of the 3rd quarter. The capital increase of NOK 550 million in July had a positive impact on the capital adequacy and solvency margin.

Market

Premium income[2]

	3Q		01.01 - 30.09		Full year
NOK million	2012	2011	2012	2011	2011
DB (fee based)	1,954	2,076	7,191	7,661	9,147
DC (unit linked based)	1,075	987	3,302	2,865	3,812
Total occupational pension	3,029	3,063	10,492	10,527	12,959
Paid-up policies	16	18	66	101	116
Traditional individual life and pensions	90	126	285	444	584
Unit linked (retail)	328	179	697	756	929
Total individual pension and savings	434	323	1,048	1,302	1,629
BenCo	145	171	610	527	700
Total	3,608	3,557	12,150	12,355	15,288

In general, the premium income from group defined benefit pensions will gradually decline due to the transition to defined contribution pensions. The growth in premium income for defined-contribution schemes for companies has been good. No new policies have been issued for traditional guaranteed capital and pensions, which has caused a drop in premium income compared with the previous year. The increase in premium income for the 3rd quarter for Unit Linked is attributed to good sales of the Garantikonto product. A reduction in guaranteed savings is in line with the company's plan for alignment with Solvency II.

Sales

A number of large tenders for defined-contribution pensions, employee insurance and group life insurance have been won this year. Booked net transfer to Storebrand was NOK 1,297 million (minus NOK 763 million) in the 3rd quarter and NOK 219 million (minus NOK 4,049 million) year to date. The booked figures year to date have been affected by three municipalities resolving to transfer their pension schemes from Storebrand in 2011, with effect in the accounts as from 1 January 2012.

The market so far has seen a transition from defined-benefit pensions to defined-contribution pensions, and Storebrand has maintained a strong position on the market. The new framework conditions for occupational pensions will result in a more dynamic market and need for extensive dialogue with customers and advisory services. Storebrand is working on the development of product and service solutions that are adapted to the new regulatory framework and customer needs.

Storebrand is working on a number of measures to support its focus on the retail market. Storebrand has a targeted focus on offering favourable products and solutions to the employees of our corporate customers. The goal is to improve customer satisfaction, increase the number of customers and customers with multiple product links.

Asset allocation in the existing individual customer portfolio is no longer optimal for a large number of customers. This is attributed to the low interest rate level and adaptations to Solvency II. Storebrand is contacting these customers and offering conversion to alternative investments with an expected higher net return. As a result of this, NOK 277 million was converted to other products.

The total value of new premiums (APE)[3] was NOK 273 million (NOK 138 million) for the quarter, and NOK 604 million (NOK 564 million) year to date. The increase for the quarter compared with last year was attributed primarily to a higher APE for occupational pensions.

[1] The term solidity capital encompasses equity, subordinated loan capital, the market value adjustment reserve, additional statutory reserves, conditional bonuses, excess value/deficit related to bonds at amortised cost and accrued profit.
[2] Excluding transfer of premium reserves.
[3] Annual Premium Equivalent. Current premiums + 10 per cent of single premiums.

SPP

- **Active conversion of customers from guaranteed products to unit linked insurance**
- **Implementation of price increase for guaranteed products**
- **Introduction of a new default solution for new insurance policies**

The SPP business unit[1)] offers pension and insurance products and consultancy for enterprises in the highly competitive part of the occupational pensions market. It also offers private pension savings and sickness and health insurance.

Result

Financial performance SPP

	3Q		01.01 - 30.09		Full year
NOK million	2012	2011	2012	2011	2011
Administration result	25	32	91	94	99
Risk result	45	46	119	158	289
Financial result	137	-320	304	-42	-226
Other	41	22	132	94	129
Result before amortisation	247	-221	646	304	291
Amortisation intangible assets	-91	-88	-267	-269	-358
Pre-tax profit/loss	157	-309	378	35	-67

Administration result

Growth in customer assets has contributed to increasing income by 3 per cent[2)] year to date. The pricing of traditional products has been increased with effect from the 4th quarter. This is expected to have a positive impact on the result in the 4th quarter. NOK 16 million in restructuring costs have been charged to the administration result in the quarter in connection with the Group's cost programme.

Risk result

The results related to sickness insurance still show a good performance, and this contributes to most of the risk result. The risk result in 2011 was affected by the dissolution of reserves for sickness compensation and the year-to-date result is as expected lower than last year.

Financial result

The quarter has been marked by rising equity markets and lower bond yields. This has resulted in a positive portfolio return and profit sharing in all of the customer portfolios. In some of the portfolios, the customers' insurance liabilities have increased more than the assets, which has a negative impact on the result in the form of an increased deferred capital contribution. Taking into account the effect of the hedging portfolio for equities, this has given a financial result of NOK 97 million before the indexing fees.

If the assets in the defined benefit portfolio total more than 107 per cent of the insurance liabilities, the company can charge an indexing fee. The consolidation at the end of the 3rd quarter was 108.3 per cent, an increase of 0.7 per cent for the quarter. This provides a basis for indexing fees of NOK 53 million (minus NOK 53 million) in the 3rd quarter and NOK 86 million (NOK 2 million) year to date.

Total return on assets SPP

	3Q		01.01 - 30.09		Full year
Portfolio	2012	2011	2012	2011	2011
Defined Benefit (DB)	3.2%	2.6 %	4.7 %	6.0 %	8.6 %
Defined Contribution (DC)					
P250*	3.3%	-2.1%	6.5 %	0.5 %	3.3 %
P300*	3.1%	1.9%	4.9%	5.3%	7.6%
P520*	3.0%	6.5%	4.7%	10.5%	12.5%
RP (Retirement Pension)	1.7%	1.2%	2.2%	2.1%	2.8%

** Maximum interest rate guarantee in the portfolios P250, P300 and P520 is 2.5 per cent, 4 per cent and 5.2 per cent respectively.*

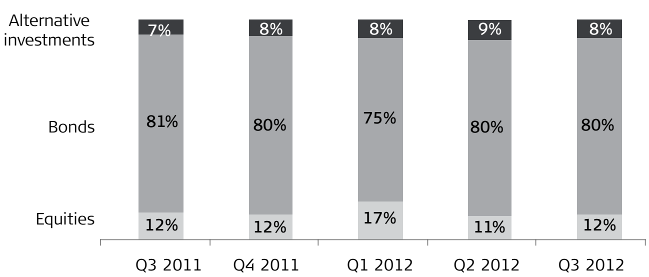
Other result

This result consists primarily of the return on the company portfolio, which is entirely invested in short-term interest-bearing securities. Lower credit spreads during the quarter have compensated for a lower interest rate level.

Balance sheet

SPP adapts its exposure to equities in accordance with the developments in the market and risk-bearing capacity in the portfolios by means of so-called dynamic risk management. SPP introduced a new pay out phase portfolio on 1 August. This means that everyone who has a traditional pension with an interest rate guarantee will have their capital placed in an interest-bearing portfolio for the last five years of the payment period. This entails more stable pension payments for the customer and lower capital requirements for SPP under Solvency II.

Asset profile for customer portfolios with an interest rate guarantee



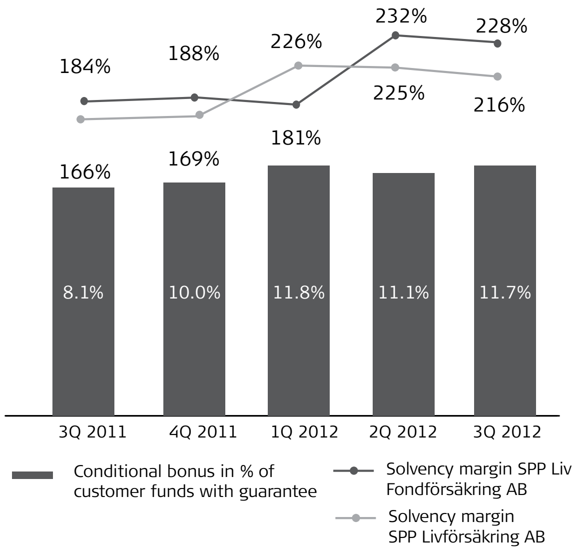
1) SPP includes all legal entities in Storebrand Holding Group except SPP Fonder, which is included in Asset Management.
2) All percentage changes are in local currency.

The buffer capital (conditional bonus) increased by NOK 0.6 billion (NOK 1.8 million) in the 3rd quarter and totalled NOK 8.6 billion (NOK 6.8 million) at the end of September. This is attributed primarily to rising equity markets.

Solvency

The solvency margin of SPP Livförsäkring AB was 216 per cent and the solvency margin of SPP Liv Fondförsäkring AB was 228 per cent at the end of the quarter. At the end of last year the solvency margin was 169 and 188 per cent, respectively, for the two companies. Insurance liabilities are discounted by a market interest rate for solvency calculations in Sweden.

Financial strength



Due to the change in the company structure of SPP, no formal group solvency is reported as previously. The figure above shows the development of solvency in SPP Livförsäkring AB and SPP Liv Fondsförsäkring AB.

Assets under management totalled NOK 115.2 billion at the end of 3rd quarter. This corresponds to an increase of NOK 4.2 billion during the quarter and is attributed, foremost, to rising equity markets. The assets under management within unit linked insurance at the end of the 3rd quarter totalled NOK 41 billion (NOK 39 billion)

Market

Premium income[1)]

	3Q		01.01 - 30.09		Full year
NOK million	2012	2011	2012	2011	2011
Guaranteed products	602	704	1 909	1 993	2 632
Unit linked	837	762	2 960	2 884	3 633
Total	1,439	1,466	4,869	4,877	6,265

Net premium income (premium income less insurance claim payments and transfers) was still positive within unit linked insurance and totalled NOK 1,963 million year to date. The net premium income for guaranteed products for the corresponding period was minus NOK 1,972 million.

Campaigns to advice customers to convert to unit linked insurance were intensified in the 3rd quarter. Converting to unit linked insurance should, for example, give the customer long-term sustainable pension savings, in addition to increased transparency with regard to costs and an improved opportunity for an excess return. Large portions of the sales organisation are focusing on this work now.

SPP have a market share within unit linked occupational pension of 8.7 per cent of premiums and 11.7 per cent of new sales. The last public statistics show that SPP has the second highest new sales volume in the market for occupational pensions, excluding union-based schemes, and a market share of 12.5 per cent. For unit linked insurance, the company's market share is 14.8 per cent, which makes SPP the third largest provider in the non union controlled market.

On 15 September SPP launched the SparaSäkra product as a replacement for the generation funds as the default solution for new insurance policies. This solution is aimed at customers that want to save for their pensions in funds and want assistance in choosing the funds and automatic risk adaptation. This is a unique and modern savings solution. SPP SparaSäkra is adapted to customers who desire to make one choice for their pension solution.

The Life Insurance Commission, which has been assigned the task of studying the opportunities for strengthening the interests of the policyholders, has submitted its proposal to the Minister of Finance. The report contains, for example, a proposal for a free right of transfer under certain circumstances for occupational pensions from January 2015. Today around SEK 1,000 billion is invested in paid-up policies in the defined contribution area in the Swedish market. If the proposal is adopted, it will be possible to transfer these paid-up policies to another pension provider. A right to transfer will be positive for SPP and increase the company's potential market.

Sales

New sales measured in APE amounted to NOK 197 million (NOK 225 million) in the 3rd quarter. This corresponds to a reduction of 13 per cent. New sales totalled NOK 733 million (NOK 779 million) year to date. Direct sales and sales via the broker channel are relatively stable compared with the previous year. Lower sales within union-based schemes were attributed to a large degree to fewer individuals making an active choice. Unit linked insurance accounted for 65 per cent (68 per cent) of the total new contracts year to date.

[1)] *Excluding transfer premium reserves*

INSURANCE/RECONCILIATION

- **Impared risk result**

The business area offers personal risk products in the Norwegian retail market, and employee cover in the corporate market in Norway.

Result

Financial performance Insurance

	Q3		01.01 - 30.09		Full year
NOK million	2012	2011	2012	2011	2011
Premiums earned, net	319	291	906	866	1,149
Claims incurred, net	-197	-189	-568	-629	-833
Operating costs	-69	-50	-165	-142	-193
Insurance result	**53**	**51**	**172**	**95**	**124**
Net financial result	20	29	49	74	93
Profit before tax	**73**	**80**	**222**	**169**	**217**

	Q3		01.01 - 30.09		Full year
	2012	2011	2012	2011	2011
Claims ratio	62%	65%	63%	73%	72%
Cost ratio	22%	17%	18%	16%	17%
Combined ratio	83%	82%	81%	89%	89%

New subscriptions

- Risk products: NOK 59 million (22 million) in Q3 2012 and 160 million (74 million) as at 30.09.2012.

RECONCILIATION TABLES TOWARDS PROFIT AND LOSS ACCOUNT

The following table shows reconciliation between the profit and loss tables in this interim report showing Storebrand Livsforsikring Group according to IFRS, and profit and loss to local Annual Accounts Regulations for Insurance Companies (NGAAP). The official financial statements for Storebrand Livsforsikring AS are prepared in accordance with local Annual Accounts Regulations for Insurance Companies (NGAAP).

NOK million	30.09.12	30.09.11	31.12.11
Profit and Loss	1,173	618	722
Charge from the additional statutory reserves	-4	-364	
Change in security reserves p&c insurance	-19	25	30
Profit and loss Storebrand Livsforsikring Group before tax	**1,150**	**280**	**751**

Lysaker, 23. October 2012

The Board of Directors of Storebrand Livsforsikring AS

Storebrand Livsforsikring AS

PROFIT AND LOSS ACCOUNT

	3Q		01.01 - 30.09		
NOK million	2012	2011	2012	2011	Year 2011
TECHNICAL ACCOUNT:					
Gross premiums written	3,729	3,562	12,716	12,873	15,801
Reinsurance premiums ceded		-3	-30	-48	-68
Premium reserves transferred from other companies	1,395	261	2,604	2,070	2,317
Premiums for own account	**5,124**	**3,819**	**15,290**	**14,895**	**18,050**
Income from investments in subsidiaries, associated companies and joint-controlled companies	255	404	430	1,449	1,784
of which from investment in real estate companies	264	409	450	1,461	1,779
Interest income and dividends etc. from financial assets	1,447	1,187	3,989	3,565	5,213
Changes in investment value	965	-2,932	2,497	-2,865	-2,181
Realised gains and losses on investments	551	-161	564	697	662
Total net income from investments in the collective portfolio	**3,219**	**-1,502**	**7,480**	**2,846**	**5,478**
Income from investments in subsidiaries, associated companies and joint-controlled companies	23	31	39	109	133
of which from investment in real estate companies	24	31	40	110	132
Interest income and dividends etc. from financial assets	-3	52	59	134	655
Changes in investment value	907	-1,591	1,648	-2,066	-1,638
Realised gains and losses on investments	221	-80	366	413	459
Total net income from investments in the investment selection portfolio	**1,148**	**-1,587**	**2,111**	**-1,410**	**-390**
Other insurance related income	**44**	**22**	**131**	**104**	**162**
Gross claims paid	-2,897	-2,733	-8,132	-7,904	-10,560
Claims paid - reinsurance	1	2	8	10	18
Gross change in claims reserve	-17	-24	-36	47	28
Premium reserves etc. transferred to other companies	-206	-1,030	-2,506	-6,136	-7,050
Claims for own account	**-3,120**	**-3,785**	**-10,665**	**-13,983**	**-17,564**
To (from) premium reserve, gross	-1,759	-145	-4,348	-349	-1,202
To/from additional statutory reserves in connection with claims/repurchase	-95	-2	-33	156	-98
Change in value adjustment fund	-1,120	2,156	-2,379	1,971	1,971
Change in premium fund, deposit fund and the pension surplus fund	-22	-17	-68	-78	-95
To/from technical reserves for non-life insurance business	-34	5	-128	-53	-44
Transfer of additional statutory reserves and value adjustment fund from other insurance companies/pension funds	108	6	121	17	42
Changes in insurance obligations recognised in the Profit and Loss Account - contractual obligations	**-2,921**	**2,002**	**-6,835**	**1,665**	**576**
Change in premium reserve	-2,006	679	-4,503	-1,818	-3,445
Change in other provisions		28	52	-22	2
Changes in insurance obligations recognised in the Profit and Loss Account - investment portfolio separately	**-2,006**	**707**	**-4,450**	**-1,840**	**-3,443**
Profit on investment result					-256
The risk profit allocated to the insurance agreements					-163
Other allocation of profit					-90
Unallocated profit	-707	495	-1,068	-927	
Funds allocated to insurance contracts	**-707**	**495**	**-1,068**	**-927**	**-510**

Storebrand Livsforsikring AS

PROFIT AND LOSS ACCOUNT CONTINUE

	3Q		01.01 - 30.09		
NOK million	2012	2011	2012	2011	Year 2011
Management expenses	-33	-29	-101	-92	-126
Selling expenses	-80	-96	-170	-245	-334
Insurance-related administration expenses (incl. commissions for reinsurance received)	-353	-221	-910	-674	-910
Insurance-related operating expenses	**-467**	**-346**	**-1,181**	**-1,012**	**-1,370**
Other insurance related expenses after reinsurance share	**-38**	**-47**	**-117**	**-133**	**-186**
Technical insurance result	**276**	**-221**	**695**	**204**	**802**
NON-TECHNICAL ACCOUNT					
Income from investments in subsidiaries, associated companies and joint-controlled companies	13	20	93	73	153
of which from investment in real estate companies	14	20	24	74	91
Interest income and dividends etc. from financial assets	159	182	496	536	738
Changes in investment value	53	-31	102	-27	-27
Realised gains and losses on investments	7	11	25	68	83
Net income from investments in company portfolio	**232**	**182**	**716**	**650**	**947**
Other income	**5**		**16**		**2**
Management expenses	-2	-3	-7	-8	-10
Other costs	-118	-116	-374	-383	-530
Total management expenses and other costs linked to the company portfolio	**-120**	**-119**	**-382**	**-391**	**-540**
Profit or loss on non-technical account	**117**	**63**	**351**	**259**	**409**
Profit before tax	**393**	**-158**	**1 046**	**463**	**1 211**
Tax costs	**-85**		**-240**		**-811**
Profit before other comprehensive income	**308**	**-158**	**806**	**463**	**400**
Acturial gains and losses on defined benefit pensions - benefits to employees					-72
Tax on other comprehensive income					116
Other comprehensive income and costs					**44**
COMPREHENSIVE INCOME	**308**	**-158**	**806**	**463**	**443**

Storebrand Livsforsikring Group

PROFIT AND LOSS ACCOUNT

	3Q		01.01 - 30.09		
NOK million	2012	2011	2012	2011	Year 2011
TECHNICAL ACCOUNT					
Gross premiums written	5,248	5,089	18,178	18,290	22,799
Reinsurance premiums ceded	-4	-56	-70	-210	-317
Premium reserves transferred from other companies	1,465	330	2,791	2,312	2,637
Premiums for own account	**6,708**	**5,362**	**20,899**	**20,391**	**25,120**
Income from investments in subsidiaries, associated companies and joint-controlled companies	28	24	46	33	72
Interest income and dividends etc. from financial assets	2,175	1,861	6,259	5,834	8,248
Net operating income from real estate	307	343	978	908	1,190
Changes in investment value	2,245	-2,122	1,480	-771	414
Realised gains and losses on investments	824	665	2,665	1,628	2,314
Total net income from investments in the collective portfolio	**5,577**	**772**	**11,427**	**7,632**	**12,238**
Interest income and dividends etc. from financial assets	834	789	940	897	1,427
Net operating income from real estate	24	25	79	66	87
Changes in investment value	1,020	-5,569	2,831	-6,737	-4,948
Realised gains and losses on investments	144	-162	329	378	452
Total net income from investments in the investment selection portfolio	**2,021**	**-4,917**	**4,180**	**-5,395**	**-2,982**
Other insurance related income	**316**	**171**	**861**	**731**	**995**
Gross claims paid	-4,344	-4,162	-12,593	-12,458	-16,574
Claims paid - reinsurance	-3	32	8	67	83
Gross change in claims reserve	-16	-22	-33	53	37
Premium reserves etc. transferred to other companies	-607	-1,355	-3,616	-7,012	-8,172
Claims for own account	**-4,970**	**-5,507**	**-16,234**	**-19,349**	**-24,626**
To (from) premium reserve, gross	-2,834	-5,441	-4,545	-5,967	-7,767
To/from additional statutory reserves in connection with claims/repurchase	-95	-2	-33	156	-98
Change in value adjustment fund	-1,120	2,156	-2,379	1,971	1,971
Change in premium fund, deposit fund and the pension surplus fund	-22	-17	-68	-78	-95
To/from technical reserves for non-life insurance business	-34	5	-128	-53	-44
Change in conditional bonus	-440	3,547	-1,330	2,742	2,182
Transfer of additional statutory reserves and value adjustment fund from other insurance companies/pension funds	108	6	121	17	42
Changes in insurance obligations recognised in the Profit and Loss Account - contractual obligations	**-4,436**	**254**	**-8,361**	**-1,212**	**-3,807**
Change in premium reserve	-3,266	3,478	-8,516	315	-3,135
Change in other provisions		28	52	-22	2
Changes in insurance obligations recognised in the Profit and Loss Account - investment portfolio separately	**-3,266**	**3,506**	**-8,464**	**293**	**-3,133**
Profit on investment result					-256
The risk profit allocated to the insurance agreements					-163
Other allocation of profit					-90
Unallocated profit	-707	495	-1,068	-927	
Funds allocated to insurance contracts	**-707**	**495**	**-1,068**	**-927**	**-510**

Storebrand Livsforsikring Group

PROFIT AND LOSS ACCOUNT CONTINUE

	3Q		01.01 - 30.09		
NOK million	2012	2011	2012	2011	Year 2011
Management expenses	-67	-75	-218	-232	-313
Selling expenses	-122	-146	-299	-386	-516
Change in pre-paid direct selling expenses	7	12	36	39	53
Insurance-related administration expenses (incl. commissions for reinsurance received)	-538	-372	-1,442	-1,176	-1,608
Reinsurance commissions and profit participation		46	6	173	291
Insurance-related operating expenses	**-720**	**-534**	**-1,917**	**-1,582**	**-2,093**
Other insurance related expenses after reinsurance share	**-53**	**-58**	**-139**	**-162**	**-239**
Technical insurance result	**472**	**-457**	**1,184**	**418**	**962**
NON-TECHNICAL ACCOUNT					
Income from investments in subsidiaries, associated companies and joint-controlled companies	1		-2	3	-4
Interest income and dividends etc. from financial assets	125	115	401	363	518
Net operating income from real estate	16	17	50	45	59
Changes in investment value	57	-37	94	-2	10
Realised gains and losses on investments	1	4	9	57	51
Net income from investments in company portfolio	**199**	**99**	**551**	**467**	**634**
Other income	**220**	**140**	**464**	**415**	**569**
Management expenses	-8	-8	-23	-21	-29
Other costs	-397	-318	-1,027	-999	-1,385
Management expenses and other costs linked to the company portfolio	**-405**	**-326**	**-1,049**	**-1,020**	**-1,414**
Profit or loss on non-technical account	**15**	**-86**	**-34**	**-138**	**-211**
Profit before tax	**486**	**-543**	**1,150**	**280**	**751**
Tax costs	**-83**	**3**	**-240**	**59**	**-730**
Profit before other comprehencive income	**404**	**-540**	**909**	**339**	**22**
Actuarial gains and losses on defined benefit pensions - benefits to employees	-5		-31	6	-118
Change in value adjustment reserve own buildings	31	-9	71	23	76
Re-statement differences	118	21	54	-1	117
Adjustment of insurance liabilities	-31	9	-71	-23	-76
Tax on other comprehensive income					122
Other comprehensive income and costs	**113**	**21**	**24**	**4**	**121**
COMPREHENSIVE INCOME	**517**	**-519**	**933**	**343**	**142**
PROFIT IS DUE TO:					
Minority share of profit	6	2	16	6	8
Majority share of profit	397	-539	894	338	14
COMPREHENSIVE INCOME IS DUE TO:					
Minority share of profit	8		15	-1	10
Majority share of profit	509	-519	918	344	132

Storebrand Livsforsikring

STATEMENT OF FINANCIAL POSITION

Storebrand Livsforsikring Group			Storebrand Livsforsikring AS	
31.12.11	30.09.2012	NOK million	30.09.12	31.12.11
		ASSETS		
		ASSETS IN COMPANY PORTFOLIO		
745	739	Goodwill		
5,182	4,946	Other intangible assets	114	91
5,926	**5,685**	**Total intangible assets**	**114**	**91**
1,313	1,316	Real estate at fair value		
67	63	Real estate for own use		
125	121	Equities and units in subsidiaries, associated companies and joint-controlled companies	10,986	8,633
		of which investment in real estate companies	1,509	1,412
69	69	Loans to and securities issued by subsidiaries and associated companies	6,784	8,342
5	5	Loans	4	5
169	221	Bonds held to maturity	221	169
1,334	1,242	Bonds at amortised cost	1,242	1,334
312	208	Equities and other units at fair value	136	170
15,006	15,168	Bonds and other fixed-income securities at fair value	4,803	4,769
316	286	Derivatives at fair value	286	316
192	274	Other financial assets	83	139
18,909	**18,974**	**Total investments**	**24,545**	**23,879**
203	**176**	**Reinsurance share of insurance obligations**	**176**	**203**
1,177	2,421	Receivables in connection with direct business transactions	2,242	1,125
118	4	Receivables in connection with reinsurance transactions	4	9
24	16	Receivables with group company	19	91
1,418	2,236	Other receivables	1,125	567
2,737	**4,677**	**Total receivables**	**3,390**	**1,792**
366	353	Plants and equipment	59	60
2,897	2,807	Cash, bank	1,390	1,377
26	20	Tax assets		
616	594	Other assets designated according to type		
3,905	**3,774**	**Total other assets**	**1,449**	**1,438**
406	444	Pre-paid direct selling expenses		
79	190	Other pre-paid costs and income earned and not received	43	29
485	**634**	**Total pre-paid costs and income earned and not received**	**43**	**29**
32,164	**33,919**	**Total assets in company portfolio**	**29,715**	**27,431**
		ASSETS IN CUSTOMER PORTFOLIOS		
25,547	25,055	Real estate at fair value		
1,291	1,972	Real estate for own use		
106	302	Equities and units in subsidiaries, associated companies and joint-controlled companies	29,497	30,152
		of which investment in real estate companies	29,026	27,740
428	496	Loans to and securities issued by subsidiaries and associated companies		
7,983	10,435	Bonds held to maturity	10,435	7,983
62,976	58,618	Bonds at amortised cost	58,618	62,976
2,896	3,487	Loans	3,487	2,896
46,776	33,462	Equities and other units at fair value	17,655	25,857
107,175	128,269	Bonds and other fixed-income securities at fair value	52,904	37,532
5,136	3,440	Financial derivatives at fair value	1,119	208
4,542	6,499	Other financial assets	1,469	1,036
264,855	**272,035**	**Total investments in collective portfolio**	**175,184**	**168,640**

Storebrand Livsforsikring

STATEMENT OF FINANCIAL POSITION CONTINUE

Storebrand Livsforsikring Group			Storebrand Livsforsikring AS	
31.12.11	30.09.2012	NOK million	30.09.12	31.12.11
1,925	2,111	Real estate at fair value		
102	105	Real estate for own use		
		Equities and units in subsidiaries, associated companies and joint-controlled companies	2,456	2,317
		of which investment in real estate companies	2,438	2,101
114	133	Loans	133	114
38,160	43,351	Equities and other units at fair value	14,603	12,203
20,858	24,460	Bonds and other fixed-income securities at fair value	15,853	13,447
14	158	Financial derivatives at fair value	157	14
905	276	Other financial assets	186	841
62,079	**70,593**	**Total investments in investment selection portfolio**	**33,388**	**28,936**
326,934	**342,628**	**Total assets in customer portfolio**	**208,572**	**197,576**
359,098	**376,546**	**TOTAL ASSETS**	**238,288**	**225,007**
		EQUITY AND LIABILITIES		
3,430	3,540	Share capital	3,540	3,430
9,271	9,711	Share premium reserve	9,711	9,271
12,701	**13,251**	**Total paid in equity**	**13,251**	**12,701**
469	581	Risk equalisation fund	581	469
2,153	2,142	Other earned equity	3,115	3,115
	798	Earned profit	694	
177	167	Minority's share of equity		
2,799	**3,687**	**Total earned equity**	**4,389**	**3,584**
5,311	5,090	Perpetual subordinated loan capital	5,090	5,311
1,502	1,501	Perpetual capital	1,501	1,502
6,813	**6,591**	**Total subordinate loan capital etc.**	**6,591**	**6,813**
239,842	243,924	Premium reserves	159,390	154,956
5,208	5,134	Additional statutory reserves	5,134	5,208
	2,379	Market value adjustment reserve	2,379	
774	806	Claims allocation	726	689
3,640	3,055	Premium fund, deposit fund and the pension surplus fund	3,055	3,640
10,038	11,355	Conditional bonus		
	762	Unallocated profit to insurance contracts	762	
648	748	Other technical reserve	748	648
260,151	**268,164**	**Total insurance obligations in life insurance - contractual obligations**	**172,194**	**165,142**
61,452	69,981	Premium reserve	32,710	28,207
1	1	Claims allocation	1	1
233	249	Additional statutory reserves	249	233
289	459	Premium fund, deposit fund and the pension surplus fund	459	289
	306	Unallocated profit to insurance contracts	306	
61,974	**70,995**	**Total insurance obligations in life insurance - investment portfolio separately**	**33,724**	**28,730**

Storebrand Livsforsikring

STATEMENT OF FINANCIAL POSITION CONTINUE

Storebrand Livsforsikring Group			Storebrand Livsforsikring AS	
31.12.11	30.09.12	NOK million	30.09.12	31.12.11
1,077	1,082	Pension liabilities etc.	820	820
830	1,083	Period tax liabilities	935	695
108	151	Other provisions for liabilities	31	62
2,016	**2,317**	**Total provisions for liabilities**	**1,786**	**1,577**
1,600	2,294	Liabilities in connection with direct insurance	2,043	1,066
1	5	Liabilities in connection with reinsurance	2	1
2,197	997	Financial derivatives	525	1,518
1,187	12	Liabilities to group companies	12	235
7,345	7,710	Other liabilities	3,448	3,454
12,329	**11,018**	**Total liabilities**	**6,031**	**6,274**
315	524	Other accrued expenses and received, unearned income	321	187
315	**524**	**Total accrued expenses and received, unearned income**	**321**	**187**
359,098	**376,546**	**TOTAL EQUITY AND LIABILITIES**	**238,288**	**225,007**

Storebrand Livsforsikring

RECONCILIATION OF CHANGE IN EQUITY STOREBRAND LIVSFORSIKRING AS

NOK million	Share capital [1]	Share premium reserves	Total paid in equity	Risk equalisation fund [2]	Other equity	Total equity
Equity at 31.12.11	**3,430**	**9,271**	**12,701**	**469**	**3,115**	**16,285**
Profit				112	694	806
Comprehensive income:						
Pension experience adjustments						
Total revenue and costs for the period				**112**	**694**	**806**
Equity transactions with owner:						
Share issue	110	440	550			550
Equity at 30.09.12	**3,540**	**9,711**	**13,251**	**581**	**3,809**	**17,640**

[1] *35.404.200 shares of NOK 100 par value.*
[2] *Restricted equity NOK 581 million.*

RECONCILIATION OF CHANGE IN EQUITY STOREBRAND LIVSFORSIKRING GROUP

	Majority's share of equity						
NOK million	Share capital	Share premium reserves	Total paid in equity	Risk equalisation fund [1]	Other equity	Minority interests	Total equity
Equity at 31.12.11	**3,430**	**9,271**	**12,701**	**469**	**2,153**	**177**	**15,500**
Profit				112	782	16	909
Comprehensive income:							
Pension experience adjustments					-31		-31
Re-statement differences					55	-1	54
Total revenue and costs for the period				**112**	**806**	**15**	**933**
Equity transactions with owner:							
Share issue	110	440	550				550
Group contributions						-8	-8
Acquisition of minority						-11	-11
Other					-20	-6	-26
Equity at 30.09.12	**3,540**	**9,711**	**13,251**	**581**	**2,940**	**167**	**16,938**

[1] *Restricted equity NOK 581 million.*

Storebrand Livsforsikring

CASH FLOW ANALYSIS

Storebrand Livsforsikring Group			Storebrand Livsforsikring AS	
31.12.11	30.09.12	NOK million	30.09.12	31.12.11
		Cash flow from operational activities		
18,092	14,265	Net received - direct insurance	9,018	11,231
-12,605	-12,031	Net claims/benefits paid - direct insurance	-7,271	-8,626
-4,562	-825	Net receipts/payments - policy transfers	98	1,543
-1,582	-1,917	Net receipts/payments - other operational activities	-1,181	-1,047
4,597	-410	Net receipts/payments operations	-1,333	-1,687
3,940	**-918**	**Net cash flow from operational activities before financial assets**	**-669**	**1,414**
-79	-610	Net receipts/payments - lendings to customers	-610	309
-4,198	3,497	Net receipts/payments - financial assets	639	-511
-582	730	Net receipts/payments - real estate activities		
1,507	-1,327	Net change bank deposits insurance customers	222	-381
-3,352	**2,290**	**Net cash flow from operational activities from financial assets**	**252**	**-583**
588	**1,372**	**Net cash flow from operational activities**	**-417**	**832**
		Cash flow from investment activities		
-138	-260	Net payments - purchase/capitalisation of subsidiaries and associated companies	523	-551
-39	-67	Net receipts/payments - sale/purchase of fixed assets	-37	-7
-177	**-327**	**Net cash flow from investment activities**	**486**	**-558**
		Cash flow from financing activities		
	-930	Repayment of loans		
	550	Payments - share issue	550	
-468	-464	Payments - interest on subordinated loan capital	-464	-485
-850	-208	Payments - group contribution dividends	-200	-610
-1,318	**-1,052**	**Net cash flow from financing activities**	**-114**	**-1,095**
-907	**-7**	**Net cash flow for the period**	**-44**	**-821**
2,445	-2,297	of which net cash flow for the period before financial assets	-669	-239
-907	-7	Net movement in cash and cash equivalent assets	-44	-821
1,922	3,088	Cash and cash equivalent assets at start of the period	1,517	1,032
1,016	**3,081**	**Cash and cash equivalent assets at the end of the period**	**1,472**	**211**

Notes to the interim accounts

NOTE 1: ACCOUNTING POLICIES

The Group's interim financial statements include Storebrand ASA, subsidiaries and associated companies. The financial statements are prepared in accordance with IAS 34 Interim Financial Reporting. The interim financial statements do not contain all the information that is required in full annual financial statements.

The Group has not made any significant changes to the accounting policies applied in 2012. A description of the accounting policies applied in the preparation of the financial statements is provided in the 2011 annual report.

Storebrand Livsforsikring AS owns the Swedish holding company Storebrand Holding AB, which in turn owns SPP Livförsäkring AB and SPP Fondförsäkring. 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)

NOTE 2: ESTIMATES

In preparing the interim accounts, Storebrand has made assumptions and used estimates that affect reported amounts of assets, liabilities,revenues, costs and information in the notes to the financial statements, as well as the information provided on contingent liabilities. A certain degree of uncertainty is associated with estimates and assumptions and actual figures may deviate from the estimates used.The Financial Supervisory Authority is consulting with the Norwegian financial sector on new life expectancy tables. There is a general need for reserves to boost provisions for longer life expectancy within collective pensions. The final process, level of life expectancy tariffs and reserve requirement will depend on Banklovkommisjonens (the commission on banking law) decision on the format of a new occupational pension scheme for the private sector. Based on the current product rules for collective pensions, the reserve will comprise 3-7 % of the premium reserve. The new structure for occupational pensions can have a positive effect on the reserve requirement and time horizon. The reserve is expected to be mainly covered through financial and risk profits.

Storebrand set aside NOK 1.1 billion in 2010 and 2011 for future reserves for long life expectancy. Customers must also expect that Storebrand Livsforsikring will once again set aside a considerable amount of returns in addition to the interest rate guarantee in 2012 to cover projected longer life expectancy.

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 addition, the insurance liabilities in the Swedish activities are affected by changes in the market rate. 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. Please refer to note 6 Insurance risk in the 2011 annual report.

Please also refer to the discussions in notes 3 and 11 of the 2011 annual report.

NOTE 3: TAX

The National Budget 2013, which was published on 8 October 2012, calls for elimination of the tax exemption method for customer portfolios in life insurance companies with effect from 1 January 2012. It is pointed out that all of the circumstances related to the proposed rule amendments have not been clarified, and the proposal will not be formally adopted by the Storting until December 2012 when the National Budget for 2013 is debated.

The proposed amendments entail that dividends and capital gains on equities etc. that are in group or investment option portfolios, which were encompassed by the exemption method earlier, will be taxed now as ordinary income, while losses on the realisation of such shares will be deductible (as was also proposed on 31 December 2011). This will entail less of a difference between the accounting and taxable results in the future, and the life insurance companies will still receive a tax allowance, as before, for allocations to insurance reserves. The exemption method for equities, as it was formulated earlier, including the deductibility of allocations to insurance reserves, implied that life insurance companies could achieve a profit for tax purposes in the case of a decline in the value of equities and a loss for tax purposes in the case of an increase in the value of equities that fall under the exemption method.

Notes to the interim accounts

The proposed amendments to the Norwegian Tax Code have not been incorporated into the accounts as at the 3rd quarter of 2012, since this is considered an event after the balance sheet date that is not to be taken into account. The income tax expense as at the 3rd quarter has been estimated based on an expected effective tax rate for 2012 and the existing rules. Some uncertainty is related to the estimates, and this particularly applies to the size of income/costs related to the exemption method for equities. Based on the existing rules, there still may be significant changes in tax positions as a result of a fall or rise in the equity market and significant currency fluctuations.

Provided the Storting adopts the proposed amendments with effect from 1 January 2012, this will have a transitional effect with deferred tax liabilities/assets for unrealised capital gains or losses on equities etc. that were encompassed by the exemption method as at 31 December 2011. At the end of Q3 2012, permanent differences linked to realised and unrealised gains from directly owned shares within the tax exemption method amounted to around NOK 0.7 billion. Therefore, the tax cost associated with reclassification from permanent differences is expected to amount to around NOK 0.2 billion.

NOTE 4: INFORMATION ABOUT CLOSE PARTIES

Storebrand conducts transactions with close associates as part of its normal business activities. These transactions take place on commercial terms. The terms for transactions with senior employees and close parties are stipulated in notes 21 and 45 in the 2011 annual report.

Storebrand had not carried out any material transactions with close associates at the close of 3Q.

NOTE 5: SOLVENCY II

Please refer to note 5 in the 2011 annual report and note 6 below for a discussion on Solvency II. Internationally the next milestone in the Solvency II process is to adopt amendments to the Solvency II directive. Important items under discussion are transitional provisions and the method to determine the risk-free interest rate curve.

NOTE 6: FINANCIAL RISK

Financial risk is described in the 2011 annual report in notes 3 (Critical accounting estimates and judgements), 7 (Financial market risk), 8 (Liquidity risk) and 9 (Credit risk).

Overall the financial markets have showed a positive performance for Storebrand’s financial investments throughout the 3rd quarter and year to date. This has resulted in good returns for customers and positive financial results. It has also led to increased risk buffers, which, in combination with the reduced equity exposure, have resulted in lower financial risk throughout the year.

The global macroeconomic situation, including the emerging economies, has continued to weaken throughout the third quarter. The financial markets stabilised nevertheless, with rising equity markets, falling credit premiums and falling government interest rates in crisis-ridden Eurozone countries such as Spain and Italy. Central bank stimulus measures, particularly the European (ECB) and US (Fed) central banks, contributed to a greater willingness to accept risk. The ECB announced unlimited government bond buying in distressed countries in return for the authorities seeking emergency relief from the European rescue fund, thus subjecting themselves to structural reforms and austerity measures. The Fed also announced unlimited bond buying until it sees a substantial improvement in the US economy and a decline in unemployment.

Storebrand Livsforsikring AS
Direct exposure to selected countries

NOK million	30.09.12	31.12.11
Greece	5	8
Italy	671	4,122
Portugal	724	856
Ireland	439	1,152
Spain	2,344	4,220
Total	**4,184**	**10,358**

Notes to the interim accounts

Storebrand Livsforsikring Group

Direct exposure to selected countries

NOK million	30.09.12	31.12.11
Greece	7	13
Italy	716	4,208
Portugal	729	863
Ireland	1,752	2,392
Spain	2,404	4,657
Total	**5,609**	**12,133**

The reduction in exposure at the end of Q3 was due to realisations.

Long-term Norwegian and Swedish interest rates fell throughout the third quarter and are generally lower now than at the start of the year. US and German interest rates have also fallen significantly to date this year. After a significant interest rate fall early in June, the Swedish Financial Supervisory Authority introduced a temporary opportunity until 15 June 2013 to use the market interest rate from 31 May 2012 as the benchmark for the market assessment of insurance liabilities for solvency purposes. The insurance liabilities in the Swedish operations are calculated by means of an average of the government and home mortgage interest rates, where the illiquid portion of the yield curve is estimated. This solvency interest rate fell approximately to the level from 31 May during the third quarter.

The equity markets have displayed a positive performance in the 3rd quarter and to date this year. For the Group overall the equity percentage has been reduced further throughout the 3rd quarter and is significantly lower than at the end of 2011. Combined with a favourable development for fixed income securities with credit risk, the performance of the equity market and lower interest rates have provided very good returns for the customer portfolios. This has also resulted in recovery of the so-called deferred capital contribution in the Swedish operations and significant profit sharing, which is included in Storebrand's financial result. Low interest rates in isolation, however, have a negative impact on risk and the results of the operations. Both in Norway and Sweden, major portions of insurance liabilities are subject to a nominal interest rate guarantee. Lower interest rates increase the probability of charges against equity to redeem the customers' interest rate guarantees. In the Swedish life insurance operations, the future estimated insurance claim payments are assessed at market value (see note 1 to the annual accounts for 2011), which implies that falling interest rates result immediately in an increase in the value of the insurance liabilities. Falling interests rates also result in an increase in the value of fixed income securities in the customer portfolios, which counteracts to a great extent the impact on the value of the liabilities in the financial accounts.

For solvency purposes the value of the insurance liabilities is assessed in a manner that entails greater interest rate sensitivity than in the financial accounts, and this greater interest rate sensitivity is not counteracted by assets. Falling interest rates have in isolation resulted in a higher interest rate risk and weakened solvency in Sweden throughout the 3rd quarter. The solvency capital has, however, not changed significantly throughout the quarter due to other positive result elements. The solvency capital in the Swedish operations has increased since the end of 2011 – primarily as a result of changes in the corporate structure and prerequisites for calculating the liabilities. In Norwegian life and pensions, the estimated claim payments for products with an interest rate guarantee are discounted by a statutory interest rate. The insurance liabilities in the financial accounts and the solvency capital requirements are thus not affected by market interest rate fluctuations. For the life insurance group, fluctuations in the Swedish market interest rates will affect the liabilities for solvency purposes by the proportion represented by the Swedish business.

Solvency II entails the calculation of capital requirements for all major risks the business is exposed to, from investments and as a result of insurance liabilities incurred. This could mean a total capital requirement higher than the current minimum requirements under Solvency I. The calculation of the solvency capital will be changed at the same time. Under Solvency II, assets and insurance liabilities will be valued at fair value and vary according to fluctuations in the interest rate level for the Norwegian business (for solvency purposes). As a general principle, the solvency capital will consist of the difference between the value of assets and liabilities. The new calculation method may entail an increased interest rate risk in the solvency capital. Given the current investment portfolio, a fall in interest rates will result in a fall in the solvency margin under Solvency II. The implementation of Solvency II is planned from 1 January 2014. As a result of significant delays in relation to the schedule, it appears to be likely that the transition will be postponed in full or in part to 2015 or 2016.

The Banking Law Commission published 28th of June a proposal for a new Act on Occupational Pensions to replace the current defined-benefit occupational pensions in the private sector. The proposed new scheme provides lower risk for pension providers from market risk and a higher life expectancy. The presented proposal encompasses only new premiums and is to take effect from 1 January 2014 according to plan. The Banking Law Commission is currently working on transitional schemes for the existing portfolio, and a proposal for transitional solutions shall be ready by the end of 2012 according to plan.

Notes to the interim accounts

NOTE 7: SEGMENT INFORMATION - ANALYSIS OF PROFIT AND LOSS BY BUSINESS AREA

NOK million	Storebrand Life Insurance 3Q		SPP 3Q		Asset mangement 3Q		Insurance 3Q		Storebrand Livsforsikring Group 3Q	
Revenue	9,733	1,117	4,949	407	51	57	309	187	15,043	1,768
Profit before tax	241	-349	157	-309	16	34	73	80	486	-543
Assets	3,008	-7,345	4,748	3,125	-58	104	-142	-130	7,555	-4,245
Liabilities	2,643	-8,102	4,077	3,530	-68	78	-142	-130	6,510	-4,624

	Storebrand Life Insurance		SPP		Asset mangement		Insurance		Storebrand Livsforsikring Group	
NOK million	30.09.12	30.09.11	30.09.12	30.09.11	30.09.12	30.09.11	30.09.12	30.09.11	30.09.12	30.09.11
Revenue	25,362	16,726	11,607	6,444	162	167	1,247	1,071	38,378	24,408
Profit before tax	491	4	378	35	58	72	222	169	1,150	280
Assets	236,302	208,127	137,464	144,140	207	291	2,574	2,295	376,546	354,853
Liabilities	226,785	197,477	130,128	139,006	121	195	2,574	2,295	359,609	338,974

Revenue
Revenue includes the total premium income including savings premiums and transferred premium reserve from other companies, net financial return and other income.

Storebrand Life Insurance
Includes the companies in the Storebrand Livsforsikring Group, except Storebrand Eiendom AS, Storebrand Realinvesteringer AS and Storebrand Holding Group, 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. Includes also Benco as via Nordben and Euroben offers pension products to multinational companies.

SPP
Includes companies in Storebrand Holding Group excluding SPP Fonder. 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 Eiendom AS (property management), Storebrand Realinvesteringer AS and SPP Fonder AB (fund management).

Insurance
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.

NOTE 8: VALUATION OF FINANCIAL INSTRUMENTS AT FAIR VALUE

The Storebrand Group 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 recognized 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.

Notes to the interim accounts

The Group categorises financial instruments valued at fair value on three different levels, which are described in more detail in note 11 in the annual report of 2011. The levels express the differing degree of liquidity and different measuring methods.

Storebrand Livsforsikring AS

NOK million	Quoted prices (Level 1)	Observable assumptions (Level 2)	Non-observable assumptions (Level 3)	30.09.12	31.12.11
Assets					
Equities and units					
- Equities	2,315	152	1,442	3,908	11,038
- Fund units		21,214	740	21,954	20,254
- Hedge fund		405	25	430	682
- Private Equity fund investments		840	5,261	6,101	6,256
Total equities and units	**2,315**	**22,611**	**7,468**	**32,394**	
Total equities and units 2011	**9,268**	**21,562**	**7,400**		**38,230**
Bonds and other fixed income securities					
- Government and government guaranteed bonds	4,015	2		4,016	3,651
- Credit bonds		12,280	808	13,088	8,810
- Mortage and asset backed bonds		10,990		10,990	8,021
' - Supranational and agency		680		680	
- Bond funds		44,786		44,786	35,266
Total bonds and other fixed income securities	**4,015**	**68,737**	**808**	**73,559**	
Total bonds and other fixed income securities 2011	**2,007**	**52,132**	**1,609**		**55,748**
Derivatives:					
- Interest rate derivatives		244		244	31
- Currency derivatives		794		794	-1,012
- Credit derivatives					2
Total derivatives		**1,037**		**1,037**	
- derivatives with a positive market value		1,563		1,563	
- derivatives with a positive market value		-525		-525	
Total derivatives 2011		**-980**			**-980**

Movements between quoted prices and observable assumptions

NOK million	From quoted prices to observable assumptions	From observable assumptions to quoted prices
Equities and units	25	14

Level 1 encompasses listed equities that over the previous six months have experienced a daily average turnover equivalent to approx. MNOK 20 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.

Notes to the interim accounts

Specification of papers pursuant to valuation techniques (non-observable assumptions)

NOK million	Equities	Fund units	Hedge fund	Private Equity fund investments	Credit bonds	Mortage and asset backed bonds
Balance 01.01.12	1,526	1,204	27	4,643	819	790
Net profit/loss at financial instruments	-35	56	-1	307	-31	547
Additions/purchases	5	18		359	23	
Sales/overdue/settlement	-57	-538		-48	-6	-1,336
To quoted prices and observable assumptions	3				2	
Balance 30.09.12	**1,442**	**740**	**25**	**5,261**	**808**	**0**

Storebrand Livsforsikring Group

NOK million	Quoted prices (Level 1)	Observable assumptions (Level 2)	Non-observable assumptions (Level 3)	30.09.12	31.12.11
Assets					
Equities and units					
- Equities	11,040	482	3,009	14,532	26,256
- Fund units		51,833	1,857	53,689	49,259
- Hedge fund		405	25	430	6,839
- Private Equity fund investments		1,026	5,928	6,954	919
- Indirect real estate fund		15	1,400	1,415	1,976
Total equities and units	**11,040**	**53,761**	**12,219**	**77,021**	
Total equities and units 2011	**22,647**	**50,045**	**12,556**		**85,248**
Bonds and other fixed income securities					
- Government and government guaranteed bonds	27,189	20,534		47,723	46,270
- Credit bonds		22,851	1,256	24,107	19,872
- Mortage and asset backed bonds		39,525		39,525	31,907
- Supranational and agency		3,767		3,767	2,202
- Bond funds		52,775		52,775	42,789
Total bonds and other fixed income securities	**27,189**	**139,453**	**1,256**	**167,897**	
Total bonds and other fixed income securities 2011	**31,782**	**117,633**	**2,156**		**143,040**
Derivatives:					
- Interest rate derivatives		2,046		2,046	4,191
- Currency derivatives		841		841	-924
- Credit derivatives					2
Total derivatives		**2,887**		**2,887**	
- derivatives with a positive market value		3,884		3,884	
- derivatives with a positive market value		-997		-997	
Total derivatives 2011		**3,269**			**3,269**

Movements between quoted prices and observable assumptions

NOK million	From quoted prices to observable assumptions	From observable assumptions to quoted prices
Equities and units	148	28

Level 1 encompasses listed equities that over the previous six months have experienced a daily average turnover equivalent to approx. MNOK 20 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.

Notes to the interim accounts

Specification of papers pursuant to valuation techniques (non-observable assumptions)

NOK million	Equities	Fund units	Private Equity fund investments	Hedge fund	Indirect real estate fund	Credit bonds	Mortage and asset backed bonds
Balance 01.01.12	3,111	2,224	5,226	27	1,969	1,213	790
Net profit/loss at financial instruments	-186	26	284	-1	-232	116	547
Additions/purchases	46	142	451		51	409	10
Sales/overdue/settlement	14	-539	-34		-388	-486	-1,346
From quoted prices and observable assumptions	20		1			2	
Re-statement differences	4	3				1	
Balance 30.09.12	**3,009**	**1,857**	**5,928**	**25**	**1,400**	**1,256**	**0**

NOTE 9: NET INCOME FROM REAL ESTATE

	Q3		01.01.-30.09		
NOK million	2012	2011	2012	2011	31.12.11
Rent income from real estate [1]	462	472	1,473	1,318	1,815
Operating costs (including maintenance and repairs) relating to real estate that have provided rent income [2]	-77	-49	-269	-230	-408
Profit minority defined as liabilities	-39	-37	-97	-69	-71
Net operating income from real estate	**346**	**386**	**1,107**	**1,019**	**1,336**
Realised gains/losses	4	10	5	11	82
Change in fair value of properties	-33	-59	-533	358	238
Total income from real estate	**318**	**336**	**579**	**1,389**	**1,656**
[1] Real estate for own use	19	39	56	76	73
[2] Real estate for own use	-1	-10	-3	-13	-6

Changes in value real estate investments

	Q3		01.01.-30.09		
NOK million	2012	2011	2012	2011	31.12.11
Wholly owned real estate investments	-33	37	-533	358	238
Reclassification etc. for wholly owned real estate investments		-95			
Real estate equities and units in Norway and Sweden [1]	-11	7	-59	25	73
Real estate units abroad [1]	-37	85	-46	208	131
Real estate investments in associated companies	25		18		
Total value changes investment real estate	**-55**	**33**	**-620**	**592**	**442**
Real estate for own use	16	-6	31	-14	27
Total value changes real estate investment	**-39**	**27**	**-589**	**578**	**469**
Realised gains/losses sold real estate	**4**	**-27**	**5**	**-25**	**82**

[1] *Is classified as equities and units in the statement of financial position.*

Notes to the interim accounts

NOTE 10: REAL ESTATE

Book value of investment real estate in the statement of financial position[1]

NOK million	30.09.12	31.12.11
Carrying amount as per 1 Jan	28,784	27,098
Supply due to purchases	225	2,078
Supply due to additions	452	582
To owner used real estate	-443	
Disposals		-1,244
Net write-ups/write-downs	-533	265
Exchange rate changes	-4	5
Carrying amount	**28,482**	**28,784**

[1] *Consists of real estate in Storebrand Livsforsikring Group*

Real estate type

NOK million	30.09.12	31.12.11	Diration of lease (years)	m2	Leased amount in % [1]
Office buildings (including parking and storage):					
- Oslo- Vika/Fillipstad Brygge	6,214	6,044	6	140,900	97
- Rest of Greater Oslo	8,167	7,746	5	242,507	93
- Rest of Norway	2,663	2,719	11	197,941	99
Shopping centres (including parking and storage)	9,991	10,321	3	488,457	95
Multi-storey car parks	667	654	4	100	100
Office buildings in Sweden	359	853	8	23,940	100
Cultural/conference centres in Sweden	372	399	20	18,690	100
Other real estate	50	49			
Total investment real estate	**28,482**	**28,784**		**1,112,535**	
Real estate for own use other [2]	2,140	1,460	7	70,641	95
Total real estate	**30,621**	**30,245**		**1,183,176**	

[1] *The leased amount is calculated in relation to floor space.*
[2] *Spp´s share of SEK 762 million has not yet been completed. Duration of lease and occupany rate does not include SPP´s share.*

Geographical location:

NOK million	30.09.12	31.12.11
Oslo- Vika/Fillipstad Brygge	6,881	6,698
Rest of Greater Oslo	10,650	9,652
Rest of Norway	11,548	12,594
Sweden	1,493	1,252
Other	50	49
Total real estate	**30,621**	**30,245**

It is agreed futher SEK 537 million in property purchases in SPP in 3 quarter of 2012, but no futher purchases of Storebrand beyond what is completed and taken into account by 30.09.2012. NOK 238 million in Storebrand and SEK 93 million in SPP has 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 real estate consist primarily of office properties and shopping centers.

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 stream 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 94-98 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:

Risk free interest rate
Risk markup, adjusted for:
- Type of property
- Location
- Environment 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 selection of property to taxate every quarter. As per 30 September 2012, valuations have been obtained for approximately 40 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 % inflation):

	Required rate of return %		Fair value (NOK million)	
Segment	30.09.12	31.12.11	30.09.12	31.12.11
Office buildings (including parking and storage):				
Oslo-Vika/Filipstad Brygge	7,35 - 8,95	7,20 - 8,70	6,881	6,698
Rest of Greater Oslo	7,35 - 9,95	7,70 - 9,79	9,545	9,206
Rest of Norway	8,07 -9,70	8,40 - 9,75	2,663	2,719
Shopping centre portfolio	7,60 - 9,70	7,74 - 9,25	9,991	10,321
Office buildings Sweden	7,00 - 9,00	7,00 - 9,00	1,121	853
Culture and conference Sweden	7,00 - 9,00	7,00 - 9,00	372	399
Other			50	49

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 aprox 1 billion. 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.

NOTE 11: FINANCIAL LIABILITES AND SPESIFICATION OF BORROWING

Specification of subordinated loan capital

NOK million	Nominal value	Currency	Interest rate (fixed/variable)	Call date	Booked value
Issuer					
Hybrid tier 1 capital					
Storebrand Livsforsikring AS	1,500	NOK	Variable	2018	1,501
Perpetual subordinated loan capital					
Storebrand Livsforsikring AS	300	EUR	Fixed	2013	2,312
Storebrand Livsforsikring AS	1,700	NOK	Variable	2014	1,702
Storebrand Livsforsikring AS	1,000	NOK	Fixed	2015	1,077
Total subordinated loan capital and hybrid tier 1 capital 30.09.2012					**6,591**
Total subordinated loan capital and hybrid tier 1 capital 31.12.2011					**6,813**

NOTE 12: CONTIGENT LIABILITIES

	Storebrand Livsforsikring AS		Storebrand Livsforsikring Group	
NOK million	30.09.12	31.12.11	30.09.12	31.12.11
Undrawn amounts of committed lending facilities	1,379	1,990	1,379	1,990
Uncalled residual liabilities concerning Limitied Partnership	3,195	3,597	4,714	5,898
Total contigent liabilities	**4,574**	**5,587**	**6,093**	**7,888**

Storebrand Group Companies are engaged in extensive activities in Norway and abroad and may become a party in legal disputes.

Svenskt Näringsliv

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 approximately 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 Stockholm District Court passed its judgement on 9 March 2012. The Court found for SPP, and awarded it costs of SEK 10.4 million plus interest from the time of the judgement and until payment is made. The judgement is unanimous.

On 29 March 2012, Svenskt Näringsliv et.al. appealed the judgement to the Svea Court of Appeal, with a concurrent application for a permit to have the case be fully tested by the appeals court. On 24 April 2012, the Appeals Court notified the appellants that the case has been granted a hearing. The appeal is expected to be heard during the first half of 2013. The appeal is focused on questions of principle that are important beyond the case in question, and a negative outcome is assumed to have a significant economic effect on the portfolio. Based on an overall assessment of the case, and based on external legal reviews, it is regarded as very unlikely that the judgement will be in favour of the appellants. Therefore, no provisions have been made relating to this lawsuit.

Notes to the interim accounts

NOTE 13: CAPITAL ADEQUACY

	Storebrand Livsforsikring AS		Storebrand Livsforsikring Group	
NOK million	30.09.12	31.12.11	30.09.12	31.12.11
Share capital	3,540	3,430	3,540	3,430
Other equity	14,100	12,854	13,397	12,070
Equity	**17,640**	**16,285**	**16,938**	**15,500**
Hybrid tier 1 capital	1,500	1,500	1,500	1,500
Conditional bonus [1]				3,024
Goodwill and other intangible assets	-114	-91	-5,796	-6,062
Risk equalisation fund	-581	-469	-581	-469
Capital adequacy reserve			-102	-121
Deduction for investments in other financial institutions	-12	-13	-2	-3
Interest adjustment insurancereserves SPP [2]			-1,767	
Other	-193	-7	-191	66
Core (tier 1) capital	**18,241**	**17,205**	**9,998**	**13,435**
Hybrid tier 1 capital			64	
Perpetual subordinated loan capital	4,909	5,024	4,909	5,024
Capital adequacy reserve			-102	-121
Deductions for investments in other financial institutions	-12	-13	-2	-3
Tier 2 capital	**4,897**	**5,012**	**4,805**	**4,901**
Net primary capital	**23,138**	**22,216**	**14,803**	**18,336**
Risk weighted calculation base	**102,587**	**108,574**	**125,074**	**132,787**
Capital adequacy ratio	**22.6 %**	**20.5 %**	**11.8 %**	**13.8 %**
Core (tier 1) capital ratio	**17.8 %**	**15.8 %**	**8.0 %**	**10.1 %**

Key Figures for capital adequacy and solvency for previous periods have not been revised, and stated in the above tables as they have originally been intended.

[1] *In connection with Storebrand Life Insurance's 2007 acquisition of SPP, the Financial Supervisory Authority of Norway placed a condition on its approval by giving a time limited approval to include parts of the conditional bonus as primary capital. This approval ended on 01.04.2012.*

[2] *In previous quarters, Storebrand has included accounting equity for the Swedish activity as a basis for calculating solvency and capital adequacy. As of the second quarter of 2012, Storebrand has changed the method by including solvency capital, which is calculated pursuant to Swedish capital adequacy rules, in the calculation of the consolidated solvency margin and consolidated capital adequacy. The Swedish subsidiary SPP AB has previously used a 10-year interest rate curve (government interest rate and housing interest rate) for the discounting of insurance obligations. SPP has used a 30-year yield curve as a basis as from second quarter of 2012.*

Notes to the interim accounts

NOTE 14: SOLVENCY MARGIN

	Storebrand Livsforsikring AS		Storebrand Livsforsikring Group	
NOK million	30.09.12	31.12.11	30.09.12	31.12.11
Solvency margin requirements	7,516	7,198	11,664	11,376
Solvency margin capital	25,029	23,800	17,846	18,322
Solvency margin	**333.0 %**	**330.7 %**	**153.0 %**	**161.1 %**

Specification of solvency margin capital

	Storebrand Livsforsikring AS		Storebrand Livsforsikring Group	
NOK mill.	30.09.12	31.12.11	30.09.12	31.12.11
Net primary capital	23,138	22,216	14,803	18,336
50% of additional statutory reserves	2,689	2,721	2,689	2,721
50% of risk equalisation fund	290	235	290	235
Counting security reserve	63	54	63	54
Conditional bonus				-3,024
Reduction in Tier 2 capital eligible for inclusion in solvency capital	-1,151	-1,425		
Solvency capital	**25,029**	**23,800**	**17,846**	**18,322**

See footnote 2 and 3 in note 13.

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Translation from the original Norwegian version

To the board of Storebrand Livsforsikring AS

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

We have reviewed the consolidated balance sheet of Storebrand Livsforsikring AS (the Group) as of September 30, 2012, and the related statement of income, the statement of changes in equity, the statement of cash flow for the nine-month period then ended and selected explanatory notes. Management is responsible for the preparation and presentation of this interim financial information in accordance with the rules of the Norwegian Accounting Act and generally accepted accounting practice in Norway. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the interim financial information for the Group is not prepared, in all material respects, in accordance with the rules of the Norwegian Accounting Act and generally accepted accounting practice in Norway.

Oslo, 23 October 2012
Deloitte AS

Ingebret G. Hisdal (signed)
State Authorized Public Accountant (Norway)