Interim report Storebrand Livsforsikring

1st half year 2012

storebrand

Interim report Storebrand Livsforsikring Group

– 1st half year 2012

Storebrand Livsforsikring AS is a wholly owned subsidiary of the listed company Storebrand ASA. For information about the Storebrand Group's 1st half year result please refer to the Storebrand Group's interim report for the 1st half year 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

Q2 was affected by falling equity markets and continued uncertainty surrounding the Euro zone. The debt crisis and subsequent problems for the banking sector in the countries affected create turbulence and reduce the will to invest. The Norwegian economy is progressing well in relation to the rest of Europe. The development is primarily driven by the oil-related part of the market. This progress puts pressure on costs and exchange rates, which can create challenges for the export-led industry. 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 interest level on 10 year Norwegian and Swedish government bonds is extremely low. In the longer term this represents a challenging situation for an insurance company that has to cover an annual interest rate guarantee. At the same time, there are still good investment opportunities in the market with expected returns that exceed the average interest rate guarantee of 3.4 per cent.

Continued growth is expected within Storebrand's core markets, despite difficult times in Europe. Unemployment in Norway fell from an already low level, and salary growth is expected to be close to 4% in 2012. Growth in the life and pensions market is characterized 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. Trends in interest rates levels, the property and equity markets are deemed to be the most important risk factors which can affect the group's results, in addition to the trends in life expectancy and disability. Over time, it is important to be able to deliver returns which 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 Banking Law Commission's report on paid-up policies and capital requirements, NOU 2012:3, was sent for consultation on 25 April 2012. The report contains proposals that may contribute to a better adaptation of paid-up policies to the capital requirements in accordance with Solvency II. The main elements of the proposals have received broad support in the consultative comments. The Ministry of Finance will introduce a bill to be considered by the Parliament. It is expected that the amendments in NOU 2012:3 will enter into force on 1 January 2013.

The Commission's report, NOU 2012:13, was passed to the Ministry of Finance on 28 June. In its report, the Commission looked at how insurance-based occupational pension schemes could best be adapted to the reformed National Insurance scheme, and trends on the employment and financial markets.

Storebrand is positive to the proposal on new occupational pension products, which are well adapted to the new National Insurance and better adapted to new capital requirements through Solvency II than existing defined benefit-based 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. The zero guarantee reduces the returns risk, and the risk of higher life expectancy is significantly reduced as a result of life expectancy adjustment.

The Commission's report will now go to public consultation. The Finance Ministry will then submit a bill to Parliament. The new rules are expected to come into force on 1 January 2014.

The Commission will now begin work on transition rules between the old and new pension schemes. It aims to have the report completed by the winter of 2013. When handing over the report, Finance Minister Sigbjørn Johnsen stated that he hoped Parliament could resolve a complete draft for the new pension product by the summer of 2013.

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

Solvency II

The next milestone in the Solvency II process is to implement changes to the Solvency II directive, known as the Omnibus II directive. The proposed amendments are being discussed now jointly by the European Commission, European Council and European Parliament. Important points that are discussed include the transitional provisions and method of determining the risk-free yield curve. One theme of discussion is a possible 7 year transition period in which Solvency I can be used in whole or part for existing guaranteed business. Omnibus II is expected to be implemented in September or October. This entails a significant delay in relation to the original plan, and also delays the process for the implementation provisions (level 2), because Omnibus II must be adopted first. The official timetable is still that Solvency II will come into effect from 1 January 2014.

Storebrand is actively implementing measures to adapt to Solvency II. The cost program is an important component. Several other measures are also being implemented, such as risk reduction in the investment portfolios, review of product portfolio and capital optimization within the group.

Storebrand's target is to manage the transition to Solvency II without raising new equity capital.

Proposal to amend the Norwegian Tax Code

On 1 January 2012 the Ministry of Finance sent a public hearing on a proposal to restrict the exemption method for equitues held in the customer portfolios in life insurance and pension companies. The deadline for comments was 2 April 2012. Storebrand believes that it is very likely that the proposal will be adopted. The government has not yet submitted any proposition to Parliament, and it is not known when this will happen. Storebrand would have a tax expense of up to 28% as a result of the proposed changes. No restrictions in the use of tax loss carry forwards have been proposed, and the Storebrand Group's tax loss carry forwards will, therefore, protect the company from the payment of tax for a period of time.

Future reserves for increased life expectancy

The Financial Supervisory Authority is consulting with the Norwegian financial sector on new life expectancy tables.
There is a general need for strengthening of reserves for longevity within group pensions. The final process, level of life expectancy tariffs and reserve requirement will depend on the Banking Law Commission's decision on the structure of a new occupational pension scheme for the private sector. Based on the current product rules for group 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 strengthening is expected to be mainly covered through financial and risk profits.

Storebrand set aside NOK 1.5 billion in 2010 and 2011 for future reserves for longevity. Customers must also expect that Storebrand Life Insurance will set aside a substantial amount of returns in addition to the interest rate guarantee in 2012 to cover longevity reserving. It is expected that new mortality tables will be available in the autumn of 2012 with introduction from 2014.

RESULT

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

Result Storebrand Livsforsikring Group according to IFRS principles

	Q2		01.01 - 30.06		
NOK million	2012	2011	2012	2011	Full year 2011
Storebrand Life Insurance	183	167	380	324	481
Insurance	76	59	149	89	223
SPP	43	260	398	525	291
Other	1		1		
Asset Management	19	20	43	40	89
Profit before amortisation	323	507	972	978	1,083
Amortisation intangible assets	-88	-91	-177	-183	-361
Pre-tax profit/loss	**234**	**416**	**794**	**794**	**722**
Tax	-110	56	-158	56	-730
Profit/loss	**125**	**472**	**637**	**851**	**-8**

The next pages refers to the development in results for Storebrand Life Insurance, SPP and Insurance. Amounts in brackets show the result for 2Q 2011.

Storebrand Life Insurance

- **Solvency capital was NOK 3.1 billion higher than at the start of the year, but reduced by NOK 0.5 billion in Q2**
- **Value adjusted return above the average interest rate guarantee in all products for the first half year**
- **Commercial progress and good sales in Q2**

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

NOK million	2Q 2012	2Q 2011	01.01 - 30.06 2012	01.01 - 30.06 2011	Full year 2011
Administration result	48	31	68	52	101
Risk result	40	31	90	31	117
Financial result[2]	-60	-24	-74	-18	-226
Price of interest guarantee and profit risk	138	130	276	265	520
Other	17	-1	19	-6	-32
Pre-tax profit/loss	183	167	380	324	481

Administration result

Administration result performance is satisfactory. Underlying cost trends are good, and the measures introduced are giving an ongoing effect. Portfolio growth - particularly within defined contribution pensions - will drive growth of the administration result in the future. Growth in earnings has been reduced as a result of the fall in the equity markets in Q2.

Risk result

NOK 40 million has been set aside for group pensions in Q2, and the risk equalisation reserve stands at NOK 474 million for the first half year. Good disability result due to increased activation made a contribution of NOK 50 million for the quarter. The risk equalisation reserve for paid-up policies increased by NOK 1 million, which is less than the preceding quarter, and comprised NOK 81 million at the end of the first 6 months. This is due to an increase in reported disability claims during the quarter.

Financial result

The negative financial result for the quarter is mainly due to the result in the company portfolio.

The net profit in the company portfolio in Q2 was minus NOK 51 million (NOK 6 million) and for the first half year, minus NOK 69 million (minus NOK 23 million). Storebrand Life Insurance is normally funded by a combination of equity and subordinated loans. The proportion of subordinated loans is around 30% and interest charges comprise around net NOK 130 million per quarter for the next 12 months. The company portfolio had a gross return of 0.9% (1.5%) in Q2, and 2.4% (1.4%) for the first half year of 2012. Returns for the quarter were affected by weak returns on property investments.

Storebrand has an ongoing plan to increase reserves related to assumptions of lower mortality in the future for individual pension insurance and paid-up policies. According to the plan, provisions of NOK 44 million have been made in Q2 and NOK 86 million for the first half year of 2012. The remaining reported reserves requirement at the end of the first 6 months of 2012 is estimated to be NOK 86 million for individual pension insurance schemes. The reserves will be increased by the end of 2012 according to plan. This build-up of reserves can be covered by positive booked return. If the annual booked return for the individual portfolio is higher than 5.8%, the build-up of reserves will take place at no direct cost to the owner. At the end of the first 6 months of 2012, the reserves are covered by the positive investment result.

Storebrand will prioritise to use profit to strengthen the premium reserve to compensate for expectations of longer life expectancy. As a result of this Storebrand Life Insurance will also set aside a significant portion of the investment result in 2012 to strengthen the premium reserve for group pension insurance and paid-up policies.

The average annual interest rate guarantee for the various customer portfolios is between 3.1 per cent and 3.7 per cent. The guarantee levels for new business have been reduced as a result of the low interest rate level. Booked returns for the first half year for the customer portfolios are largely sufficient to cover the

Return on investment portfolios with an interest rate guarantee

	2Q 2012		2Q 2011		01.01 - 30.06 2012		01.01 - 30.06 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	0.5%	0.9%	1.2%	1.2%	2.6%	1.8%	2.7%	2.6%	3.4%	4.6%
Total Group (DB)	0.1%	0.8%	1.1%	1.4%	2.8%	1.8%	2.7%	2.8%	3.0%	4.8%
Paid-up policies	0.9%	1.0%	1.2%	1.1%	2.3%	1.8%	2.6%	2.4%	3.8%	4.7%
Individual	0.6%	1.0%	1.4%	1.1%	2.5%	2.3%	2.9%	2.5%	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.

average interest rate guarantee, but NOK 124 million is allocated from the additional statutory reserves to cover insufficient returns in certain sub-portfolios. Booked returns have also given an undistributed profit to customers and the building of a customer buffer of NOK 81 million for Q2, and NOK 361 million for the first half year. This result will be used to reserve for higher expected life expectancy.

Capital return
Turbulent financial markets have negatively affected financial returns for the quarter. The property portfolio was written down by NOK 413 million in Q2, and NOK 554 million for the first half year. The write-down was due to higher requirements for returns on property in non-central areas.

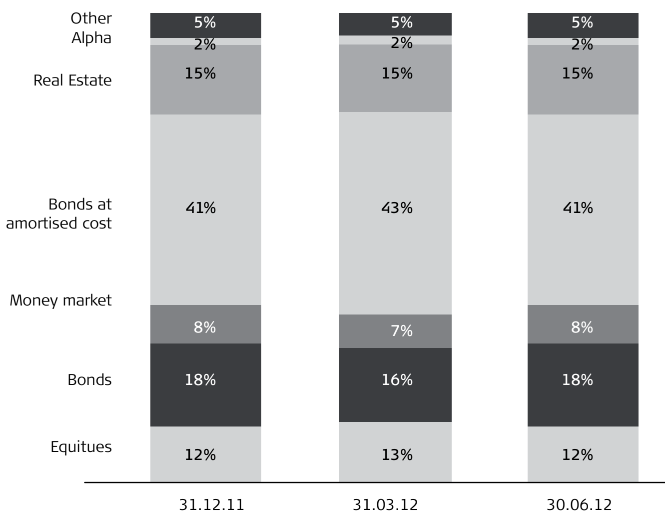
Market return defined contribution pensions

	2Q		01.01 - 30.06		Full year
Profile	2012	2011	2012	2011	2011
Careful profile	0.0%	1.0%	3.5%	1.7%	2.8%
Balanced profile	-2.3%	0.2%	4.6%	1.2%	-1.2%
Aggressive profile	-4.0%	-1.1%	4.9%	0.1%	-5.3%

Price of interest rate guarantee and profit risk
NOK 138 million (NOK 131 million) was recognised as income in Q2 from upfront pricing for interest rate guarantee and profit on the risk from group pensions. At the end of the first 6 months, NOK 276 million (NOK 265 million) was recognised as income.

Balance sheet
There were only minor allocation changes from year end 2011 for customer portfolios with a guarantee.

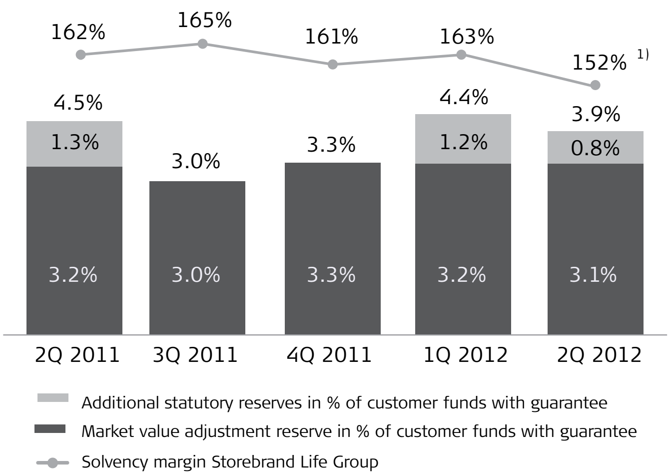
Asset profile for customer portfolios with an interest rate guarantee



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

Customer funds increased by around NOK 2 billion in Q2, and NOK 7 billion in the first 6 months of the year, and comprised NOK 220 billion at the end of the first 6 months.

Financial strength



The market value adjustment reserve was reduced by NOK 0.7 billion during the quarter, and comprised NOK 1.3 billion at the end of the first 6 months. Additional statutory reserves in Q2 remained unchanged at NOK 5.1 billion at the end of the first half year. A previously allocated deduction from the additional statutory reserves was reversed in the quarter, to cover the interest guarantee for customers with over NOK 15 million. Allocated deduction for the first half year comprised NOK 124 billion. The excess value of bonds held at amortised cost increased by NOK 0.7 billion in Q2, and comprised NOK 3.2 billion at the end of the first 6 months. The excess value of bonds held at amortised cost is not included in the financial statements.

Solidity capital[2] comprised NOK 43.2 billion at the end of the first 6 months, a reduction of NOK 0.5 billion for the quarter as a result of reduced customer buffers. Solvency capital increased by NOK 3.1 billion in the first 6 months of 2012.

Capital adequacy for the Storebrand Life Insurance group was reduced by 2.5 percentage points during the quarter to 11.7% at the end of the first half year. The solvency margin for the Storebrand Life Insurance group was reduced by 10 percentage points during the quarter, and comprised 152% after a capital increase of NOK 550 million. A new method for solvency consolidation and capital adequacy was introduced in Q2 in addition to changed method for discounting liabilities in SPP.

1) 157% after capital contribution of NOK 550 million from Storeband ASA in July 2012
2) 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.

Market

Premium income[1)]

NOK million	2Q 2012	2Q 2011	01.01 - 30.06 2012	01.01 - 30.06 2011	Full year 2011
DB (fee based)	1,349	1,564	5,237	5,585	9,147
DC (unit linked based)	1,085	902	2,227	1,878	3,812
Total occupational pension	2,434	2,466	7,464	7,464	12,959
Paid-up policies	12	12	49	83	116
Traditional individual life and pensions	95	134	196	319	584
Unit linked (retail)	180	306	369	577	929
Total individual pension and savings	287	451	613	979	1,629
BenCo	296	199	465	369	700
Total	3,016	3,117	8,542	8,811	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 sold for traditional guaranteed capital and pensions, which has caused a drop in premium income compared with last year. The decline in premium income for retail unit linked is attributed to the fact that the sale of "guaranteed accounts" from last year was not maintained to the same extent this year, at the same time as there has been an increasing percentage of withdrawals from guaranteed and fund accounts. A reduction in guaranteed savings is in line with the company's plan for alignment with Solvency II.

Sales

Booked net transfer to Storebrand was minus NOK 64 million (minus NOK 896 million) in Q2 and minus NOK 1,077 million (NOK 3,286 million) for the first half year. The booked figures were affected by three municipalities resolving to transfer their pension schemes from Storebrand in 2011, with effect in the accounts as from 1 January 2012. Q2 featured positive net sales of group occupational pensions and group insurance. A number of large tenders for defined contribution pensions were won during the quarter and the first half year. The market has so far seen a transition from defined benefit pensions to defined contribution pensions, and Storebrand has maintained a strong position in the market. Changed conditions for occupational pensions applicable from 2014 with products aligned to the pension reform and Solvency II will eventually give more dynamism in the market, and the need for extensive dialogue and guidance for the customer. Storebrand is working on the development of product and service solutions that are adapted to the new regulatory framework and customer needs. Storebrand has observed less activity in the transfer market for defined benefit pension schemes.

The total value of new premiums (APE)[2)] for the quarter was NOK 173 million (NOK 108 million), and NOK 331 million (NOK 426 million) for the first half year.

[1)] Excluding transfer of premium reserves.
[2)] Annual Premium Equivalent. Current premiums + 10 per cent of single premiums.

SPP

- **Financial result influenced by turbulent financial markets**
- **Unit linked share of premium income 62%**
- **Continued stable development of net premium income within unit-linked insurance**

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

	2Q		01.01 - 30.06		Full year
NOK million	2012	2011	2012	2011	2011
Administration result	25	31	66	62	99
Risk result	29	38	75	113	289
Financial result	-48	156	167	277	-226
Other	38	34	91	72	129
Result before amortisation	43	260	398	525	291
Amortisation intangible assets	-88	-90	-177	-181	-358
Pre-tax profit/loss	-44	170	222	342	-67

Administration result

The administration result was NOK 25 million (NOK 31 million) in Q2 and NOK 66 million (NOK 62 million) year to date. Earnings to date have increased by 2%[2)] as a result of the increase in customer funds and thus increased fees, but were reduced in the quarter by lower sales within pension administration services. Costs for the year to date are lower than last year, but increased during the quarter as a result of the project to relocate the head office, and costs related to product development.

Risk result

The sickness result, which constitutes the largest part of the risk result, remains good. The release of sickness compensation reserves is lower than last year, as expected.

Financial result

A weak equity market and record-low long-term Swedish bond interest rates gave a higher increase in liabilities than assets in the financial statement in Q2. This has given a negative result effect in the form of increased deferred capital contribution in Q2 of NOK 131 million.

82% of portfolios with guarantee have been placed in interest-bearing securities on average. The drop in interest rates during the quarter gave higher returns to customers, and a profit sharing to the owner totalling NOK 27 million in the quarter. If the assets in the defined benefit portfolio comprise more than 107% in relation to insurance liabilities, an indexing fee can be calculated. Final settlement is performed on 30 September, and final allocation is performed in the second half year. Consolidation as at 30 June was 107.6%, providing the basis for reserving a partial indexing fee of NOK 5 million for the quarter and NOK 32 million year to date.

A hedging portfolio has been established to reduce the effect of falling equity markets. As a result of the falling equity markets, the profit contribution from the hedging portfolio was NOK 23 million for the quarter.

A review of forecasts of mortality rates in the portfolios with guarantee has had a positive effect of NOK 31 million through dissolving deferred capital contribution.

Total return on assets SPP

	2Q		01.01 - 30.06		Full year
Portfolio	2012	2011	2012	2011	2011
Defined Benefit (DB)	0.9%	2.6%	1.5%	3.4%	8.6%
Defined Contribution (DC)					
P250*	0.2%	2.2%	3.1%	2.7%	3.3%
P300*	1.0%	2.6%	1.7%	3.3%	7.6%
P520*	2.3%	3.2%	1.6%	3.7%	12.5%
RP (Retirement Pension)	0.6%	0.8%	0.5%	0.9%	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

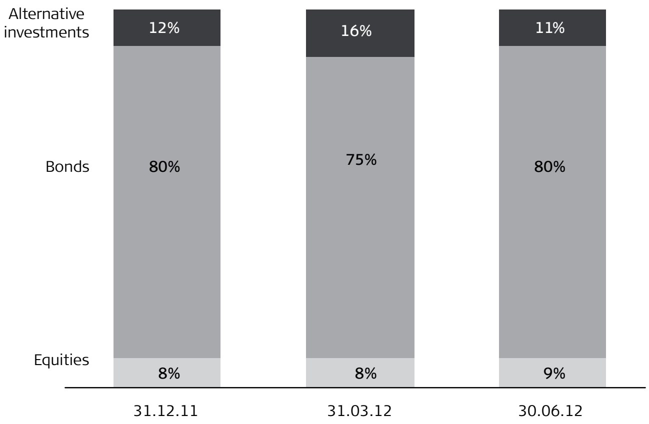
Other results consist primarily of the return on the company portfolio, which is entirely invested in short-term interest-bearing securities. Interest income will be lower than the last quarter as a result of the fall in short-term market interest rates.

Balance sheet

SPP adapts its exposure to equities in accordance with the developments in the market and risk bearing capacity in the portfolios by so-called dynamic risk management. The allocation to equities was reduced during the quarter as a result of the risk-bearing capacity of the portfolios being reduced.

[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.

Asset profile for customer portfolios with an interest rate guarantee



Buffer capital was reduced by NOK 0.4 billion for the quarter, and comprised NOK 8.0 billion as at the end of the quarter. The reduction was primarily due to negative movement in the equity market.

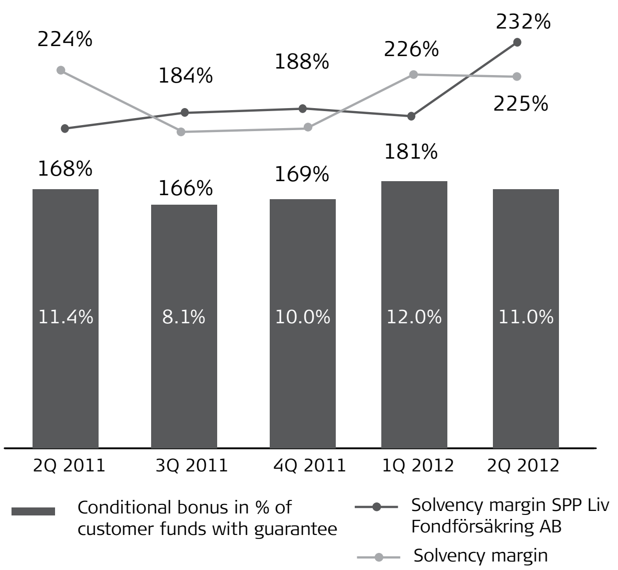
Solvency

The solvency margin in SPP Livförsäkring AB was 225% (226%) and 232% (181%) in SPP Liv Fondförsäkring AB as at the end of the quarter.

The solvency margin calculation method in SPP changed as from Q2 such that the discounting curve for insurance liabilities uses the market interest rate for maturities of up to 30 years. This change of calculation method had a positive effect on the solvency margin and countered the effect of falling interest rates during the quarter.

The Swedish Financial Supervisory Authority decided on a change in the regulations on interest rates on 28 June, which allows companies to use an interest rate level from the end of May if the distribution of capital is limited. This change involves a floor for the discount interest rate for insurance liabilities. SPP has not used this alternative method in its solvency calculation for Q2.

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.

Total assets under management comprised NOK 111 billion as at the end of Q2 and remain more or less unchanged for the quarter. Capital within unit linked insurance was NOK 34 billion (NOK 33.8 billion) as at 30 June. Approximately 74% of customers in unit linked insurance are exposed to equities.

Market

Premium income[1)]

	2Q		01.01 - 30.06		Full year
NOK million	2012	2011	2012	2011	2011
Guaranteed products	567	602	1,307	1,289	2,632
Unit linked	1,284	1,301	2,123	2,122	3,633
Total	1,852	1,903	3,430	3,411	6,265

Premium income has increased by NOK 19 million year to date. Unit linked insurance accounted for 62 per cent (53 per cent) of SPP's premium income.

Net premium income (premium income minus insurance claim payments) was still positive within unit linked insurance, comprising NOK 1.5 billion. Similar figures within guaranteed products comprised minus NOK 1.2 billion.

Sales

New sales measured in APE were NOK 238 million (NOK 231 million) for the quarter, an increase of 3% in the same period last year. Direct sales and sales via the broker chain increased by a total of 12% compared with the same period last year. Lower sales within union-based schemes were to a large degree due to fewer individuals making an active choice. Unit linked insurance accounted for 66 per cent (68 per cent) of the total new contracts year to date.

SPP increased its market share over most of its competitors with regards to sales within unit linked insurance. SPP's total market share within unit linked insurance comprised 9.1%.

New communications platform

SPP launched a simplified communications platform during the quarter to make it easier for unit linked insurance customers to make a choice customised to their individual needs. The concept is called "SPP 1-2-3", in which choice of 1, 2, or 3 indicates the customer's own influence on choice of asset allocation. The current standard product in SPP Fonder is generation funds. In the autumn, these will be replaced by a new fund, which allows customers to choose individual products for date of retirement and active management. The new product provides more flexibility for customers, and improved profitability for SPP.

[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

	Q2		01.01 - 30.06		Full year
NOK million	2012	2011	2012	2011	2011
Premiums earned, net	292	305	587	576	1,149
Claims incurred, net	-191	-222	-371	-440	-833
Operating costs	-46	-48	-96	-92	-193
Insurance result	**55**	**35**	**119**	**44**	**124**
Net financial result	21	25	30	45	93
Profit before tax	**76**	**60**	**149**	**89**	**217**

	Q2		01.01 - 30.06		Full year
	2012	2011	2012	2011	2011
Claims ratio	65%	73%	63%	76%	72%
Cost ratio	16%	16%	16%	16%	17%
Combined ratio	81%	89%	80%	92%	89%

New subscriptions

- Risk products: NOK 47 million (22 million) in Q2 2012 and 101 million (53 million) 1st half year 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	30.06.12	30.06.11	31.12.11
Profit and Loss	794	794	722
Charge from the additional statutory reserves	-124	-1	
Change in security reserves p&c insurance	-7	30	30
Profit and loss Storebrand Livsforsikring Group before tax	**663**	**823**	**751**

Lysaker, 12. July 2012

The Board of Directors of Storebrand Livsforsikring AS

Storebrand Livsforsikring AS

PROFIT AND LOSS ACCOUNT

	2Q		01.01 - 30.06		
NOK million	2012	2011	2012	2011	Year 2011
TECHNICAL ACCOUNT:					
Gross premiums written	2,958	3,151	8,987	9,311	15,801
Reinsurance premiums ceded	-22	-6	-30	-44	-68
Premium reserves transferred from other companies	497	216	1,209	1,809	2,317
Premiums for own account	**3,433**	**3,362**	**10,166**	**11,075**	**18,050**
Income from investments in subsidiaries, associated companies and joint-controlled companies	106	480	175	1,045	1,784
of which from investment in real estate companies	106	488	187	1,052	1,779
Interest income and dividends etc. from financial assets	1,389	1,248	2,541	2,379	5,213
Changes in investment value	-563	-47	1,532	66	-2,181
Realised gains and losses on investments	-125	224	13	858	662
Total net income from investments in the collective portfolio	**807**	**1,905**	**4,260**	**4,348**	**5,478**
Income from investments in subsidiaries, associated companies and joint-controlled companies	7	36	16	78	133
of which from investment in real estate companies	7	37	16	79	132
Interest income and dividends etc. from financial assets	36	37	62	82	655
Changes in investment value	-450	-404	741	-475	-1,638
Realised gains and losses on investments	-87	267	145	493	459
Total net income from investments in the investment selection portfolio	**-494**	**-62**	**963**	**178**	**-390**
Other insurance related income	**43**	**43**	**86**	**82**	**162**
Gross claims paid	-2,502	-2,564	-5,235	-5,171	-10,560
Claims paid - reinsurance	6	3	7	8	18
Gross change in claims reserve	-9	39	-19	71	28
Premium reserves etc. transferred to other companies	-571	-1,118	-2,299	-5,106	-7,050
Claims for own account	**-3,078**	**-3,639**	**-7,546**	**-10,198**	**-17,564**
To (from) premium reserve, gross	-540	121	-2,589	-204	-1,202
To/from additional statutory reserves in connection with claims/repurchase	7	74	62	158	-98
Change in value adjustment fund	744	73	-1,260	-184	1,971
Change in premium fund, deposit fund and the pension surplus fund	-22	-31	-46	-60	-95
To/from technical reserves for non-life insurance business	-11	1	-93	-58	-44
Transfer of additional statutory reserves and value adjustment fund from other insurance companies/pension funds	10	6	14	11	42
Changes in insurance obligations recognised in the Profit and Loss Account - contractual obligations	**188**	**244**	**-3,913**	**-338**	**576**
Change in premium reserve	-182	-674	-2,497	-2,497	-3,445
Change in other provisions	52	-51	52	-51	2
Changes in insurance obligations recognised in the Profit and Loss Account - investment portfolio separately	**-129**	**-724**	**-2,445**	**-2,547**	**-3,443**
Profit on investment result					-256
The risk profit allocated to the insurance agreements					-163
Other allocation of profit					-90
Unallocated profit	-81	-537	-361	-1,422	
Funds allocated to insurance contracts	**-81**	**-537**	**-361**	**-1,422**	**-510**

Storebrand Livsforsikring AS

PROFIT AND LOSS ACCOUNT CONTINUE

	2Q		01.01 - 30.06		
NOK million	2012	2011	2012	2011	Year 2011
Management expenses	-35	-32	-67	-63	-126
Selling expenses	-39	-63	-89	-149	-334
Insurance-related administration expenses (incl. commissions for reinsurance received)	-272	-229	-557	-453	-910
Insurance-related operating expenses	**-346**	**-324**	**-714**	**-665**	**-1,370**
Other insurance related expenses after reinsurance share	**-53**	**-37**	**-79**	**-86**	**-186**
Technical insurance result	**290**	**231**	**419**	**425**	**802**
NON-TECHNICAL ACCOUNT					
Income from investments in subsidiaries, associated companies and joint-controlled companies	77	24	80	53	153
of which from investment in real estate companies	6	25	10	54	91
Interest income and dividends etc. from financial assets	171	199	337	354	738
Changes in investment value	3	-4	49	4	-27
Realised gains and losses on investments	-3	42	18	57	83
Net income from investments in company portfolio	**248**	**261**	**484**	**468**	**947**
Other income	**6**		**11**		**2**
Management expenses	-2	-2	-5	-5	-10
Other costs	-123	-127	-257	-267	-530
Total management expenses and other costs linked to the company portfolio	**-125**	**-130**	**-261**	**-271**	**-540**
Profit or loss on non-technical account	**128**	**131**	**234**	**196**	**409**
Profit before tax	**418**	**362**	**653**	**622**	**1,211**
Tax costs	**-105**		**-155**		**-811**
Profit before other comprehensive income	**313**	**362**	**498**	**622**	**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	**313**	**362**	**498**	**622**	**443**

Storebrand Livsforsikring Group

PROFIT AND LOSS ACCOUNT

	2Q		01.01 - 30.06		
NOK million	2012	2011	2012	2011	Year 2011
TECHNICAL ACCOUNT					
Gross premiums written	5,159	5,308	12,930	13,200	22,799
Reinsurance premiums ceded	-64	-60	-65	-154	-317
Premium reserves transferred from other companies	560	300	1,326	1,982	2,637
Premiums for own account	**5,656**	**5,548**	**14,190**	**15,029**	**25,120**
Income from investments in subsidiaries, associated companies and joint-controlled companies	23	-8	18	9	72
Interest income and dividends etc. from financial assets	2,146	2,174	4,084	3,973	8,248
Net operating income from real estate	364	310	671	565	1,190
Changes in investment value	-2,218	1,029	-765	1,351	414
Realised gains and losses on investments	1,566	293	1,841	963	2,314
Total net income from investments in the collective portfolio	**1,881**	**3,799**	**5,849**	**6,860**	**12,238**
Interest income and dividends etc. from financial assets	53	39	106	108	1,427
Net operating income from real estate	18	22	55	41	87
Changes in investment value	-1,275	-480	1,811	-1,168	-4,948
Realised gains and losses on investments	-33	682	186	541	452
Total net income from investments in the investment selection portfolio	**-1,238**	**262**	**2,159**	**-478**	**-2,982**
Other insurance related income	**261**	**291**	**545**	**559**	**995**
Gross claims paid	-4,037	-4,133	-8,249	-8,296	-16,574
Claims paid - reinsurance	10	22	11	35	83
Gross change in claims reserve	-8	42	-17	75	37
Premium reserves etc. transferred to other companies	-907	-1,403	-3,009	-5,657	-8,172
Claims for own account	**-4,942**	**-5,473**	**-11,264**	**-13,842**	**-24,626**
To (from) premium reserve, gross	-1,533	-1,299	-1,711	-526	-7,767
To/from additional statutory reserves in connection with claims/repurchase	7	74	62	158	-98
Change in value adjustment fund	744	73	-1,260	-184	1,971
Change in premium fund, deposit fund and the pension surplus fund	-22	-31	-46	-60	-95
To/from technical reserves for non-life insurance business	-11	1	-93	-58	-44
Change in conditional bonus	668	-73	-890	-806	2,182
Transfer of additional statutory reserves and value adjustment fund from other insurance companies/pension funds	10	6	14	11	42
Changes in insurance obligations recognised in the Profit and Loss Account - contractual obligations	**-137**	**-1,249**	**-3,925**	**-1,466**	**-3,807**
Change in premium reserve	-513	-1,568	-5,251	-3,162	-3,135
Change in other provisions	52	-51	52	-51	2
Changes in insurance obligations recognised in the Profit and Loss Account - investment portfolio separately	**-461**	**-1,619**	**-5,198**	**-3,213**	**-3,133**
Profit on investment result					-256
The risk profit allocated to the insurance agreements					-163
Other allocation of profit					-90
Unallocated profit	-81	-537	-361	-1,422	
Funds allocated to insurance contracts	**-81**	**-537**	**-361**	**-1,422**	**-510**

Storebrand Livsforsikring Group

PROFIT AND LOSS ACCOUNT CONTINUE

	2Q		01.01 - 30.06		
NOK million	2012	2011	2012	2011	Year 2011
Management expenses	-74	-82	-151	-157	-313
Selling expenses	-82	-108	-177	-240	-516
Change in pre-paid direct selling expenses	15	11	29	27	53
Insurance-related administration expenses (incl. commissions for reinsurance received)	-456	-410	-904	-804	-1,608
Reinsurance commissions and profit participation		66	6	127	291
Insurance-related operating expenses	**-596**	**-522**	**-1,198**	**-1,047**	**-2,093**
Other insurance related expenses after reinsurance share	**-54**	**-45**	**-86**	**-104**	**-239**
Technical insurance result	**288**	**455**	**712**	**876**	**962**
NON-TECHNICAL ACCOUNT					
Income from investments in subsidiaries, associated companies and joint-controlled companies		1	-3	3	-4
Interest income and dividends etc. from financial assets	136	140	276	248	518
Net operating income from real estate	18	15	34	28	59
Changes in investment value	-18	7	36	35	10
Realised gains and losses on investments	9	33	8	53	51
Net income from investments in company portfolio	**144**	**197**	**352**	**367**	**634**
Other income	**129**	**137**	**244**	**274**	**569**
Management expenses	-7	-6	-15	-13	-29
Other costs	-309	-334	-630	-681	-1,385
Management expenses and other costs linked to the company portfolio	**-317**	**-340**	**-645**	**-694**	**-1,414**
Profit or loss on non-technical account	**-43**	**-7**	**-49**	**-53**	**-211**
Profit before tax	**245**	**448**	**663**	**823**	**751**
Tax costs	**-110**	**56**	**-158**	**56**	**-730**
Profit before other comprehencive income	**135**	**504**	**506**	**879**	**22**
Actuarial gains and losses on defined benefit pensions - benefits to employees	-8		-26	-10	-118
Change in value adjustment reserve own buildings	34	20	40	32	76
Re-statement differences	27	-43	-64	-23	117
Adjustment of insurance liabilities	-34	-20	-40	-32	-76
Tax on other comprehensive income					122
Other comprehensive income and costs	**20**	**-43**	**-89**	**-33**	**121**
COMPREHENSIVE INCOME	**155**	**461**	**416**	**846**	**142**
PROFIT IS DUE TO:					
Minority share of profit	8	2	9	4	8
Majority share of profit	128	502	496	877	14
COMPREHENSIVE INCOME IS DUE TO:					
Minority share of profit	8		7	-1	10
Majority share of profit	147	461	409	847	132

Storebrand Livsforsikring

STATEMENT OF FINANCIAL POSITION

Storebrand Livsforsikring Group			Storebrand Livsforsikring AS	
31.12.11	30.06.2012	NOK million	30.06.12	31.12.11
		ASSETS		
		ASSETS IN COMPANY PORTFOLIO		
745	737	Goodwill		
5,182	4,962	Other intangible assets	106	91
5,926	**5,699**	**Total intangible assets**	**106**	**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	10,495	8,633
		of which investment in real estate companies	1,533	1,541
69	69	Loans to and securities issued by subsidiaries and associated companies	6,593	8,342
5	5	Loans	5	5
169	221	Bonds held to maturity	221	169
1,334	1,425	Bonds at amortised cost	1,425	1,334
312	231	Equities and other units at fair value	136	170
15,006	14,963	Bonds and other fixed-income securities at fair value	4,883	4,769
316	160	Derivatives at fair value	160	316
192	498	Other financial assets	303	139
18,909	**19,073**	**Total investments**	**24,220**	**23,879**
203	**194**	**Reinsurance share of insurance obligations**	**194**	**203**
1,177	1,955	Receivables in connection with direct business transactions	1,857	1,125
118	4	Receivables in connection with reinsurance transactions	4	9
24	26	Receivables with group company	31	91
1,418	5,432	Other receivables	4,457	567
2,737	**7,418**	**Total receivables**	**6,348**	**1,792**
366	865	Plants and equipment	66	60
2,897	2,147	Cash, bank	639	1,377
26	17	Tax assets		
616	105	Other assets designated according to type		
3,905	**3,134**	**Total other assets**	**705**	**1,438**
406	430	Pre-paid direct selling expenses		
79	152	Other pre-paid costs and income earned and not received	53	29
485	**582**	**Total pre-paid costs and income earned and not received**	**53**	**29**
32,164	**36,100**	**Total assets in company portfolio**	**31,626**	**27,431**
		ASSETS IN CUSTOMER PORTFOLIOS		
25,547	25,105	Real estate at fair value		
1,291	1,898	Real estate for own use		
106	174	Equities and units in subsidiaries, associated companies and joint-controlled companies	29,964	30,152
		of which investment in real estate companies	29,496	29,669
428	496	Loans to and securities issued by subsidiaries and associated companies		
7,983	10,452	Bonds held to maturity	10,452	7,983
62,976	67,228	Bonds at amortised cost	67,228	62,976
2,896	2,982	Loans	2,982	2,896
46,776	34,452	Equities and other units at fair value	17,917	25,857
107,175	113,953	Bonds and other fixed-income securities at fair value	42,077	37,532
5,136	2,750	Financial derivatives at fair value	446	208
4,542	6,729	Other financial assets	1,307	1,036
264,855	**266,219**	**Total investments in collective portfolio**	**172,373**	**168,640**

Storebrand Livsforsikring

STATEMENT OF FINANCIAL POSITION CONTINUE

Storebrand Livsforsikring Group			Storebrand Livsforsikring AS	
31.12.11	30.06.2012	NOK million	30.06.12	31.12.11
1,925	1,946	Real estate at fair value		
102	97	Real estate for own use		
		Equities and units in subsidiaries, associated companies and joint-controlled companies	2,414	2,317
		of which investment in real estate companies	2,396	2,299
114	117	Loans	117	114
38,160	39,604	Equities and other units at fair value	13,648	12,203
20,858	24,288	Bonds and other fixed-income securities at fair value	14,617	13,447
14	21	Financial derivatives at fair value	21	14
905	600	Other financial assets	487	841
62,079	**66,672**	**Total investments in investment selection portfolio**	**31,305**	**28,936**
326,934	**332,891**	**Total assets in customer portfolio**	**203,678**	**197,576**
359,098	**368,991**	**TOTAL ASSETS**	**235,304**	**225,007**
		EQUITY AND LIABILITIES		
3,430	3,430	Share capital	3,430	3,430
9,271	9,271	Share premium reserve	9,271	9,271
12,701	**12,701**	**Total paid in equity**	**12,701**	**12,701**
469	556	Risk equalisation fund	556	469
2,153	2,043	Other earned equity	3,115	3,115
	419	Earned profit	411	
177	174	Minority's share of equity		
2,799	**3,192**	**Total earned equity**	**4,081**	**3,584**
5,311	5,070	Perpetual subordinated loan capital	5,070	5,311
1,502	1,501	Perpetual capital	1,501	1,502
6,813	**6,571**	**Total subordinate loan capital etc.**	**6,571**	**6,813**
239,842	240,153	Premium reserves	157,621	154,956
5,208	5,029	Additional statutory reserves	5,029	5,208
	1,260	Market value adjustment reserve	1,260	
774	789	Claims allocation	708	689
3,640	3,024	Premium fund, deposit fund and the pension surplus fund	3,024	3,640
10,038	10,729	Conditional bonus		
	212	Unallocated profit to insurance contracts	212	
648	733	Other technical reserve	733	648
260,151	**261,929**	**Total insurance obligations in life insurance - contractual obligations**	**168,588**	**165,142**
61,452	66,234	Premium reserve	30,703	28,207
1	1	Claims allocation	1	1
233	252	Additional statutory reserves	252	233
289	449	Premium fund, deposit fund and the pension surplus fund	449	289
	149	Unallocated profit to insurance contracts	149	
61,974	**67,084**	**Total insurance obligations in life insurance - investment portfolio separately**	**31,553**	**28,730**

Storebrand Livsforsikring

STATEMENT OF FINANCIAL POSITION CONTINUE

Storebrand Livsforsikring Group			Storebrand Livsforsikring AS	
31.12.11	30.06.2012	NOK million	30.06.12	31.12.11
1,077	1,087	Pension liabilities etc.	820	820
830	1,068	Period tax liabilities	850	695
108	83	Other provisions for liabilities	40	62
2,016	**2,238**	**Total provisions for liabilities**	**1,710**	**1,577**
1,600	2,198	Liabilities in connection with direct insurance	1,770	1,066
1	21	Liabilities in connection with reinsurance	20	1
2,197	1,389	Financial derivatives	806	1,518
1,187	544	Liabilities to group companies	12	235
7,345	10,719	Other liabilities	7,251	3,454
12,329	**14,871**	**Total liabilities**	**9,860**	**6,274**
315	406	Other accrued expenses and received, unearned income	240	187
315	**406**	**Total accrued expenses and received, unearned income**	**240**	**187**
359,098	**368,991**	**TOTAL EQUITY AND LIABILITIES**	**235,304**	**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				87	411	498
Comprehensive income:						
Pension experience adjustments						
Total revenue and costs for the period				**87**	**411**	**498**
Equity transactions with owner:						
Group contributions						
Other						
Equity at 30.06.12	**3,430**	**9,271**	**12,701**	**556**	**3,526**	**16,782**

[1] 34.304.200 shares of NOK 100 par value.
[2] Restricted equity NOK 556 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				87	410	9	506
Comprehensive income:							
Pension experience adjustments					-26		-26
Re-statement differences					-62	-2	-64
Total revenue and costs for the period				**87**	**322**	**7**	**416**
Equity transactions with owner:							
Group contributions						-8	-8
Other					-14	-2	-16
Equity at 30.06.12	**3,430**	**9,271**	**12,701**	**556**	**2,462**	**174**	**15,893**

[1] Restricted equity NOK 556 million.

Storebrand Livsforsikring

CASH FLOW ANALYSIS

Storebrand Livsforsikring Group			Storebrand Livsforsikring AS	
30.06.11	30.06.12	NOK million	30.06.2012	30.06.2011
		Cash flow from operational activities		
11,099	10,106	Net received - direct insurance	6,608	7,609
-8,433	-7,713	Net claims/benefits paid - direct insurance	-4,593	-5,535
-3,674	-1,683	Net receipts/payments - policy transfers	-1,091	-3,297
-1,047	-1,198	Net receipts/payments - other operational activities	-714	-665
1,343	-964	Net receipts/payments operations	-122	500
-712	**-1,453**	**Net cash flow from operational activities before financial assets**	**89**	**-1,388**
-538	-89	Net receipts/payments - lendings to customers	-89	-538
2,273	3,208	Net receipts/payments - financial assets	3	1,496
-573	563	Net receipts/payments - real estate activities		
653	-1,882	Net change bank deposits insurance customers	82	1,393
1,815	**1,800**	**Net cash flow from operational activities from financial assets**	**-4**	**2,351**
1,102	**347**	**Net cash flow from operational activities**	**85**	**963**
		Cash flow from investment activities		
-134	-100	Net payments - purchase/capitalisation of subsidiaries and associated companies		
-17	-55	Net receipts/payments - sale/purchase of fixed assets	-31	7
-151	**-155**	**Net cash flow from investment activities**	**-31**	**7**
		Cash flow from financing activities		
-438	-428	Payments - interest on subordinated loan capital	-428	-438
-850	-208	Payments - group contribution dividends	-200	-850
-1,288	**-636**	**Net cash flow from financing activities**	**-628**	**-1,288**
-336	**-444**	**Net cash flow for the period**	**-575**	**-318**
-2,151	-2,244	of which net cash flow for the period before financial assets	89	-2,669
-336	-444	Net movement in cash and cash equivalent assets	-575	-318
1,922	3,088	Cash and cash equivalent assets at start of the period	1,517	742
1,586	**2,645**	**Cash and cash equivalent assets at the end of the period**	**942**	**424**

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 AB owns the Swedish holding company Storebrand Holding AB, which in turn owns SPP Livförsäkring AB and SPP Fondförsäkring AB. On acquiring the Swedish activities in 2007, the authorities instructed Storebrand to make an application to maintain a group structure by the end of 2009 Storebrand has submitted an application to maintain the current group structure, and it is of the opinion that it is natural to see possible changes in the group structure in light of the upcoming solvency framework (Solvency II)

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.

Storebrand continuously builds up reserves to new tariffs in connection with increased life expectancy, and the building up of reserves in a time-limited period can be charged to the running return. Any deficient future return in connection with this may reduce the profit allocated to the owner. On 5 June, Finance Norway (FNO) received a letter from the Financial Supervisory Authority of Norway where the industry must submit proposals for a new mortality basis by 15 August. The Financial Supervisory Authority of Norway uses as a basis that the new mortality basis will be introduced with effect from 2014. An increase in reserves will likely occur sometime after this date.

Storebrand set aside NOK 1.5 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. It is expected that new mortality tables will be available in the autumn of 2012 with introduction from 2014. Build-up of a reserve will probably start some time after that date.

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

On 1 January 2012, the Ministry of Finance distributed, for consultation purposes, its proposal to limit the exemption method for shares etc. owned by life insurance companies and pension companies. This refers primarily to shares that are included in the Norwegian life insurance companies' customer portfolios. Under the proposal, any amendment to the legislation will have effect from 01.01.2012. The exemption method for shares as currently formulated, including the deduction for provisions to the insurance reserve, implies that life insurance companies may have a profit for tax purposes in the case of a decline in values and a loss for tax purposes in the case of an increase in value of shares within the EEC area. Not all aspects of the proposed amendments are clear as yet and the proposal has not yet been adopted.

Proposed amendments to tax legislation are not applied in the accounts as of the first half year of 2012, as the proposals cannot be considered to be adopted or largely adopted. Tax costs in the first half year are estimated based on an expected effective tax rate for 2012. Some uncertainty is related to the estimates, and this particularly applies to the size of income/costs related to the exemption method for shares. Based on 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.

Notes to the interim accounts

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 1st half year.

NOTE 5: SOLVENCY II

Please refer to note 5 in the 2011 annual report 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 MARKET RISKS

Financial risk is described in the annual report for 2011 in notes 3 (Important accounts estimates and projections), 7 (Financial market risk), 8 (Liquidity risk) and 9 (Credit risk).

The upswing on the financial markets in Q1 was largely reversed throughout Q2, which has had a negative effect on the results and increased the company's financial risk. The problems faced by the Eurozone countries with high national debt and interest rates continue to affect the financial markets in Q2. The new election in Greece reduced the fear of the country dropping out of the Euro. Thereafter, the problems in Spain and its banking industry came more into focus. Halfway through the year, the fears have receded a little with the Spanish rescue package and news of direct bank recapitalisation from the rescue fund. The structural budget deficits in many Eurozone countries will still have to be addressed, and the more long-term problems and budget cutbacks will curtail economic growth in the medium-term. The news from the USA indicates that the American economy continues to suffer, but there is still financial growth. Employment figures in particular have been disappointing recently, whilst private consumption is more stable. Activity levels in China have also fallen, but belt-tightening measures are now being switched to stimulation measures. The central banks have also stepped up unconventional stimulation measures.

The table below shows exposure to selected countries, not including indirect exposure.

Storebrand Livsforsikring AS
Direct exposure to selected countries

NOK million	30.06.12	31.12.11
Greece	5	8
Italy	3,769	4,122
Portugal	638	856
Ireland	1,370	1,152
Spain	3,483	4,220
Total	**9,265**	**10,358**

Storebrand Livsforsikring Group

Direct exposure to selected countries

NOK million	30.06.12	31.12.11
Greece	6	13
Italy	3,816	4,208
Portugal	642	863
Ireland	2,703	2,392
Spain	3,545	4,657
Total	**10,712**	**12,133**

The decrease in exposure is mainly due to the realisation.

Notes to the interim accounts

In early June, long-term interest rates in Norway and Sweden were at record low levels, and at the end of Q2 continue to be much lower than at the end of Q1. However, compared to the end of 2011, there are only slight changes in interest rate levels in Sweden, whilst Norwegian long rates have dropped significantly in the same period. Also the U.S. and German interest rates have fallen in the 1st half year. After the steep fall in rates early in June, the Swedish Financial Supervisory Authority introduced the opportunity to temporarily use the market interest rate from 31 May as the benchmark for market evaluation of insurance obligations for solvency purposes. The scheme will remain in force for one year, and gave an immediate strong boost to long-term Swedish interest rates. The stock markets have generally taken a downturn in Q2, but the most important ones for Storebrand have still shown growth so far this year. Shareholdings have been reduced significantly throughout Q2, and are also lower than at the end of 2011.

The fall in interest rates in Q2 has ensured good returns for customers, and so far this year, the stock market has made a positive contribution to returns in customer portfolios. Even so, low interest rates are a risk factor for the business. Both in Norway and Sweden major portions of insurance liabilities are subject to a nominal interest rate guarantee. Lower interest rates increase the likelihood of a drain on equity capital to meet customer interest guarantees. Future insurance payments in the Swedish life business are projected at market value (ref. note 1 in the annual report), which means that a fall in interest rates increases the value of our insurance liabilities. A fall in interest rates also increases the value of securities in the customer portfolios, which counters the effect on liabilities in the financial accounts. For solvency purposes, the value of insurance liabilities is projected in such a manner that means greater sensitivity to interest rates than in the financial accounts, and this extra sensitivity is counterbalanced by assets. The fall in interest rates has meant increased interest risk and weakened solvency in Sweden throughout Q2, but solvency capital has nevertheless increased since the end of 2011 – as a result of changes in the corporate structure and changed criteria for calculating liabilities. Projected payments in the Norwegian life business are discounted at a mandatory fixed interest rate for products with an interest rate guarantee. Consequently, neither the insurance liability in the financial accounts nor the solvency capital requirements are affected by changes in market rates. The liabilities for the life group will be affected by the change in Swedish market interest rates by the proportion accounted for by the Swedish business.

The capital requirements applied by Solvens II (the Solvency II package) are expected to continue to apply as from 01.01.2014. Solvens II entails the calculation of capital requirements for all major risks the business is exposed to, from investment and as a result of insurance liabilities incurred. This could mean a total capital requirement higher than current minimum requirements under Solvens I. Meanwhile, calculation of solvency capital will be changed. Under Solvens II, assets and insurance liabilities will be valued at actual value, and vary according to fluctuations in the interest rate level for the Norwegian business (for the purpose of calculating solvency) and as a main principle, the difference between the value of assets and liabilities will be included in solvency capital. The introduction of market value valuation of insurance liabilities also means that the value will vary with fluctuations in interest rates. This can imply an increased interest rate risk in solvency calculation. Given the current investment portfolio, a fall in interest rates will give a fall in the solvency margin under Solvens II. Towards the end of June, information was received that the EU is considering a gradual transition to the Solvens II rules over a 7 year period, starting 01.01.2014 for existing insurance contracts.

The Banklovkommisjonen (commission on banking law) published a white paper on 28 June on occupational pensions to replace the current performance-linked occupational pensions in the private sector. The proposed new scheme will mean less risk for pension providers from market risk and the increase in lifespan. It will only apply to new premiums as from 01.01.2014 according to plan. The commission will start work on transitional schemes for existing policies in the autumn of 2012.

Notes to the interim accounts

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

NOK million	Storebrand Life Insurance 2Q		SPP 2Q		Asset mangement 2Q		Insurance 2Q		Storebrand Livsforsikring Group 2Q	
Revenue	4,270	5,780	2,257	3,316	53	58	237	260	6,817	9,415
Profit before tax	195	200	-44	170	19	19	76	59	245	448
Assets	4,071	-1,359	-292	13,026	125	7	-30	-12	3,874	11,662
Liabilities	5,734	-395	-2,043	12,130	81	-7	-30	-12	3,742	11,716

	Storebrand Life Insurance		SPP		Asset mangement		Insurance		Storebrand Livsforsikring Group	
NOK million	30.06.12	30.06.11	30.06.12	30.06.11	30.06.12	30.06.11	30.06.12	30.06.11	30.06.12	30.06.11
Revenue	15,628	15,609	6,657	6,037	111	110	938	884	23,335	22,640
Profit before tax	250	352	222	344	43	38	149	89	663	823
Assets	233,294	215,472	132,717	141,015	265	186	2,716	2,425	368,991	359,098
Liabilities	224,142	205,579	126,051	135,476	190	117	2,716	2,425	353,098	343,598

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. Significant market volatility during the year, where one can periodically register significant price divergences between the various sources, and bigger bid-ask spread in general, imply, seen in isolation, more uncertainty regarding the valuation of some classes of assets. Because of the market unrest, the company has carried out a thorough valuation of all types of securities, based on classification.

Storebrand Livsforsikring AS

NOK million	Quoted prices (Level 1)	Observable assumptions (Level 2)	Non-observable assumptions (Level 3)	30.06.12	31.12.11
Assets					
Equities and units					
- Equities	2,241	188	1,470	3,898	11,038
- Fund units		20,271	711	20,982	20,254
- Hedge fund		628	27	655	682
- Private Equity fund investments		1,101	5,064	6,165	6,256
Total equities and units	**2,241**	**22,189**	**7,271**	**31,700**	
Total equities and units 2011	**9,268**	**21,562**	**7,400**		**38,230**
Bonds and other fixed income securities					
- Government and government guaranteed bonds	2,968	1,677		4,646	3,651
- Credit bonds		8,190	836	9,026	8,810
- Mortage and asset backed bonds		8,308		8,308	8,021
- Bond funds		39,597		39,597	35,266
Total bonds and other fixed income securities	**2,968**	**57,772**	**836**	**61,576**	
Total bonds and other fixed income securities 2011	**2,007**	**52,132**	**1,609**		**55,748**
Derivatives:					
- Interest rate derivatives		128		128	31
- Currency derivatives		-307		-307	-1,012
- Credit derivatives					2
Total derivatives		**-179**		**-179**	
- derivatives with a positive market value		627		627	
- derivatives with a positive market value		-806		-806	
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	78	2

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	-31	27		204	16	547
Additions/purchases	3	18		256		
Sales/overdue/settlement	-31	-538		-39	-1	-1,336
To quoted prices and observable assumptions	3				2	
Balance 30.06.12	**1,470**	**711**	**27**	**5,064**	**836**	**0**

Storebrand Livsforsikring Group

NOK million	Quoted prices (Level 1)	Observable assumptions (Level 2)	Non-observable assumptions (Level 3)	30.06.12	31.12.11
Assets					
Equities and units					
- Equities	11,429	457	3,058	14,944	26,256
- Fund units		48,235	1,853	50,088	49,259
- Hedge fund		1,101	5,715	6,816	6,839
- Private Equity fund investments		951	27	978	919
- Indirect real estate fund		15	1,446	1,461	1,976
Total equities and units	**11,429**	**50,759**	**12,098**	**74,287**	
Total equities and units 2011	**22,647**	**50,045**	**12,556**		**85,248**
Bonds and other fixed income securities					
- Government and government guaranteed bonds	23,792	22,563		46,355	46,270
- Credit bonds		19,336	1,256	20,592	19,872
- Mortage and asset backed bonds		35,091		35,091	31,907
- Supranational and agency		2,507		2,507	2,202
- Bond funds		48,657		48,657	42,789
Total bonds and other fixed income securities	**23,792**	**128,156**	**1,256**	**153,203**	
Total bonds and other fixed income securities 2011	**31,782**	**117,633**	**2,156**		**143,040**
Derivatives:					
- Interest rate derivatives		1,744		1,744	4,191
- Currency derivatives		-202		-202	-924
- Credit derivatives					2
Total derivatives		**1,542**		**1,542**	
- derivatives with a positive market value		2,931		2,931	
- derivatives with a positive market value		-1,389		-1,389	
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	120	18

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	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	-115	44	217	0	-179	152	547
Additions/purchases	41	135	328		36	368	10
Sales/overdue/settlement	16	-539	-51		-380	-475	-1,346
From quoted prices and observable assumptions	19					2	
Re-statement differences	-13	-11	-5			-4	
Balance 30.06.12	**3,058**	**1,853**	**5,715**	**27**	**1,446**	**1,256**	**0**

NOTE 9: NET INCOME FROM REAL ESTATE

	Q2		01.01.-30.06		
NOK million	2012	2011	2012	2011	31.12.11
Rent income from real estate [1]	553	436	1,011	846	1,815
Operating costs (including maintenance and repairs) relating to real estate that have provided rent income [2]	-107	-89	-192	-181	-408
Profit minority defined as debt	-46		-58	-32	-71
Net operating income from real estate	**400**	**347**	**760**	**634**	**1,336**
Realised gains/losses	16	4	1	2	82
Change in fair value of properties	-366	213	-500	417	238
Total income from real estate	**50**	**564**	**261**	**1,053**	**1,656**
[1)] *Real estate for own use*	19	18	37	37	73
[2)] *Real estate for own use*	-1	-1	-2	-3	-6

Changes in value real estate investments

	Q2		01.01.-30.06		
NOK million	2012	2011	2012	2011	31.12.11
Wholly owned real estate investments	-366	213	-500	417	238
Real estate investments in associated companies					
Real estate equities and units in Norway and Sweden [1]	-43	9	-49	20	73
Real estate units abroad [1]	-31	8	-17	121	131
Total value changes investment real estate	**-440**	**230**	**-565**	**559**	**442**
Real estate for own use	22	-8	15	-8	27
Total value changes real estate investment	**-418**	**223**	**-550**	**551**	**469**
Realised gains/losses sold real estate	**16**	**4**	**1**	**2**	**82**

[1)] *Is classified as equities and units in the statement of financial position and considered Storebrand 's total real estate exposure.*

Notes to the interim accounts

NOTE 10: REAL ESTATE

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

NOK million	30.06.12	31.12.11
Carrying amount as per 1 Jan	28,784	27,098
Supply due to purchases	225	2,078
Supply due to additions	431	582
To owner used real estate	-560	
Disposals		-1,244
Net write-ups/write-downs	-500	265
Exchange rate changes	-14	5
Carrying amount	**28,367**	**28,784**

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

Real estate type

NOK million	30.06.12	31.12.11	Diration of lease (years)	m2	Leased amount in % [1]
Office buildings (including parking and storage):					
- Oslo- Vika/Fillipstad Brygge	6,239	6,044	7	140,900	95
- Rest of Greater Oslo	8,698	7,746	5	242,507	92
- Rest of Norway	2,675	2,719	11	197,941	98
Shopping centres (including parking and storage)	9,301	10,321	3	547,400	100
Multi-storey car parks	662	654	4	27,393	100
Office buildings in Sweden	354	853	8	23,940	100
Cultural/conference centres in Sweden	389	399	20	18,690	100
Other real estate	49	49			
Total investment real estate	**28,367**	**28,784**		**1,198,771**	
Real estate for own use other	2,059	1,460	7	70,641	94
Total real estate	**30,426**	**30,245**		**1,269,412**	

[1] *The leased amount is calculated in relation to floor space.*

Geographical location:

NOK million	30.06.12	31.12.11
Oslo- Vika/Fillipstad Brygge	6,901	6,698
Rest of Greater Oslo	10,493	9,652
Rest of Norway	11,556	12,594
Sweden	1,426	1,252
Other	49	49
Total real estate	**30,426**	**30,245**

It is not agreed on a further property purchases in the 2 quarter of 2012 than what is completed and taken into account by 30.06.2012. NOK 297 million in Storebrand and SEK 180 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.

Notes to the interim accounts

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 June 2012, valuations have been obtained for approximately 50 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	30.06.12	31.12.11	30.06.12	31.12.11
Office buildings (including parking and storage):				
Oslo-Vika/Filipstad Brygge	7,20-8,70	7,20 - 8,70	6,901	6,698
Rest of Greater Oslo	7,40-9,72	7,70 - 9,79	10,074	9,206
Rest of Norway	8,05-9,70	8,40 - 9,75	2,675	2,719
Shopping centre portfolio	7,60-10,2	7,74 - 9,25	9,301	10,321
Office buildings Sweden	7,00 - 9,00	7,00 - 9,00	1,037	853
Culture and conference Sweden	7,00 - 9,00	7,00 - 9,00	389	399
Other			49	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.

Notes to the interim accounts

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	2,328
Storebrand Livsforsikring AS	1,700	NOK	Variable	2014	1,702
Storebrand Livsforsikring AS	1,000	NOK	Fixed	2015	1,039
Total subordinated loan capital and hybrid tier 1 capital 30.06.2012					**6,571**
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	30.06.12	31.12.11	30.06.12	31.12.11
Undrawn amounts of committed lending facilities	1,901	1,990	1,901	1,990
Uncalled residual liabilities concerning Limitied Partnership	3,353	3,597	4,971	5,898
Total contigent liabilities	**5,253**	**5,587**	**6,871**	**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 thejudgement will be in favour of the appellants. Therefore, no provisions have been made relating to this lawsuit.

Kaupthing Bank

Storebrand Luxembourg SA (Storebrand) is being sued by the bankruptcy estate of Kaupthing Bank HF with a demand for payment of USD 11,812,109 plus interest and costs. Storebrand received the writ of summons on 25 June 2012. The claim is primarily against Guy Butler Ltd., secondarily against RBC Europe Limited, and thereafter against Storebrand. The case pertains to a sale of bonds with a nominal value of USD 11,000,000 issued by Kaupthing Bank HF (US48632FAC59), which was performed by Storebrand Active Credit Fund in September 2008. The complainant submits that Kaupthing Bank HF was the real or final buyer of the bonds and that this is therefore a case of forced repayment of a debt that can be reversed. The proceedings are in an early phase, and no reason has as yet been found to make provisions in the accounts.

Notes to the interim accounts

NOTE 13: CAPITAL ADEQUACY

	Storebrand Livsforsikring AS		Storebrand Livsforsikring Group	
NOK million	30.06.12	31.12.11	30.06.12	31.12.11
Share capital	3,430	3,430	3,430	3,430
Other equity	13,352	12,854	12,463	12,070
Equity	**16,782**	**16,285**	**15,893**	**15,500**
Hybrid tier 1 capital	1,500	1,500	1,436	1,500
Conditional bonus [1]				3,024
Goodwill and other intangible assets	-106	-91	-5,827	-6,062
Risk equalisation fund	-556	-469	-556	-469
Capital adequacy reserve			-103	-121
Deduction for investments in other financial institutions	-12	-13	-2	-3
Interest adjustment insurancereserves SPP [2]			-1,409	
Other	14	-7	39	66
Core (tier 1) capital	**17,623**	**17,205**	**9,471**	**13,435**
Hybrid tier 1 capital			64	
Perpetual subordinated loan capital	4,963	5,024	4,963	5,024
Dated subordinated loan capital				
Capital adequacy reserve			-103	-121
Deductions for investments in other financial institutions	-12	-13	-2	-3
Tier 2 capital	**4,951**	**5,012**	**4,922**	**4,901**
Net primary capital	**22,574**	**22,216**	**14,393**	**18,336**
Risk weighted calculation base	**102,029**	**108,574**	**123,085**	**132,787**
Capital adequacy ratio	**22.1 %**	**20.5 %**	**11.7 %**	**13.8 %**
Core (tier 1) capital ratio	**17.3 %**	**15.8 %**	**7.7 %**	**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. Effect on capital adequacy and core capital ratio is respectively 2.4 percentage points and 2.3 percentage points for Storebrand Livsforsikring Group*

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 of the second quarter of 2012, in relation to the calculation of solvency margin as at 1 half of 2012 the solvency capital when using accounting equity for the Swedish operation would be 163%, while it would be 138% using the 10 - year yield curve.*

Notes to the interim accounts

NOTE 14: SOLVENCY MARGIN

	Storebrand Livsforsikring AS		Storebrand Livsforsikring Group	
NOK million	30.06.12	31.12.11	30.06.12	31.12.11
Solvency margin requirements	7,368	7,198	11,367	11,376
Solvency margin capital	24,208	23,800	17,307	18,322
Solvency margin	**326.6 %**	**330.7 %**	**152.3 %**	**161.1 %**

Specification of solvency margin capital

	Storebrand Livsforsikring AS		Storebrand Livsforsikring Group	
NOK mill.	30.06.12	31.12.11	30.06.12	31.12.11
Net primary capital	22,574	22,216	14,393	18,336
50% of additional statutory reserves	2,579	2,721	2,579	2,721
50% of risk equalisation fund	278	235	278	235
Counting security reserve	57	54	57	54
Conditional bonus				-3,024
Reduction in Tier 2 capital eligible for inclusion in solvency capital	-1,279	-1,425		
Solvency capital	**24,208**	**23,800**	**17,307**	**18,322**

See footnote 2 in note 13.

Storebrand Livsforsikring AS and Storebrand Livsforsikring Group

- Declaration by the Members of the Board and the CEO

On this date, the Board and CEO have discussed and approved the half-yearly interim report and half-yearly financial statements for Storebrand Livsforsikring AS and Storebrand Livsforsikring Group for the first half of 2012 (interim report for 1H 2012).

The half-yearly financial statements were prepared in accordance with the Norwegian Annual Accounts Regulations for Insurance Companies and the additional requirements of the Securities Trading Act.

In the best judgment of the Board and CEO the half-yearly financial statements have been prepared in accordance with applicable accounting standards, and the information in the financial statements provides a fair and true picture of the assets, liabilities, financial standing and results as a whole of the parent company and the group as per 30 June 2012. In the best judgment of the Board and CEO the half-yearly interim report provides a fair and true overview of important events during the accounting period and their effects on the annual financial statements and consolidated financial statements. In the best judgment of the Board and CEO the descriptions of the most important risk and uncertainty factors the group faces in the next accounting period, as well as the descriptions of related parties' significant transactions, also provide a fair and true overview.

Lysaker, 12 July 2012
The Board of Directors of Storebrand Livsforsikring AS

Odd Arild Grefstad
Chairman of the Board

Peik Norenberg

Tove Margrete Storrødvann

Else-Lill Grønli

Erik Haug Hansen

Inger Johanne Bergstøl

Jan Otto Risebrobakken

Geir Holmgren
Acting Chief Executive Officer

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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 30 June 2012, and the related statement of income, the statement of changes in equity, the statement of cash flow for the six-month period then ended and selected explanatory notes. Management is responsible for the preparation and presentation of this condensed 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 condensed interim financial information for the Group is not prepared, in all material aspects, in accordance with the rules of the Norwegian Accounting Act and generally accepted accounting practice in Norway.

Oslo, 12 July 2012
Deloitte AS

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