Interim report

Storebrand Livsforsikring

(unaudited)

4th Quarter
2013

storebrand

Contents

Storebrand Livsforsikring Group

Storebrand Livsforsikring AS is a wholly owned subsidiary of the listed company Storebrand ASA. For information about the Storebrand Group's 4th Quarter result please refer to the Storebrand Group's interim report for the 4th Quarter of 2013.

Result Storebrand Livsforsikring Group

	2013				2012	31.12	
NOK million	4Q	3Q	2Q	1Q	4Q	2013	2012
Fee and administration income	873	811	797	791	708	3,271	2,840
Risk result life & pensions	50	143	42	63	95	298	335
Insurance premiums f.o.a.	523	499	446	513	473	1,982	1,770
Claims f.o.a.	-395	-369	-299	-403	-408	-1,466	-1,252
Operational cost	-471	-573	-565	-569	-636	-2,178	-2,474
Financial result	36	96	-13	32	75	150	243
Result before profit sharing	**616**	**608**	**408**	**426**	**308**	**2,057**	**1,463**
Net profit sharing and loan losses	96	104	53	115	97	368	383
Result before amortisation	**711**	**713**	**461**	**541**	**405**	**2,426**	**1,846**

Result Storebrand Livsforsikring Group per line of business

	2013				2012	31.12	
NOK million	4Q	3Q	2Q	1Q	4Q	2013	2012
Savings	89	77	68	64	33	298	139
Insurance	121	86	106	57	66	369	331
Guaranteed pensions	481	474	306	403	287	1,665	1,193
Other	20	75	-19	18	18	94	183
Result before amortisation	**711**	**712**	**461**	**541**	**405**	**2,426**	**1,846**

The Group result before amortisation was NOK 711 million (405 million) for the 4th quarter and NOK 2,426 million (1,846 million) for 2013. The figures in brackets show the corresponding period last year. It is primarily the improved result before profit sharing that have contributed to this through strong earnings growth of 16 per cent, at the same time as the Group has succeeded in reducing costs through its cost programme.

Embedded value for Storebrand for life and pensions was NOK 27.7 billion at the end of 2013, an increase of NOK 5.9 billion during 2013. The embedded value (EV) is an actuarial calculation that measures the value of a life insurance company, excluding the value of future new sales. This value is calculated based on a number of prerequisites related to the operations, microeconomic and macroeconomic conditions, and the status of the financial markets. Storebrand publishes a separate EV report with detailed information.

The result in Savings was strengthened by NOK 56 million for the quarter and by NOK 159 million for the year, compared with the same period in 2012. This improvement is attributed to earnings growth and cost-reducing measures.

Insurance reported a combined ratio of 88 per cent for the quarter and 88 per cent for the year. The cost ratio totalled 13 per cent for the year, while the premium income increased by 12 per cent. For Guaranteed Pensions, fee and administration income increased by 14 per cent for the year. During the same period of time, costs have been nominally reduced. The risk results were somewhat weaker for the year, primarily as a result of the weakened longevity results and a lower dissolution of reserves compared with the previous year. The result for SPP has been sufficient to create profit sharing and indexing fees. In the Norwegian operations, the build-up of buffers and reserves for greater life expectancy is given priority over profit sharing between customers and owners. Earnings for the business area has in totalled improved by NOK 472 million for the year.

Market and sales performance

The shift from products with guaranteed interest rates to unit linked insurance products continues in the life insurance businesses. These products are showing good growth in Storebrand Life Insurance and in SPP. The Group's premium income for guaranteed pension products was reduced by 9 per cent in 2013, while premium income for non-guaranteed occupational pensions increased by 20 per cent during the quarter and by 17 per cent in 2013.

Storebrand is maintaining its position as the market leader in non-guaranteed pensions within the Norwegian market for occupational pensions, whereas SPP has a challenger position in the Swedish market. Storebrand has a market share of 30 per cent in the Norwegian market for defined contribution pensions. SPP's market share for new subscriptions to unit linked insurance within the Other occupational pensions segment is nearly 15 per cent. This means that SPP is the third largest actor in this market, as measured by new sales[1)].

For many retail market customers with guaranteed pensions, transitioning to savings with investment options will provide a higher expected pension. At the end of the 4th quarter, corporate customers and retail market customers with guaranteed pensions at Storebrand and SPP had transferred reserves totalling NOK 10.0 billion from guaranteed pensions, of which NOK 1.0 billion was during the 4th quarter.

Capital situation and tax
The Storebrand Life Insurance Group's solvency margin was 176 per cent at the end of the quarter. This represents a decline of 2.0 percentage points during the quarter. This decline is attributed primarily to a new yield curve for discounting the Swedish insurance liabilities in the solvency calculations[2)]. Replacement of the yield curve has a negative effect on the Group's solvency margin of approximately 8 percentage points. The use of additional statutory reserves also made a negative contribution during the quarter, but the quarterly results made a positive contribution.

The solvency margin improved by 14 percentage points during the year. In addition to the result for the year, the strengthening of the solvency margin is chiefly related to an increase in long-term interest rates in Sweden. Higher interest rates reduces the insurance liabilities in the solvency calculations.

The Group is in a situation where it needs to strengthen its reserves for higher life expectancy. Therefore, the return in 2013 has been used to strengthen the reserves for higher life expectancy. Given this, the Board has decided to propose to the Annual General Meeting that no dividend be paid and that the net profit for 2013 be allocated to other equity.

The income tax expense for 2013 totalled NOK 70 million. There were tax-free real estate sales transactions during the year, where allocations had previously been made for deferred tax. The reversal of this deferred tax reduces the income tax expense for 2013. The accrual effects between the quarters gives a high income tax expense of NOK 118 million in the 4th quarter.

The Norwegian Parliament (Storting) passed a resolution in December 2013 to reduce the corporate tax rate from 28 to 27 per cent effective 1 January 2014. When deferred tax / tax assets are recognised on the balance sheet, 27 per cent is therefore used, which reduces the income tax expense for 2013 by NOK 46 million.

Strategic priorities
The European life insurance industry is currently facing substantial changes. Low interest rates and altered framework conditions for long-term savings for pensions have led to a shift away from traditional pension schemes with interest rate guarantees to unit linked savings without interest rate guarantees. This involves each individual customer having to take a greater responsibility for their own pension. The Board has approved four strategic primary priorities in order to support the 'our customers recommend us' vision. Storebrand intends to become more customer-oriented through defined customer promises, concepts and products. The business will be commercialised through gathering together all sales, concept development and customer contact into one organisation. In order to meet new capital requirements without procuring new equity capital, comprehensive capital rationalisation measures are being carried out. Storebrand is continuously adapting to maintain its competitiveness and earnings from its business operations. The Board thus decided during the second quarter of 2012 to implement a new programme to reduce the Group's costs by at least NOK 400 million before the end of 2014. To read more about the Group's strategy, see Storebrand Group's Annual Report for 2012, p. 24.

[1)] Premium income as the second quarter of 2013. Source: Finance Norway and insurance Sweden.
[2)] For a description of the new yield curve, see p. 9

Savings

Good earnings performance driven by earnings growth and good cost control.

The Savings business area encompasses products that offer savings for retirement with no explicit interest rate guarantees. The business area consists of defined contribution pensions and similar unit-linked products in Norway and Sweden

Savings

	2013				2012	31.12	
NOK million	4Q	3Q	2Q	1Q	4Q	2013	2012
Fee and administration income	281	266	245	249	223	1,040	849
Risk result life & pensions	3		4		2	7	3
Operational cost	-196	-189	-181	-185	-193	-752	-715
Result before profit sharing	**88**	**77**	**67**	**64**	**32**	**296**	**137**
Net profit sharing and loan losses	1	0	1	0	1	2	2
Result before amortisation	**89**	**77**	**68**	**64**	**33**	**298**	**139**

Result
The result from Savings was significantly stronger in the 4th quarter and overall for 2013, compared with the same periods in 2012. This is attributed to volume growth in all parts of the operations and cost-reducing measures.

Defined contribution pensions are undergoing strong growth in Norway and Sweden by a continually increasing number of companies choosing to transition to defined contribution-based schemes. This makes for an increased number of members in the pension schemes and an increase in the pension funds. The income for the defined contribution pensions and other unit linked savings increased by 31 per cent in the 4th quarter, compared with the same period last year. The total income for 2013 is 26 per cent higher than in 2012.

Overall, fee and administration income grew by 26 per cent in the 4th quarter and 22 per cent for the year, compared with 2012. A number of measures have been implemented in 2013 for rationalisation and savings with respect to the Group's cost programme. These measures have yielded cost reductions, while increased sales have led at the same time to higher distribution costs. A change in the pension plan for employees in Norway resulted in a reduction in the pensions costs in the accounts in the 4th quarter of 2013, and it will also entail lower pension costs in the future[1)]

Balance sheet and market trends
Premium income for non-guaranteed life insurance-related savings was NOK 2.3 billion in the 4th quarter and NOK 9.7 billion for the full year 2013. This represents an increase of 8 percent compared with 2012. Total reserves in unit linked have grown by 35 per cent since 2012.

In the Norwegian market, Storebrand is the market leader for defined contribution plans, with around 30 per cent of the market. There is strong competition in the market for defined contribution pensions. The maximum savings limits for companies for employee savings in defined contribution pensions will increase from 2014, and this is expected to result in additional growth.

SPP's market share for new subscriptions to unit linked insurance within the Other occupational pensions segment is nearly 15 per cent. SPP's sales of unit linked insurance are 40 per cent higher in 2013 than in 2012, and it is the company's own internal sales channels that have experienced the greatest increases. SPP was selected earlier this year to be one of several suppliers to the largest pension platform in Sweden (the ITP Plan) and activities to increase customer contact have been commenced in connection with this.

Savings

	2013				2012
NOK million	4Q	3Q	2Q	1Q	4Q
Unit Linked Reserves	85,452	79,341	73,542	70,458	63,387
Unit Linked Premiums	2,273	2,296	2,768	2,318	2,480

[1)] Non-recurring effect related to the changed pension terms for the Group's own employees of NOK 26 million.

Insurance

12 per cent premium growth and good cost control.

The Insurance business area encompasses personal risk products in the Norwegian retail market and employee insurance and pensions-related insurance in the Norwegian corporate market.

Insurance

	2013				2012		
NOK million	4Q	3Q	2Q	1Q	4Q	2013	2012
Insurance premiums f.o.a.	523	499	446	513	473	1,982	1,770
Claims f.o.a.	-395	-369	-299	-403	-408	-1,466	-1,252
Operational cost	-32	-72	-68	-77	-71	-249	-309
Financial result	25	28	26	23	72	102	122
Result before amortisation	**121**	**86**	**106**	**57**	**66**	**369**	**331**

Result
For the 4th quarter, Insurance delivered a good result before amortization of NOK 121 million (66 million), and NOK 369 million (331 million) in 2013 with a total combined ratio of 88 per cent (88 per cent).

The underlying risk performance is good for both mortality and disability risk in the portfolio and the underlying risk performance of the P&C insurance portfolio is otherwise good. The exception is in the area of group pensions (risk cover for defined contribution pensions), where there is a weak risk result. Because the profitability of this product area has been negative over a period of time, it has been necessary to strengthen reserves by approx. NOK 52 million in the 4th quarter. A higher proportion of premiums is thus allocated from administration premiums to the risk premiums that contribute to the reserve strengthening.

The cost percentage was 6 per cent (1558 per cent) for the 4th quarter, and 13 per cent (17 per cent) in 2013. The change in the pension regulations for the employees and former employees of the Storebrand Group has also entailed a positive non-recurring effect of NOK 45 million The cost base will be further streamlined through increased automation and end-to-end processes, sourcing of services and exploitation of economies of scale with increased volume.

Balance sheet and market trends
Premium income for own account increased by 12 per cent compared with the corresponding quarter last year. The customers' demand for product solutions that cover a range of employee insurance, as well as disability cover, is expected to increase. This is driven by the companies' desire to reduce absence due to illness, increase job satisfaction and reduce the overall insurance costs. For risk cover linked to defined contribution pensions, relatively high growth is expected in the future, driven by conversion from defined benefit to defined contribution pensions. Price pressures in the larger tender competitions are high and maintaining the level of profitability is challenging.

Written Premiums

	2013				2012
NOK million	4Q	3Q	2Q	1Q	4Q
Individual life	561	550	544	539	530
Group life	804	807	796	792	802
Pension related disability insurance	675	644	634	614	596
Total written premiums	2,040	2,000	1,974	1,945	1,927

** Individual life disability, insurance*
*** Group disability, workers compensation insurance*
**** DC risk premium Norwegian line of business*

	2013				2012
NOK million	4Q	3Q	2Q	1Q	4Q
Claims ratio	74%	73%	73%	79%	71%
Cost ratio	13%	15%	15%	15%	17%
Combined ratio	88%	88%	88%	93%	88%

Guaranteed pension

Pricing and cost measures are yielding better profitability. Contribution from profit sharing between customers and owners further strengthens the result.

The Guaranteed pension business area includes long-term pension savings products that give customers a guaranteed rate of return. The business area covers defined benefit pensions in Norway and Sweden, paid-up policies and individual capital and pension insurance.

Guaranteed pension

	2013				2012	Full year	
NOK million	4Q	3Q	2Q	1Q	4Q	2013	2012
Fee and administration income	561	517	522	515	456	2,115	1,861
Risk result life & pensions	49	147	32	60	88	288	318
Operational cost	-225	-295	-299	-292	-354	-1,111	-1,375
Financial result	-	-	-	-	-	-	-
Result before profit sharing and loan losses	**385**	**369**	**254**	**283**	**190**	**1,292**	**804**
Net profit sharing and loan losses	96	105	52	119	97	373	389
Result before amortisation	**481**	**474**	**306**	**403**	**287**	**1,665**	**1,193**

Results

New subscriptions for guaranteed pensions have been closed for most products, however, premium payments and the accumulation of returns for existing customers is leading to a moderate increase in reserves. We are working actively to inform customers of the opportunities of converting to non-guaranteed savings, both in the Norwegian and Swedish businesses. Fee and administration income increased almost 14 per cent in 2013, compared with the previous year. Income performance is marked by the Norwegian operations having strong income from the price of interest rate guarantees / profit for risk, as well as good administration income from group defined benefit pensions. Both parts are driven by a low rate of conversion from defined benefit to defined contribution pensions, as a result of the market awaiting new regulations. In the Swedish operations, income is somewhat lower than last year due to transfers from guaranteed to non-guaranteed products. The overall income growth in 2013 is significantly higher than the expected future trend, because most of the portfolio is mature and in long-term decline. The operating costs for the area are NOK 225 million for the quarter and NOK 1,111 million for 2013. This is significantly lower than last year, driven by cost-reducing measures and positive non-recurring effects related to the reduced pension costs[1)]. The risk result for the 4th quarter and the year is somewhat weaker than in 2012. For group defined-benefit pensions in Norway, the disability and reactivation (disabled individuals who return to working life) results in particular that drives the results up, while the longevity result is still negative. In the Swedish operations, the disability segment also drives the results.

The result from net profit sharing is generated essentially in the Swedish operations. The portfolio that is open to new sales (designated as P250) has contributed to the result through profit sharing. In addition to this, changes in the deferred capital contribution made a positive contribution to the result. In addition, the consolidation exceeds 107 per cent of all the sub-portfolios within defined benefit pensions. This means that the pensions can be indexed and that the indexing fees will accrue to SPP. The indexing fees totalled NOK 147 million for the year. In the Norwegian operations, the build-up of buffers and reserves (longevity) is given priority over profit sharing between customers and owners.

Balance sheet and market trends

Customer reserves for guaranteed pensions totalled NOK 264 billion at the end of the 4th quarter, which represents growth of 1.5 per cent during the last 12 months. Customer assets increased by NOK 1.6 billion in the 4th quarter. Transfers from guaranteed pensions amounted to NOK 1.0 billion in the 4th quarter and NOK 10.0 billion in 2013. Storebrand's discontinuation of defined benefit pensions for the public sector in Norway is the reason for the greatest part of the transfers. In addition, individual customers have chosen to move to products with higher expected returns. Premium income from guaranteed pensions amounted to NOK 1.8 billion in the 4th quarter and NOK 10.9 billion in 2013. For the year as a whole, this represents a reduction of 9 per cent compared with 2012. Most of the products are closed for new sales, and the customers' choice to transfer from guaranteed to non-guaranteed products is in accordance with the Group's strategy.

Guaranteed pension - Key figures

	2013				2012
NOK million	4Q	3Q	2Q	1Q	4Q
Guaranteed reserves	263,776	262,126	258,654	261,502	259,858
Guaranteed reseves in % of total reserves	75.5 %	76.8 %	77.9 %	78.8 %	80.4 %
Transfer out of guaranteed reserves	967	710	998	7,279	1,360
Buffer capital in % of customer reserves SBL	4.8 %	4.0 %	3.7 %	4.1 %	4.0 %
Buffer capital in % of customer reserves SPP	15.1 %	14.5 %	13.5 %	13.1 %	11.9 %

[1)] Non-recurring effect related to the changed pension terms for the Group's own employees of NOK 106 million.

Other

Under Other, the company portfolios and smaller daughter companies with Storebrand Life Insurance and SPP are reported. In addition, the result associated with the activities at BenCo is included.

Other

	2013				2012	31.12	
NOK mill.	4Q	3Q	2Q	1Q	4Q	2013	2012
Fee and administration income	30	28	30	27	28	116	130
Risk result life & pensions	-2	-4	6	2	5	3	14
Operational cost	-17	-17	-16	-16	-17	-66	-74
Financial result	11	69	-40	8	3	48	121
Result before profit sharing	**22**	**76**	**-19**	**22**	**19**	**100**	**191**
Net profit sharing and loan losses	-2	-1	1	-4	-1	-7	-8
Result before amortiasation	**20**	**75**	**-19**	**18**	**18**	**94**	**183**

Fee and administration income from BenCo remains stable at around NOK 30 million per quarter.

The financial result includes the company portfolios of SPP and Storebrand Life, the financial result of Storebrand ASA as well as the net result for subsidiaries currently being wound up and started up at SPP. The sales of SPP Liv Pensionstänst AB to KPA affects the result positively by 55 million for 2013. For the 4th quarter in isolation, accrual effects with regard to investment income tax in SPP made a negative contribution of around NOK 20 million. The Storebrand Life Insurance Group is funded by a combination of equity and subordinated loans. The proportion of subordinated loans is around 25 per cent and the interest expenses are on the order of a net NOK 120 million for the quarter at the current level of interest. The company portfolios totalled NOK 20.3 billion at the end of the 4th quarter. The investments are primarily in short-term interest-bearing securities in Norway and Sweden.

Balance sheet, solidity and capital adequacy

Solvency margin of 176 per cent in the Life Group, solid buffers, new method for the calculation of solvency in Sweden

Continuous monitoring and active risk management is a core area of Storebrand's business. Risk and solidity are both followed up on at the Group level and in the legal entities. Regulatory requirements for financial strength and risk management follow to a large extent the legal entities. The section is thus divided up by legal entities.

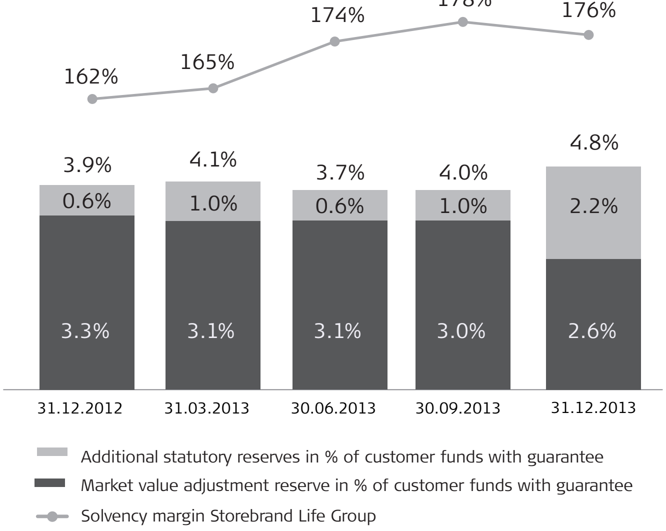
Storebrand Life Insurance Group[1)]

The Storebrand Life Insurance Group's solvency margin was 176 per cent at the end of the quarter. This represents a decline of 2.0 percentage points during the quarter. This decline is attributed primarily to a new yield curve for discounting the Swedish insurance liabilities in the solvency calculations. The new discount rate is based on the yield curve for swap interest rates adjusted for credit risk and a modelled long-term forward interest rate. The market interest rates are given full weight up to 10 years, then they will be phased out on a linear basis up to 20 years, before the curve fully converges with the long-term forward interest rate. The Swedish Financial Supervisory Authority's intention with the change is to provide a more stable value for the liabilities, while the new yield curve is at the same time also more in accordance with the expectations to the discount curve under the solvency regulations (Solvency II). Replacement of the yield curve has a negative effect on the Group's solvency margin of approximately 8 percentage points. The use of additional statutory reserves also made a negative contribution during the quarter, but the quarterly results made a positive contribution.

The solvency margin improved by 14 percentage points during the year. In addition to the result for the year, the strengthening of the solvency margin is chiefly related to an increase in long-term interest rates in Sweden. Higher interest rates reduces the insurance liabilities in the solvency calculations.

The solidity capital[2)] totalled NOK 54.1 billion at the end of 2013, an increase of NOK 3.4 billion during the 4th quarter and NOK 7.2 billion for the full year 2013 in consequence of, among other things, increased customer buffers and the result for the year.

Solidity



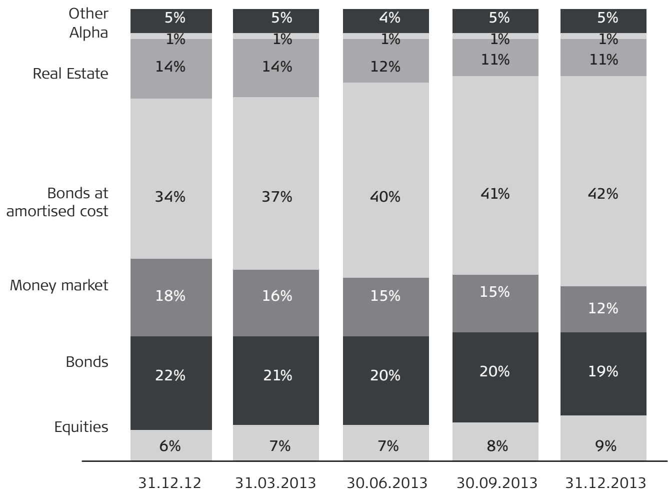
Storebrand Livsforsikring AS

The market value adjustment reserve increased by NOK 2.1 billion in the 4th quarter and NOK 2.8 billion for the full year, and it totalled NOK 3.8 billion at the end of the year. The additional statutory reserves totalled NOK 4.5 billion at the end of the year, a reduction during the quarter of NOK 0.7 billion, which was due to drawing on the additional statutory reserves in consequence of low returns having been recognised for paid-up policies. The reduction in the additional statutory reserves for the year totalled NOK 1.3 billion. Excess value of held-to-maturity bonds that are assessed at amortised cost increased by NOK 0.5 billion during the quarter and reduced 0.1 billion for the year, and it totalled NOK 5.2 billion as at 31 December. The excess value of held-to-maturity bonds is not included in the financial statements. Storebrand has and estimated need to increase reserves by NOK 12.5 billion in consequence of the introduction of new mortality tables beginning in 2014. The Financial Supervisory Authority of Norway is planning a period of five years to build this up starting on 1 January 2014. The longevity reserves totalled NOK 4.8 billion as at 31 December 2013. During the period from 2011 to 2012, a total of NOK 4.3 billion has been set aside for the future build-up of reserves from customer surpluses. NOK 0.5 billion will be set aside for 2013. NOK 0.5 billion has been used to build up reserves on contracts transferring out of Storebrand in 2013 and January 2014.

For the customer portfolios with interest guarantees, allocations to equities and held-to-maturity bonds increased during the course of the quarter. Allocations to the money market and short-term bonds declined.

1) Storebrand Life Insurance, SPP and BenCo
2) The term solidity capital encompasses equity, subordinated loan capital, the risk equalisation fund, the market value adjustment reserve, additional statutory reserves, conditional bonuses, excess value/deficit related to bonds at amortised cost and accrued profit.

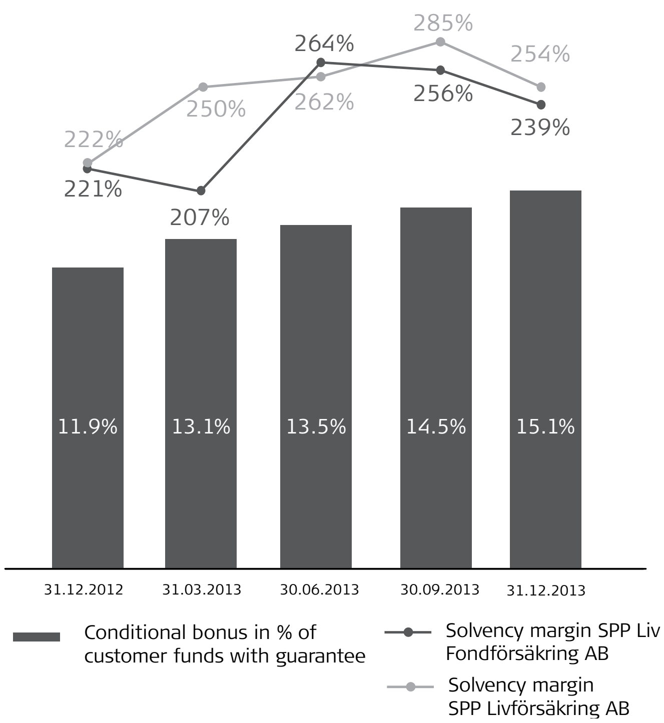
Asset allocation in customer portfolios with interest rate guarantee



Assets under management increased by NOK 3 billion during the 4th quarter, of which NOK 2 billion was within non-guaranteed savings, which totalled NOK 223 billion at the end of 2013.

SPP

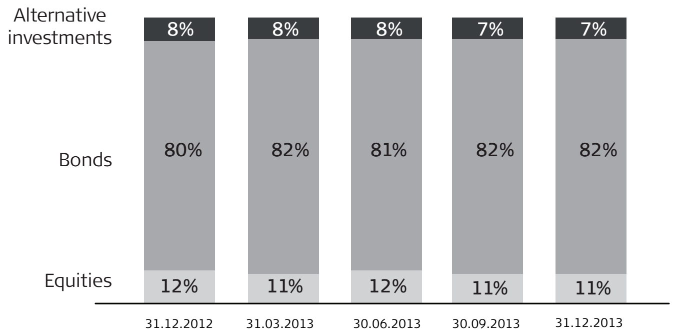
Solidity



The solvency margin in SPP Livförsäkring AB was 254 per cent (285 per cent) and 239 per cent (256 per cent) in SPP Liv Fondförsäkring AB at the end of the year. The figures in parentheses show the solvency margin for the preceding quarter. For solvency calculations in Sweden, insurance liabilities are discounted by a market interest rate. The Swedish Financial Supervisory Authority decided in December 2013 to introduce a new discount rate for solvency purposes. See a more detailed explanation of this change under the discussion of solvency for the Storebrand Life Insurance Group above. The new calculation method reduces the solvency of SPP by approximately 25 per cent.

The buffer capital (conditional repayment) comprises NOK 11.0 billion (NOK 10.6 billion). The increase is primarily due to rising share markets.

Asset allocation in customer portfolios with interest rate guarantee



Total customer assets in SPP amounted to NOK 136 billion, an increase of NOK 5 billion from the previous quarter. Unit linked insurance accounts for 38 per cent of the customer assets and increased the assets under management by 7 per cent compared with the previous quarter.

Outlook

Earnings performance
Low interest rates are challenging for insurance companies that have to cover an annual interest rate guarantee. The interest rates increased in 2013, while credit spreads for bonds narrowed. There are still investment opportunities in the bond market with an expected return that exceeds the interest rate guarantee. Storebrand has a strategy of pursuing growth in products where the results are less affected by short-term fluctuations in the financial markets. Financial performance will also be impacted by the future changes in the regulations for Norwegian occupational pensions and how the customers will choose to adapt to these changes. Growth is still expected in Storebrand's core markets, driven by low unemployment and good wage growth.

Storebrand is continuously adapting to enhance its competitiveness and earnings from its business operations. Among other things, through a cost programme that aims to reduce the Group's costs by at least NOK 400 million before the end of 2014. Storebrand's results will in the period from 2014 include a minimum 20 per cent cost related to the reserving for higher life expectancy. Part of this will occur through a reduced profit sharing.

Risk
Storebrand is exposed to several types of risk through its business areas. Trends in interest rates and the property and equity markets are assessed to be the most significant risk factors that can affect the Group's result. Over time, it is important to be able to deliver a return that exceeds the interest rate guarantees of the products. Risk management is therefore a prioritised core area for the group. In addition, the disability and life expectancy trends are key risks.

Regulatory changes in private occupational pensions
Occupational pension statutes in Norway will undergo a series of changes in order to adapt them to National Insurance reforms. The Norwegian Parliament (Storting) passed the Ministry of Finance's proposed new act for occupational pensions. The new Occupational Pensions Act will give rise to a hybrid product in the Norwegian market. This hybrid product is adapted to the new National Insurance Scheme. It is based on the National Insurance principles of all-years accrual, annual contributions to pension holdings, death inheritance, flexible pension from the age of 62 and longevity adjustments. The new Act does not change anything about benefits already earned through a defined benefit pension scheme. The Act does not solve the challenges related to paid-up policies under Solvency II as described in NOU 2012:3. The maximum limits for contributions to the hybrid product are 7 per cent of salaries up to 7.1 G and 25.1 per cent of salaries between 7.1 and 12 G. At the same time as the Storting passed a new Occupational Pensions Act, it also increased the maximum limits for defined contribution pensions to the same levels. The new Occupational Pensions Act and the higher maximum limits for defined contribution pensions, entered into force on 1 January 2014. The Banking Law Commission published its report NOU 2013:12 Disability Pensions in Private Pension Schemes on 4 December 2013. The deadline for the submission of comments is 6 March. It is expected that new regulations will enter into force from 2015, at the same time as new disability benefits will be introduced to the National Insurance Scheme. On 25 November, the Ministry of Finance distributed a memorandum on paid-up policies with investment choice from the Financial Supervisory Authority of Norway for comments until 17 January 2014. It is proposed here that the paid-up policies should have full reserves in accordance with K2013 before they can be converted to policies with investment choice. The Financial Supervisory Authority of Norway also proposes regulatory provisions that require the pension fund to give the paid-up policy holder written examples illustrating how great a return a given investment portfolio for a given age group must at least have in order to achieve certain pension benefits. It is expected that the statutory amendments that will allow paid-up policies with investment choice will enter into force by the end of 2014.

Solvency II
Solvency II is a set of rules covering solvency that will apply to all insurance companies in the EEA area. It appears to be clear now that final adoption by the EU Parliament could occur in early 2014, and that the regulations will be introduced from 2016. Transitional rules will probably be introduced that will allow the difference between the value of the insurance liabilities after Solvency II and Solvency I at the time of the transition to increase the solvency capital. It will also allow a mark-up on the yield curve that is used to discount the insurance liabilities. The way in which the proposed regulations are formulated, they are somewhat better adapted now to companies that have long-term guaranteed annual returns, especially if the authorities choose to exploit the opportunities permitted by the transitional rules.

Future reserves for a higher life expectancy
In March 2013 the Financial Supervisory Authority of Norway published a new mortality basis for group pension insurance, K2013. The new mortality basis is dynamic, i.e. it incorporates an expectation that mortality will fall further in the future. For defined benefit occupational pensions that have already been earned, the introduction of K2013 entails the need to build up reserves of approximately NOK 12.5 billion for Storebrand (approximately 8 per cent of the premium reserve). A build-up period will be permitted, which should, in the opinion of the Financial Supervisory Authority of Norway, not exceed five years from the start in 2014. At present, the transitional rules are unclear, however it will be permitted to use customer surpluses to cover increased reserves combined with a minimum coverage of 20 per cent from the company. The size of the owner's contribution is dependent on the length of the build-up plan, principles for building up reserves and the financial and risk profit during the build-up period, and the pension fund's share of the build-up of reserves can thus exceed 20 per cent of the reserves required. This will probably be clarified in the guidelines for the build-up plans that were announced by the Financial Supervisory Authority of Norway as being available early in 2014. During the period from 2011 to 2012, a total of NOK 4.3 billion has been set aside for the future build-up of reserves from customer surpluses. NOK 0.5 billion will be set aside for 2013. NOK 0.5 billion has been used to build up reserves on contracts transferring out of Storebrand in 2013 and January 2014. The Group also has other buffers and reserves that may be utilised to build up reserves, depending upon the final regulations.

Lysaker, 11 February 2014
Board of Directors of Storebrand Livsforsikring AS

Storebrand Livsforsikring Group

PROFIT AND LOSS ACCOUNT

	Q4		1.1 - 31.12	
NOK million	2013	2012	2013	2012
TECHNICAL ACCOUNT:				
Gross premiums written	4,542	5,562	23,106	23,740
Reinsurance premiums ceded	-14	-6	-86	-76
Premium reserves transferred from other companies	920	824	4,962	3,615
Premiums for own account	**5,447**	**6,380**	**27,982**	**27,279**
Income from investments in subsidiaries, associated companies and jointcontrolled companies	10	2	29	48
Interest income and dividends etc. from financial assets	1,647	3,165	7,612	9,424
Net operating income from real estate	242	288	1,139	1,266
Changes in investment value	2,740	-1,690	739	-210
Realised gains and losses on investments	-663	2,679	27	5,344
Total net income from investments in the collective portfolio	**3,976**	**4,444**	**9,546**	**15,871**
Interest income and dividends etc. from financial assets	309	892	305	1,832
Net operating income from real estate	17	26	81	105
Changes in investment value	3,270	-11	9,996	2,820
Realised gains and losses on investments	561	292	785	621
Total net income from investments in the investment selection portfolio	**4,157**	**1,198**	**11,167**	**5,378**
Other insurance related income	**395**	**296**	**1,394**	**1,157**
Gross claims paid	-4,486	-5,337	-18,533	-17,931
Claims paid - reinsurance	19	5	42	13
Gross change in claims reserve	41	-32	9	-65
Premium reserves etc. transferred to other companies	-1,280	-750	-10,889	-4,366
Claims for own account	**-5,705**	**-6,115**	**-29,372**	**-22,348**
To (from) premium reserve, gross	71	-3,281	6,013	-7,822
To/from additional statutory reserves	604	-358	1,047	-387
Change in value adjustment fund	-2,062	1,353	-2,796	-1,027
Change in premium fund, deposit fund and the pension surplus fund	4	-7	-23	-74
To/from technical reserves for non-life insurance business	22	17	-57	-92
Change in conditional bonus	-497	-128	-1,924	-1,458
Transfer of additional statutory reserves and value adjustment fund from other insurance companies/pension funds	71	31	106	152
Changes in insurance obligations recognised in the Profit and Loss Account - contractual obligations	**-1,786**	**-2,374**	**2,365**	**-10,709**
Change in premium reserve	-5,599	-3,568	-18,079	-12,084
Change in other provisions	-133	-39	-133	13
Changes in insurance obligations recognised in the Profit and Loss Account - investment portfolio separately	**-5,732**	**-3,607**	**-18,212**	**-12,071**
Profit on investment result		-155		-155
Other allocation of profit	-90		-90	-3
Unallocated profit	636	1,068		
Funds allocated to insurance contracts	**547**	**913**	**-90**	**-158**
Management expenses	-119	-79	-360	-297
Selling expenses	-200	-222	-589	-521
Change in pre-paid direct selling expenses	4	9	19	45

Storebrand Livsforsikring Group

PROFIT AND LOSS ACCOUNT CONTINUE

NOK million	Q4 2013	Q4 2012	1.1 - 31.12 2013	1.1 - 31.12 2012
Insurance-related administration expenses (incl. commissions for reinsurance received)	-203	-390	-1,375	-1,831
Reinsurance commissions and profit participation				6
Insurance-related operating expenses	**-518**	**-681**	**-2,305**	**-2,599**
Other insurance related expences	**-153**	**-72**	**-262**	**-210**
Technical insurance result	**627**	**383**	**2,213**	**1,590**
NON-TECHNICAL ACCOUNT				
Income from investments in subsidiaries, associated companies and joint-controlled companies	-1	-1	74	-3
Interest income and dividends etc. from financial assets	117	149	442	551
Net operating income from real estate	15	17	54	67
Changes in investment value	17	-54	26	40
Realised gains and losses on investments	-51	62	-17	70
Net income from investments in company portfolio	**97**	**173**	**579**	**724**
Other income	**-6**	**-5**	**426**	**459**
Management expenses	-10	-8	-35	-31
Other costs	-94	-227	-1,134	-1,253
Management expenses and other costs linked to the company portfolio	**-104**	**-235**	**-1,169**	**-1,284**
Profit or loss on non-technical account	**-13**	**-67**	**-163**	**-101**
Profit before tax	**614**	**316**	**2,050**	**1,489**
Tax costs	**-118**	**-132**	**-70**	**-372**
PROFIT BEFORE OTHER COMPREHENSIVE INCOME	**496**	**184**	**1,980**	**1,117**
Change in pension experience adjustments	3	252	10	221
Change in value adjustment reserve own buildings	8	19	154	90
Adjustment of insurance liabilities	-8	-19	-154	-90
Tax on other comprehensive income	12	-84	12	-84
Other comprehensive income and costs	**302**	**113**	**771**	**24**
Tranaslation differences	76	-157	840	-103
Total other result elements that may be classified to profit /loss	**76**	**-157**	**840**	**-103**
Total other result elements	**91**	**11**	**862**	**35**
Comprehensive income	**587**	**195**	**2,843**	**1,151**
PROFIT IS DUE TO:				
Minority share of profit	2	-2	8	14
Majority share of profit	494	186	1,973	1,103
COMPREHENSIVE INCOME IS DUE TO:				
Minority share of profit	3	-4	18	11
Majority share of profit	584	199	2,824	1,140

Storebrand Livsforsikring Group

STATEMENT OF FINANCIAL POSITION STOREBRAND LIVSFORSIKRING GROUP

NOK million	31.12.2013	31.12.2012
ASSETS		
ASSETS IN COMPANY PORTFOLIO		
Goodwill	798	724
Other intangible assets	4,882	4,754
Total intangible assets	**5,679**	**5,478**
Real estate at fair value	1,084	1,208
Real estate for own use	66	58
Equities and units in subsidiaries, associated companies and joint-controlled companies	205	121
Loans to and securities issued by subsidiaries, associated companies		69
Lendings	3	4
Bonds held to maturity	347	222
Bonds at amortised cost	1,510	1,156
Equities and other units at fair value	74	44
Bonds and other fixed-income securities at fair value	17,439	15,716
Derivatives at fair value	364	255
Other financial assets	305	126
Total investments	**21,398**	**18,980**
Reinsurance share of insurance obligations	**142**	**144**
Receivables in connection with direct business transactions	2,722	101
Receivables in connection with reinsurance transactions	28	7
Receivables with group company	28	23
Other receivables	1,472	3,653
Total receivables	**4,249**	**3,783**
Tangible fixed assets	419	388
Cash, bank	3,517	2,938
Tax assets		38
Other assets designated according to type	690	599
Total other assets	**4,627**	**3,964**
Pre-paid direct selling expenses	510	443
Other pre-paid costs and income earned and not received	101	90
Total pre-paid costs and income earned and not received	**611**	**533**
Total assets in company portfolio	**36,706**	**32,883**
ASSETS IN CUSTOMER PORTFOLIO		
Real estate at fair value	21,478	25,401
Real estate for own use	2,322	2,066
Equities and units in subsidiaries, associated companies and joint-controlled companies	34	115
Loans to and securities issued by subsidiaries, associated companies	185.7	596.5
Bonds held to maturity	14,773	10,496
Bonds at amortised cost	63,919	54,557
Lendings	3,436	3,702
Equities and other units at fair value	34,629	27,152
Bonds and other fixed-income securities at fair value	133,203	139,040
Financial derivatives at fair value	1,048	2,575
Other financial assets	3,357	3,462
Total investments in collective portfolio	**278,384**	**269,164**

Storebrand Livsforsikring Group

STATEMENT OF FINANCIAL POSITION CONTINUE

NOK million	31.12.2013	31.12.2012
Real estate at fair value	1,614	2,114
Real estate for own use	103	107
Lendings	73	140
Equities and other units at fair value	57,987	45,014
Bonds and other fixed-income securities at fair value	31,869	25,168
Financial derivatives at fair value	81	169
Other financial assets	262	397
Total investments in investment selection portfolio	**91,987**	**73,108**
Total assets in customer portfolio	**370,372**	**342,272**
TOTAL ASSETS	**407,078**	**375,155**
EQUITY AND LIABILITIES		
Share capital	3,540	3,540
Share premium	9,711	9,711
Total paid in equity	**13,251**	**13,251**
Risk equalisation fund	776	640
Other earned equity	5,844	3,223
Minority's share of equity	141	148
Total earned equity	**6,760**	**4,011**
Perpetual subordinated loan capital	2,787	5,142
Dated subordinated loan capital	2,540	
Hybrid tier 1 capital	1,502	1,501
Total subordinated loan capital and hybrid tier 1 capital	**6,829**	**6,643**
Premium reserves	250,567	245,333
Additional statutory reserves	4,279	5,489
Market value adjustment reserve	3,823	1,027
Claims allocation	891	837
Premium fund, deposit fund and the pension surplus fund	3,184	3,394
Conditional bonus	14,167	11,264
Other technical reserve	616	561
Total insurance obligations in life insurance - contractual obligations	**277,526**	**267,905**
Premium reserve	91,887	72,751
Claims allocation	1	1
Additional statutory reserves	179	257
Premium fund, deposit fund and the pension surplus fund	330	487
Unallocated profit to insurance contracts	92,396	73,495
Total insurance obligations in life insurance - investment portfolio separately	**86,176**	**73,495**
Pension liabilities etc.	575	839
Period tax liabilities	1,441	1,377
Other provisions for liabilities	108	115
Total provisions for liabilities	**2,123**	**2,331**

Storebrand Livsforsikring Group

STATEMENT OF FINANCIAL POSITION CONTINUE

NOK million	31.12.2013	31.12.2012
Liabilities in connection with direct insurance	1,353	1,317
Liabilities in connection with reinsurance	36	4
Financial derivatives	2,122	755
Liabilities to group companies	13	14
Other liabilities	4,233	4,950
Total liabilities	**7,757**	**7,041**
Other accrued expenses and received, unearned income	435	478
Total accrued expenses and received, unearned income	**435**	**478**
TOTAL EQUITY AND LIABILITIES	**407,078**	**375,155**

Storebrand Livsforsikring Group

RECONCILIATION OF CHANGE IN EQUITY STOREBRAND LIVSFORSIKRING GROUP

	Majority's share of equity						
NOK million	Share capital	Share premium	Total paid in equity	Risk equalisation fund [1]	Other equity	Minority interests	Total equity
Equity at 31.12.2011	**3,430**	**9,271**	**12,701**	**469**	**2,474**	**177**	**15,821**
Profit for the period				171	931	14	1,117
Comprehensive income:							
Translation differences					-100	-3	-103
Change in pension experience adjustments					137		137
Total comprehensive income for the period				**171**	**969**	**11**	**1,151**
Equity transactions with owner:							
Share issue	110	440	550				550
Group contributions					-200	-26	-226
Acquisition of minority						-14	-14
Other					-19	-1	-20
Equity at 31.12.2012	**3,540**	**9,711**	**13,251**	**640**	**3,223**	**148**	**17,262**
Profit				136	1,837	8	1,980
Comprehensive income:							
Translation differences					829	11	840
Change in pension experience adjustments					23	-1	22
Total comprehensive income for the period				**136**	**2,689**	**19**	**2,843**
Equity transactions with owner:							
Group contributions					-85	-27	-112
Other					17	2	19
Equity at 31.12.2013	**3,540**	**9,711**	**13,251**	**776**	**5,844**	**141**	**20,011**

[1]Includes undistributable funds in the risk equalisation fund amounting to NOK 743 million and security reserves amounting NOK 154 million.
The risk equalisation reserve can only be used to increase allocations to the premium reserve with regard to risk linked to persons. liabilities for accounting purposes in accordance with IFRS and are included in equity in their entirety. The risk equalisation reserve and contingency reserves are not considered. Allocations to the risk equ sation reserve and contingency reserves are tax deductible whe the allocations are made, and these deductions are differences between the financial and tax accounts in accordance with IAS 12 so that provisions are not made for deferred tax related to permanent differences.

Storebrand Livsforsikring AS

PROFIT AND LOSS ACCOUNT

	Q4		1.1 - 31.12	
NOK million	2013	2012	2013	2012
TECHNICAL ACCOUNT:				
Gross premiums written	2,948	4,046	15,918	16,762
Reinsurance premiums ceded		-5	-22	-35
Premium reserves transferred from other companies	426	534	3,010	3,138
Premiums for own account	**3,374**	**4,575**	**18,906**	**19,865**
Income from investments in subsidiaries, associated companies and joint-controlled companies	161	180	952	610
of which from investment in real estate companies	188	264	881	620
Interest income and dividends etc. from financial assets	820	2,394	4,452	6,382
Changes in investment value	2,028	-1,151	2,764	1,345
Realised gains and losses on investments	-457	1,290	-206	1,854
Total net income from investments in the collective portfolio	**2,553**	**2,712**	**7,962**	**10,191**
Income from investments in subsidiaries, associated companies and joint-controlled com-panies	11	15	68	54
of which from investment in real estate companies	15	24	68	54
Interest income and dividends etc. from financial assets	305	874	287	933
Changes in investment value	784	-772	3,319	875
Realised gains and losses on investments	540	268	771	634
Total net income from investments in the investment selection portfolio	**1,640**	**384**	**4,445**	**2,496**
Other insurance related income	**57**	**46**	**217**	**177**
Gross claims paid	-2,780	-3,806	-11,809	-11,938
Claims paid - reinsurance	15	5	30	13
Gross change in claims reserve	30	-34	-3	-70
Premium reserves etc. transferred to other companies	-489	-259	-7,585	-2,765
Claims for own account	**-3,223**	**-4,094**	**-19,367**	**-14,760**
To (from) premium reserve, gross	-325	-2,844	120	-7,192
To/from additional statutory reserves	940	-354	1,047	-387
Change in value adjustment fund	-2,062	1,353	-2,796	-1,027
Change in premium fund, deposit fund and the pension surplus fund	4	-7	-23	-74
To/from technical reserves for non-life insurance business	27	13	-63	-115
Transfer of additional statutory reserves and value adjustment fund from other insurance companies/pension funds	71	31	106	152
Changes in insurance obligations recognised in the Profit and Loss Account - con-tractual obligations	-1,344	-1,809	**-1,610**	**-8,643**
Change in premium reserve	-2,329	-2,039	-7,459	-6,541
Change in other provisions	-133	-39	-133	13
Changes in insurance obligations recognised in the Profit and Loss Account - in-vestment portfolio separately	**-2,462**	**-2,078**	**-7,593**	**-6,528**
Profit on investment result		-155		-155
Other allocation of profit	-85	-3	-85	-3
Unallocated profit	636	1,068		
Funds allocated to insurance contracts	**552**	**910**	**-85**	**-158**

Storebrand Livsforsikring AS

PROFIT AND LOSS ACCOUNT CONTINUE

	Q4		1.1 - 31.12	
NOK million	2013	2012	2013	2012
Management expenses	-35	-32	-134	-133
Selling expenses	-128	-136	-351	-306
Insurance-related administration expenses (incl. commissions for reinsurance received)	-24	-243	-688	-1,153
Insurance-related operating expenses	**-187**	**-410**	**-1,173**	**-1,591**
Other insurance related expenses after reinsurance share	**-131**	**-12**	**-204**	**-129**
Technical insurance result	**828**	**225**	**1,498**	**920**
NON-TECHNICAL ACCOUNT				
Income from investments in subsidiaries, associated companies and joint-controlled companies	265	196	251	289
of which from investment in real estate companies	9	14	60	33
Interest income and dividends etc. from financial assets	188	207	659	703
Changes in investment value	19	-40	11	62
Realised gains and losses on investments	3	26	35	51
Net income from investments in company portfolio	**476**	**388**	**956**	**1,104**
Other income	**4**	**4**	**26**	**21**
Management expenses	-3	-2	-11	-9
Other costs	-85	-117	-468	-491
Total management expenses and other costs linked to the company portfolio	**-88**	**-119**	**-479**	**-501**
Profit or loss on non-technical account	**392**	**273**	**503**	**624**
Profit before tax	**1,220**	**499**	**2,001**	**1,545**
Tax costs	**-207**	**-137**	**-57**	**-377**
PROFIT BEFORE OTHER COMPREHENSIVE INCOME	**1,013**	**362**	**1,944**	**1,168**
Change in pension experience adjustments	-51	264	-51	264
Tranaslation differences	-1		-2	
Tax on other result elements	12	-74	13	-74
Other comprehensive income and costs	**-39**	**190**	**-40**	**190**
COMPREHENSIVE INCOME	**973**	**552**	**1,904**	**1,357**

Storebrand Livsforsikring AS

STATEMENT OF FINANCIAL POSITION STOREBRAND LIVSFORSIKRING AS

NOK million	31.12.2013	31.12.2012
ASSETS		
ASSETS IN COMPANY PORTFOLIO		
Other intangible assets	144	108
Total intangible assets	**144**	**108**
Equities and units in subsidiaries, associated companies and joint-controlled companies	10,482	10,707
of which investment in real estate companies	1,016	1,268
Loans to and securities issued by subsidiaries, associated companies	7,351	6,748
Loans	3	4
Bonds held to maturity	347	222
Bonds at amortised cost	1,510	1,156
Equities and other units at fair value	50	17
Bonds and other fixed-income securities at fair value	6,888	5,691
Derivatives at fair value	362	255
Other financial assets	259	109
Total investments	**27,253**	**24,910**
Reinsurance share of insurance obligations	**163**	**171**
Receivables in connection with direct business transactions	2,682	1,527
Receivables in connection with reinsurance transactions	28	7
Receivables with group company	97	53
Other receivables	629	892
Total receivables	**3,436**	**2,478**
Tangible fixed assets	35	58
Cash, bank	1,280	1,408
Total other assets	**1,316**	**1,466**
Other pre-paid costs and income earned and not received	31	31
Total pre-paid costs and income earned and not received	**31**	**31**
Total assets in company portfolio	**32,343**	**29,164**
ASSETS IN CUSTOMER PORTFOLIOS		
Equities and units in subsidiaries, associated companies and joint-controlled companies	20,285	29,666
of which investment in real estate companies	19,662	28,948
Bonds held to maturity	14,773	10,496
Bonds at amortised cost	63,919	54,557
Loans	3,436	3,702
Equities and other units at fair value	19,716	12,218
Bonds and other fixed-income securities at fair value	54,195	63,648
Financial derivatives at fair value	161	556
Other financial assets	1,769	1,454
Total investments in collective portfolio	**178,253**	**176,297**

Storebrand Livsforsikring AS

STATEMENT OF FINANCIAL POSITION CONTINUE

NOK million	31.12.2013	31.12.2012
Equities and units in subsidiaries, associated companies and joint-controlled companies	1,600	2,462
of which investment in real estate companies	1,587	2,443
Loans	73	140
Equities and other units at fair value	18,803	14,697
Bonds and other fixed-income securities at fair value	17,846	17,309
Financial derivatives at fair value	81	169
Other financial assets	227	357
Total investments in investment selection portfolio	**38,630**	**35,134**
Total assets in customer portfolios	**216,883**	**211,431**
TOTAL ASSETS	**249,227**	**240,595**
EQUITY AND LIABILITIES		
Share capital	3,540	3,540
Share premium	9,711	9,711
Total paid in equity	**13,251**	**13,251**
Risk equalisation fund	776	640
Other earned equity	6,069	4,301
Total earned equity	**6,845**	**4,941**
Perpetual subordinated loan capital	2,787	5,142
Dated subordinated loan capital	2,540	
Hybrid tier 1 capital	1,502	1,502
Total subordinated loan capital and hybrid tier 1 capital	**6,829**	**6,643**
Premium reserves	165,873	162,268
Additional statutory reserves	4,279	5,489
Market value adjustment reserve	3,823	1,027
Claims allocation	763	760
Premium fund, deposit fund and the pension surplus fund	3,184	3,394
Other technical reserve	786	731
Total insurance obligations in life insurance - contractual obligations	**178,708**	**173,669**
Premium reserves	38,700	34,703
Claims allocation	1	1
Additional statutory reserves	179	257
Premium fund, deposit fund and the pension surplus fund	330	487
Total insurance obligations in life insurance - investment portfolio separately	**39,209**	**35,447**

Storebrand Livsforsikring AS

STATEMENT OF FINANCIAL POSITION CONTINUE

NOK million	31.12.2013	31.12.2012
Pension liabilities etc.	432	571
Period tax liabilities	1,190	1,146
Other provisions for liabilities	63	66
Total provisions for liabilities	**1,685**	**1,783**
Liabilities in connection with direct insurance	846	1,003
Liabilities in connection with reinsurance	2	2
Financial derivatives	438	206
Liabilities to group companies	6	2,490
Other liabilities	1,160	866
Total liabilities	**2,453**	**4,567**
Other accrued expenses and received, unearned income	248	294
Total accrued expenses and received, unearned income	**248**	**294**
TOTAL EQUITY AND LIABILITIES	**249,227**	**240,595**

RECONCILIATION OF CHANGE IN EQUITY STOREBRAND LIVSFORSIKRING AS

NOK million	Share capital [1]	Share premium	Total paid in equity	Risk equalisation fund [2]	Other equity	Total equity
Equity at 31.12.2011	**3,430**	**9,271**	**12,701**	**469**	**3,115**	**16,285**
Profit				171	996	1,168
Other result elements:						
Change in pension experience adjustments					190	190
Total comprehensive income for the period				**171**	**1,186**	**1,358**
Equity transactions with owner:						
Share issue	110	440	550			550
Equity at 31.12.2012	**3,540**	**9,711**	**13,251**	**640**	**4,301**	**18,192**
Profit				136	1,809	1,944
Other result elements:						
Change in pension experience adjustments					-39	
Translation differences					-2	-2
Total comprehensive income for the period				**136**	**1,768**	**1,904**
Equity at 31.12.2013	**3,540**	**9,711**	**13,251**	**776**	**6,069**	**20,096**

[1] 35 404 200 shares of NOK 100 par value.

[2] Restricted equity 776 million. The risk equalisation reserve can only be used to increase allocations to the premium reserve with regard to risk linked to persons. The risk equalisation reserve and contingency reserves are not considered liabilities for accounting purposes in accordance with IFRS and are included in equity in their entirety. Allocations to the risk equalisation reserve and contingency reserves are tax deductible when the allocations are made, and these deductions are treated as permanent differences between the financial and tax accounts in accordance with IAS 12 so that provisions are not made for deferred tax related to permanent differences.

Storebrand Livsforsikring

CASH FLOW ANALYSIS 1. JANUARY - 31. DESEMBER

Storebrand Livsforsikring Group			Storebrand Livsforsikring AS	
2012	2013	NOK million	2013	2012
		Cash flow from operational activities		
22,142	17,784	Net received - direct insurance	11,653	15,393
-18,440	-18,674.6	Net claims/benefits paid - direct insurance	-12,136	-12,153
-751	-5,927.0	Net receipts/payments - policy transfers	-4,575	373
-2,599	-2,289	Net receipts/payments - other operational activities	-1,173	-1,591
-2,920	992	Net receipts/payments operations	-2,339	-147
-2,568	**-8,115**	**Net cash flow from operational activities before financial assets**	**-8,569**	**1,874**
-831	335	Net receipts/payments - lendings to customers	335	-831
2,350	3,182	Net receipts/payments - financial assets	8,974	-508
728	5,562	Net receipts/payments - real estate activities		
1,588	241	Net change bank deposits insurance customers	-185	66
3,835	**9,320**	**Net cash flow from operational activities from financial assets**	**9,124**	**-1,273**
1,267	**1,204**	**Net cash flow from operational activities**	**555**	**602**
		Cash flow from investment activities		
-173	407	Net payments - purchase/capitalisation of subsidiaries and associated companies	92	-523
-130	-149	Net receipts/payments - sale/purchase of fixed assets	-33	-47
-303	**258**	**Net cash flow from investment activities**	**60**	**-570**
		Cash flow from financing activities		
-930	2,222	Payment of subordinated loan capital	2,222	
550		Payments - share issue		550
	-2,366	Repayment of subordinated loan capital	-2,366	
-382	-447	Payments - interest on subordinated loan capital	-447	-382
-226	-112.4	Payments - group contribution dividends		-200
-988	**-704**	**Net cash flow from financing activities**	**-591**	**-32**
-24	**759**	**Net cash flow for the period**	**23**	
-3,859	-8,561	of which net cash flow for the period before financial assets	-9,101	1,273
-24	759	Net movement in cash and cash equivalent assets	23	
3,088	3,064	Cash and cash equivalent assets at start of the period	1,517	1,517
3,064	**3,823**	**Cash and cash equivalent assets at the end of the period**	**1,540**	**1,517**

Notes to the interim accounts

NOTE 1: ACCOUNTING POLICIES

The Group's interim financial statements include Storebrand Livsforsikring AS, subsidiaries and associated companies. The financial statements are prepared in accordance with the "Regulation on the annual accounts etc. of insurance companies" for the parent company and the consolidated financial statements 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.

There have been no significant changes to the accounting policies in 2013.

As a result of an amendment to IAS 1 – Presentation of Financial Statements, there are changes in 2013 to the presentation of items included in the Statement of Total Comprehensive Income. The statement specifies:

- items that will be reclassified to profit or loss in subsequent periods when special conditions have been met
- as well as items that will not subsequently be reclassified to profit or loss.

This amendment has not had any significant effect on the consolidated financial statements.

IFRS 13 Fair Value Measurement, entered into force in 2013 and entailed expanded note requirements linked to accounting information on fair value measurement. In addition, amendments have been introduced to IAS 19R Employee Benefits, which entail more requirements for the recognition of cost and income components on a gross basis.

The amendments described above have not had any significant effect on the consolidated financial statements.

IASB has been working for several years on a new accounting standard for insurance contracts, and the future standard is often referred to as IFRS 4, Phase II. A new Exposure Draft (ED) was published in June 2013. A new standard will probably be ready in 2015. It is uncertain when it will be implemented, but 2017 or 2018 are possible alternatives, since it is expected that an implementation period of three years will be allowed due to the significant amount of implementation work expected (prior periods will have to be restated). It is assumed that the standard will probably require that the recognised value of insurance contracts consist of the following components:

- Probability weighted estimate of future receipts and payments related to the contracts
- The cash flows will be discounted at an interest rate that reflects the risk of the cash flows
- A supplement is added for the risk margin
- When entering into a contract, the expected profit is also set aside as a liability, contractual residual margin, and this is recognised as income over the duration of the contract (provided the contract is not regarded as a loss contract when it is issued).

The introduction of a new standard for insurance contracts may have a significant impact on Storebrand's consolidated financial statements. An implementation would entail changes to the income statements, a change in the profit or loss, a change in the value of the insurance liabilities, and it may affect the equity.

IFRS 9 Financial Instruments is another important standard for Storebrand's consolidated financial statements. The standard concerns the classification of financial instruments etc. (use of fair value and amortised cost), as well as the write-down of financial instruments. The standard will conceivably enter into effect from 2015, but the point in time is uncertain.

In 2014, the following new standards will affect the consolidated financial statements: IFRS 10 Consolidated Financial Statements, as well as IFRS 11 Joint Arrangements. It is expected that a greater share of the Group's investments will be consolidated as a result of IFRS 10, and it is also expected that joint ventures will be recognised in accordance with the equity method of accounting instead of the proportionate consolidation method. The incorporation of these standards is not expected to entail significant changes with regard to the Group's equity or results.

Other amendments to the IFRS regulations that apply or can be applied to IFRS accounts that are prepared after 1 January 2014 are listed below. The amendments are not expected to have any significant effect on the consolidated financial statements.

- Amendment of IAS 39: Amendment to the rules for the replacement of a counterparty in hedge accounting
- Amendment of IAS 36: Disclosure requirement for the recoverable amount – intangible assets or goodwill
- Amendment of IAS 32: Revised offset rules

Notes to the interim accounts

NOTE 2: ESTIMATES

In preparing the Group's financial statements the management are required to make judgements, estimates and assumptions of uncertain amounts. The estimates and underlying assumptions are reviewed on an ongoing basis, and they are based on historical experience and expectations of future events and represent the management's best judgement at the time the financial statements were prepared.
Actual results may differ from these estimates.

The Group's critical estimates and judgements that could result in material adjustment of recognised amounts are discussed below.

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 intangible asset (value of business in force – VIF) linked to the insurance contracts in the Swedish activities is also included. This asset is related to Storebrand's acquisition of SPP (acquisition of a business). There are several factors that may have an impact on the size of the insurance liabilities including VIF, such as biometric factors relating to higher life expectancy and invalidity, as well as the development of future costs and legal aspects, such as amendments to legislation and judgments handed down in court cases etc. In the long term, a low interest rate will represent a challenge for insurance contracts with a guaranteed interest rate and, together with a reduced customer buffer, can have an impact on the amount recorded that is linked to the insurance contracts. The Norwegian insurance contracts with guaranteed interest rates are discounted at the premium calculation rate (around 3.5 per cent on average). For the Swedish insurance liabilities with a guaranteed interest rate, the discount is based on an estimated swap yield curve, where portions of the yield curve are not liquid. The non-liquid portion of the yield curve has been estimated based on long-term expectations regarding real interest rates and inflation.

In accordance with the accounting standard IFRS 4 Insurance Contracts, the insurance liabilities that are included shall be adequate and a liability adequacy test shall be performed. The Norwegian insurance liabilities are calculated in accordance with special Norwegian rules, including the Insurance Activity Act and regulations. For the Norwegian life insurance liabilities, a test is performed at a general level by conducting an analysis based on the Norwegian premium reserve principles. The established analysis is based on the assumptions that apply to the calculation of embedded value, in which the company uses the best estimates for the future basic elements based on the current experience. The test entails then that the company analyses the current margins between the assumptions used as a basis for reserves and the assumptions in the Embedded Value analysis. This test was also performed for the introduction of IFRS.

Upon the acquisition of the Swedish insurance group SPP, excess value related to the value of the SPP Group's insurance contracts was capitalised, while the SPP Group's recognised insurance reserves were maintained in Storebrand's consolidated financial statements. This excess value (value of business in force) together with the associated capitalised selling costs and insurance liabilities are tested with regard to their adequacy. The test is satisfied if the recognised liabilities in the financial statements are greater than or equal to the net liabilities valued at an estimated market value, included the expected owner's profit. In this test, the embedded value calculations and IAS 37 are taken into account. A key element of this assessment involves calculating future profit margins using embedded value calculations. Embedded value calculations are affected, among other things, by volatility in the financial markets, interest rate expectations and the amount of buffer capital. Storebrand satisfies the adequacy tests for 2013, and they have thus no impact on the financial statements for 2013. There will be uncertainty related to the valuation of these capitalised values and the value of the associated insurance reserves.

In Storebrand's life insurance activities, a change in the estimates related to insurance reserves, financial instruments or investment properties allocated to life insurance customers will not necessarily affect the owner's result, but a change in the estimates and valuations may affect the owner's result. A key factor will be whether the assets of the life insurance customers, including the return for the year, exceed the guaranteed liabilities.

In the Norwegian life insurance activities, a significant share of the insurance contracts have a series of annual interest rate guarantees. Changes in estimates and valuations may entail a change in the return on the customer portfolios. Depending on the size of any impairment in value, such impairment may be offset by a reduction in the market value adjustment reserve and additional statutory reserves, so that the effect on the owner's result may be limited.

The Financial Supervisory Authority of Norway has determined that a new mortality basis K2013 will be introduced for group pension insurance in life insurance companies and pension funds effective from 2014. The build-up of reserves for new tariffs in connection with increased life expectancy, in which the build-up can be charged to the running return for a limited period of time. Any deficient future return in connection with this may reduce the owner's future profit.

In the Swedish activities (SPP) there are no contracts with an annual interest rate guarantee. However, there are insurance contracts with a terminal value guarantee. These contracts are discounted by a market-based interest rate. If the associated customer assets have a higher value than the recognised value of these insurance liabilities, then the difference will represent a conditional customer allocated fund – conditional bonus (buffer capital). Changes in estimates and valuations may entail a change in the return on the customer portfolios. Depending on the size of any impairment in value, such impairment may be offset by a reduction in the conditional bonus, so that the effect on the owner's result may be limited. If the value of the individual insurance contract is higher than the associated customer assets, the owner will have to cover the deficient capital.

There are also insurance contracts without an interest guarantee in the life insurance activities in which customers bear the return guarantee. Changes in estimates and valuations may entail a change in the return on the associated customer portfolios. The recognition of such value changes does not directly affect the owner's result.

Please also refer to the discussions in note 2 of the 2012 annual report.

NOTE 3: BUILD-UP OF RESERVES FOR LONGEVITY FOR STOREBRAND LIFE INSURANCE

In a letter of 8 March 2013, the Financial Supervisory Authority of Norway determined that a new mortality tariff K2013 would be introduced for group pension insurance in life insurance companies and pension funds effective from 2014. In its press release, the Financial Supervisory Authority of Norway states that increased expected longevity is a challenge to life insurance companies and pension funds. This requires increased premiums and higher insurance technical reserves in order to have sufficient funds to cover future liabilities.

The new mortality tariff will significantly increase the need for reserves, and an escalation period will be allowed. The escalation plans will apply from 2014, and they should not last more than five years in the opinion of the Financial Supervisory Authority of Norway. This allows the use of customer surpluses to cover the increased reserve requirements, but the Financial Supervisory Authority of Norway states that "a minimum of 20 per cent of the total requirement for the building up of reserves should be covered by pension funds".

The required build-up of reserves for group pensions is estimated to be NOK 12.7 billion or around 8 per cent of the premium reserves as at 31 December 2013. The company started to build up reserves in the accounts starting in 2011. In 2012 and 2013, Storebrand will set aside as much as possible from its financial and risk profits. It must also be expected that all profit available will be set aside for the build-up of reserves during the build-up period. A total of NOK 4.5 billion has been set aside as at 31 December 2013.

It is expected that a minimum of 20 per cent or NOK 2.5 billion of the total need for reserves will be covered by the owner. It is assumed that part of this will be financed through the forfeiture of profits for paid-up policies during the build-up period with the current profit sharing model (20% to the owner). The size of the owner's contribution is dependent on the length of the escalation plan and principles for the build-up of reserves, as well as the financial and risk profit during the escalation period.

Earlier it was a requirement that the contracts had full reserves when they were transferred. The Ministry of Finance determined in October that the transfer value shall follow the escalation plan. If more has been set aside, then this shall be included upon any transfer.

Clarification remains of the final conditions for the build-up of reserves and the requirements for reserves upon the conversion of paid-up policies with a guaranteed return to paid-up policies with investment options.

The Financial Supervisory Authority of Norway sent a letter to Finance Norway on 26 November 2013, in which it was stated that they intend to prepare guidelines for the escalation early in 2014.
This letter was a follow-up to the Financial Supervisory Authority of Norway's letter of 8 March 2013 to the life insurance companies and pension funds concerning the new mortality basis for group pension insurance (K2013), in which they describe the prerequisites that apply to the introduction of a new mortality basis for group pension insurance. It has been assumed that the mortality basis will be introduced and made effective no later than 1 January 2014.

Notes to the interim accounts

NOTE 4: SEGMENTS- RESULT BY BUSINESS AREA

In second quarter of 2013, Storebrand changed its corporate organization to include the business areas Savings, Insurance, Guaranteed Pension and Other. These business areas will be main lines for financial reporting by segment.

Savings
Consists of products that include long-term saving for retirement with no explicit interest rate guarantees. The area includes defined contribution pensions in Norway and Sweden.

Insurance
Insurance is responsible for the group's risk products. The unit provides personal risk products in the Norwegian retail market and employee- and pension-related insurances in the Norwegian corporate market.

Guaranteed pension
Guaranteed pension consists of products that include long-term saving for retirement, where customers have a guaranteed return or performance of savings funds. The area includes defined contribution pensions in Norway and Sweden, paid-up policies and individual capital and pension insurances.

Other
Under the category 'Other', the performance of the company's portfolios in Storebrand Livsforsikring and SPP are reported. Results related to operations such as BenCo and small subsidiaries are also included.

Reconciliation with the official profit and loss accounting
Results in the segments are reconciled with the corporate results before amortization and write-downs of intangible assets. The corporate profit and loss account includes gross income and gross costs linked to both the insurance customers and owners. In addition are the savings element in premium income and in costs related to insurance. The various segments are to a large extent followed up in the follow-up of net profit margins, including follow-up of risk and administration results. The result lines that are used in segment reporting will therefore not be identical with the result lines in the corporate profit and loss account.

The figures for previous periods have been restated.

	Q4		1.1 - 31.12	
NOK million	2013	2012	2013	2012
Savings	89	33	298	139
Insurance	121	66	369	331
Guaranteed pension	481	287	1,665	1,193
Other	20	18	94	183
Result before amortisation and write-downs	**711**	**405**	**2,426**	**1,846**
Amortisation and write-downs of intangible assets	-97	-89	-375	-357
Pre-tax profit	**614**	**316**	**2,050**	**1,489**

Notes to the interim accounts

Result per line of business as of Q4

NOK million	Savings 2013	Savings 2012	Insurance 2013	Insurance 2012	Guaranteed pension 2013	Guaranteed pension 2012
Fee and administration income	281	223			561	456
Risk result life & pensions	3	2			49	88
Insurance premiums f.o.a.			523	473		
Claims f.o.a.			-395	-408		
Operational cost	-196	-193	-32	-71	-225	-354
Financial result			25	72		
Result before profit sharing and loan losses	**88**	**32**	**121**	**66**	**385**	**190**
Net profit sharing and loan losses	1	1			96	97
Group result before amortisation	**89**	**33**	**121**	**66**	**481**	**287**
Amortisation and write-downs of intangible assets						
Pre-tax profit	**89**	**33**	**121**	**66**	**481**	**287**

NOK million	Other 2013	Other 2012	Storebrand Livsforsikring Group 2013	Storebrand Livsforsikring Group 2012
Fee and administration income	30	28	873	708
Risk result life & pensions	-2	5	50	95
Insurance premiums f.o.a.			523	473
Claims f.o.a.			-395	-408
Operational cost	-17	-17	-471	-636
Financial result	11	3	36	75
Result before profit sharing and loan losses	**22**	**19**	**616**	**308**
Net profit sharing and loan losses	-2	-1	96	97
Group result before amortisation	**20**	**18**	**711**	**405**
Amortisation and write-downs of intangible assets			-97	-89
Pre-tax profit	**20**	**18**	**614**	**316**

Result per line of business 31.12

NOK million	Savings 2013	Savings 2012	Insurance 2013	Insurance 2012	Guaranteed pension 2013	Guaranteed pension 2012
Fee and administration income	1,040	849			2,115	1,861
Risk result life & pensions	7	3			288	318
Insurance premiums f.o.a.			1,982	1,770		
Claims f.o.a.			-1,466	-1,252		
Operational cost	-752	-715	-249	-309	-1,111	-1,375
Financial result			102	122		
Result before profit sharing and loan losses	**296**	**137**	**369**	**331**	**1,292**	**804**
Net profit sharing and loan losses	2	2			373	389
Group result before amortisation	**298**	**139**	**369**	**331**	**1,665**	**1,193**
Amortisation and write-downs of intangible assets						
Pre-tax profit	**298**	**139**	**369**	**331**	**1,665**	**1,193**
Assets	**85,261**	**64,583**	**3,992**	**3,074**	**274,406**	**271,202**
Liabilities	**83,984**	**55,358**	**3,992**	**3,074**	**266,303**	**263,869**

NOK million	Other 2013	Other 2012	Storebrand Livsforsikring Group 2013	Storebrand Livsforsikring Group 2012
Fee and administration income	116	130	3,271	2,840
Risk result life & pensions	3	14	298	335
Insurance premiums f.o.a.			1,982	1,770
Claims f.o.a.			-1,466	-1,252
Operational cost	-66	-74	-2,178	-2,474
Financial result	48	121	150	243
Result before profit sharing and loan losses	**100**	**191**	**2,057**	**1,463**
Net profit sharing and loan losses	-7	-8	368	383
Group result before amortisation	**94**	**183**	**2,426**	**1,846**
Amortisation and write-downs of intangible assets			-375	-357
Pre-tax profit	**94**	**183**	**2,050**	**1,489**
Assets	**43,418**	**36,296**	**407,078**	**375,155**
Liabilities	**32,788**	**35,592**	**387,066**	**357,893**

NOTE 5: FINANCIAL MARKET RISK

Market risk is the risk of incurring losses on open positions in financial instruments due to changes in market variables and/or market conditions within a specified time horizon. Therefore, market risk is the risk of price changes in the financial markets, including changes in interest rates, and in the currency, equity, property or commodity markets, affecting the value of the company's financial instruments. Storebrand continuously monitors market risk using a range of evaluation methods. The potential for losses in the investment portfolio on a one-year horizon is calculated and the portfolios are stress tested pursuant to the statutorily defined stress tests as well as internal models.

Guaranteed pensions
Basic interest rate (discount rate)
Storebrand Life Insurance
The Financial Supervisory Authority of Norway sets the highest basic interest rate permitted for new policies and for new members/new accrual of benefits in group pension insurance. The highest basic interest rate for new policies was set at 3 per cent in 1993 and subsequently reduced in 2005 to 2.75 per cent for policies entered into after 1 January 2006. The highest basic interest rate for new members/new accrual of benefits in group pension insurance was reduced from 4 per cent to 3 per cent with effect from annual renewals in 2004. The basic interest rate has been set at 2.5 per cent for new contracts with effect from 2011. The Financial Supervisory Authority of Norway proposed a reduction of the basic interest rate to 2.0 per cent from 1 January 2014, while the Ministry of Finance decided to keep the basic interest rate unchanged at 2.5 per cent. The basic interest rate is the annual guaranteed return to the customers.

SPP Life Insurance
The guaranteed interest rate is determined by the insurance company. The guaranteed interest rate is used for calculation of the premium and the guaranteed benefits. The guaranteed interest rate does not entail an annual minimum return guarantee as in Norway.

In Norway, a new mortality tariff is being introduced for defined-benefit pensions and paid-up policies from 2014. For the existing reserves, there is a five-year escalation plan, and returns for customers beyond the guarantee can contribute to the build-up of reserves. During the escalation period, this will increase the risk and can be compared with increasing the guaranteed interest rate.

In order to achieve an adequate return, it is necessary to assume an investment risk (market risk), primarily by investing in equities, real estate and corporate bonds. It is possible to reduce this market risk in the short term, but the probability of achieving the required return level is also reduced then. Risk management should balance these considerations, including the effect of the need to build-up of reserves on the required rate of return. Dynamic risk management is also used for the equity portion.

The interest rate risk has a special standing, because interest rate fluctuations also affect the value of the insurance liabilities. Since pension payments may be far into the future, the insurance liabilities are highly interest rate sensitive. Risk management should reduce the risk by investing in objects with correspondingly high interest rate sensitivity. In Sweden, management of the interest rate risk is based on this principle, and the financial result has a low interest rate risk. Because the solvency accounts are based on a different yield curve, there is an interest rate risk linked to solvency.

Notes to the interim accounts

In Norway, the increased interest rate sensitivity will result in a greater risk for the guaranteed return. Risk management should therefore balance the risk of the profit for the year (interest rate up) with the reinvestment risk if the rate falls below the guaranteed rate in the future. Bonds at amortised cost are an important risk management tool.

Savings and Insurance
The customer bears the financial market risk for non-guaranteed pension products.

The market risk for non-guaranteed pensions is related primarily to the risk of changes in future income and costs. Therefore there is an indirect market risk, because the negative investment return, especially due to weak equity markets, will reduce future income.

NOTE 6: LIQUIDITY RISK

Liquidity risk is the risk that the company will not have sufficient liquidity to meet its payment obligations when they fall due, or that the company will not be able to sell securities at acceptable prices. Storebrand Life Insurance's and SPP's insurance liabilities are long-term and are usually known long before they fall due, but a solid liquidity buffer is still important for withstanding unforeseen events.

Separate liquidity strategies have been drawn up for the subsidiaries, in line with statutory requirements. These strategies specify limits and measures for ensuring good liquidity and a minimum allocation to assets that can be sold at short notice. The strategies define limits for allocations to various asset types and mean the companies have money market investments, bonds, equities and other liquid investments that can be disposed of as required.

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	1,502
Perpetual subordinated loan capital					
Storebrand Livsforsikring AS	1,700	NOK	Variable	2014	1,701
Storebrand Livsforsikring AS	1,000	NOK	Fixed	2015	1,086
Dated subordinated loan capital					
Storebrand Livsforsikring AS	300	EUR	Fixed	2023	2,540
Total subordinated loan capital and hybrid tier 1 capital 31.12.2013					**6,829**
Total subordinated loan capital and hybrid tier 1 capital 31.12.2012					**6,643**

NOTE: 7 CREDIT RISK

Credit risk is the risk of incurring losses due to a counterparty's unwillingness or inability to meet his obligations. Maximum limits for credit exposure to individual debtors and for overall credit exposure to rating categories are set by the boards of the individual companies in the Group. Particular attention is paid to ensuring diversification of credit exposure in order to avoid concentrating credit exposure on any particular debtors or sectors. Changes in the credit standing of debtors are monitored and followed up. The Group uses published credit ratings whenever possible, supplemented by its own credit evaluation when there are no published ratings. The Group has entered into framework agreements with all counterparties to reduce the risk inherent in outstanding derivative transactions. These regulate, inter alia, how collateral is to be pledged against changes in market values which are calculated on a daily basis.

NOTE: 8 VALUATION OF FINANCIAL INSTRUMENTS AND REAL ESTATE

The Group conducts a comprehensive process to ensure that financial instruments are valued as closely as possible to their market value. Publicly listed financial instruments are valued on the basis of the official closing price on stock exchanges, supplied by Reuters and Bloomberg. Fund units are generally valued at the updated official NAV prices when such prices exist. Bonds are generally valued based on prices obtained from Reuters and Bloomberg. Bonds that are not regularly quoted will normally be valued using recognised theoretical models. The latter is particularly applicable to bonds denominated in Norwegian kroner. Discount rates composed of the swap rates plus a credit premium are used as a basis for these types of valuations. The credit premium will often be specific to the issuer, and will normally be based on a consensus of credit spreads quoted by a selected brokerage firm.

Unlisted derivatives, including primarily interest rate and foreign exchange instruments, are also valued theoretically. Money market rates, swap rates, exchange rates and volatilities that form the basis for valuations are supplied by Reuters and Bloomberg.

The Group carries out continual checks to safeguard the quality of market data that has been collected from external sources. These types of checks will generally involve comparing multiple sources as well as controlling and assessing the likelihood of unusual changes.

The Group categorises financial instruments valued at fair value on three different levels, which are described in more detail below. The levels express the differing degrees of liquidity and different measurement methods used. The company has established valuation models to gather information from a wide range of well-informed sources with a view to minimising the uncertainty of valuations.

Storebrand Livsforsikring Group

NOK million	Quoted prices (level 1)	Observable assumptions (level 2)	Non-observable assumptions (level 3)	2013	2012
Assets					
Equities and units					
- Equities	12,969	469	3,268	16,706	12,765
- Fund units	167	66,899	1,327	68,393	51,968
- Private Equity fund investments		241	6,132	6,373	6,090
- Real estate fund			1,217	1,217	1,387
Total equities and units	**13,135**	**67,609**	**11,945**	**92,689**	
Total equities and units 2012	**9,305**	**51,652**	**11,253**		**72,211**
Bonds and other fixed income securities					
- Government and government guaranteed bonds	26,274	35,328		61,602	50,731
- Credit bonds	20	22,549	1,669	24,238	25,046
- Mortage and asset backed bonds		42,296		42,296	41,020
- Supranational and agency	159	7,008		7,167	3,647
- Bond funds	717	46,492		47,209	59,479
Total bonds and other fixed income securities	**27,170**	**153,672**	**1,669**	**182,511**	
Total bonds and other fixed income securities 2012	**24,614**	**154,077**	**1,233**		**179,924**
Derivatives:					
- Interest rate derivatives		-664		-664	1,650
- Currency derivatives		35		35	594
Total derivatives		**-629**		**-629**	
- derivatives with a positive market value		1,493		1,493	
- derivatives with a negative market value		-2,122		-2,122	
Total derivatives 2012		**2,245**			**2,245**
Real estate:					
- Real estate at fair value			24,175	24,175	28,723
- Real estate for own use			2,491	2,491	2,231
Total real estate			**26,666**	**26,666**	
Total real estate 2012			**30,954**		**30,954**

Movements between quoted prices and observable assumptions

NOK million	From quoted prices to observable assumptions	From observable assumptions to quoted prices
Equities and units	52	65

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	Real estate fund	Credit bonds	Real estate	Real estate for own use
Book value 01.01	2,958	1,695	5,406	1,372	1,233	28,723	2,231
Net profit/loss	170	504	1,076	-2,490	573	3	88
Supply/disposal	533	902	391	2,598	156	538	85
Sales/overdue/settlement	-537	-1,492	-816	-278	-420	-5,202	
To quoted prices and observable assumptions		-382	11	15	80		
Translation differences	145	100	64		47	113	88
Book value 31.12.13	**3,269**	**1,327**	**6,132**	**1,217**	**1,669**	**24,175**	**2,491**

Storebrand Livsforsikring AS

NOK million	Quoted prices (level 1)	Observable assumptions (level 2)	Non-observable assumptions (level 3)	2013	2012
Assets					
Equities and units					
- Equities	4,246	136	1,705	**6,086**	2,828
- Fund units		25,048	791	**25,840**	18,685
- Private Equity fund investments		241	5,185	**5,426**	5,419
- Real estate fund			1,217	**1,217**	
Total equities and units	**4,246**	**25,425**	**8,898**	**38,569**	
Total equities and units 2012	**1,255**	**18,704**	**6,973**		**26,932**
Bonds and other fixed income securities					
- Government and government guaranteed bonds	14,818	8,088		22,906	8,552
- Credit bonds		10,387	1,058	11,446	14,284
- Mortage and asset backed bonds		10,080		10,080	12,617
- Supranational and agency		1,511		1,511	722
- Bond funds		32,987		32,987	50,474
Total bonds and other fixed income securities	**14,818**	**63,053**	**1,058**	**78,930**	
Total bonds and other fixed income securities 2012	**8,550**	**77,314**	**784**		**86,649**
Derivatives:					
- Interest rate derivatives		324		324	388
- Currency derivatives		-158		-158	386
Total derivatives					
- derivatives with a positive market value		604		604	
- derivatives with a negative market value		-438		-438	
Total derivatives 2012		**774**			**774**

Movements between quoted prices and observable assumptions

NOK million	From quoted prices to observable assumptions	From observable assumptions to quoted prices
Equities and units		42

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 invest-ments	Real estate fund	Credit bonds
Book value 01.01	1,499	740	4,734	1,372	784
Net profit/loss	84	42	798	-2,490	87
Supply/disposal	252	758	391	2,598	156
Sales/overdue/settlement	-130	-749	-750	-278	-9
To quoted prices and observable assumptions			11	15	40
Book value 31.12.13	**1,705**	**791**	**5,185**	**1,217**	**1,058**

Fair value classified as level

NOK million	Quoted prices (level 1)	Observable assumptions (level 2)	Non-observ-able assump-tions (level 3)	Total fair value 2013
Financial assets				
Lending to customers		3,657		3,657
Bonds held to maturity		12,619		12,619
Bonds at amortised cost	1,125	67,247		68,373
Total fair value 31.12.12	**1,155**	**74,305**		
Financial liabilities				
Subordinated loan capital		7,096		7,096
Total fair value 31.12.13		**3,131**	**3,537**	

NOTE 9: TAX

There were tax-free real estate sales transactions during the year, where allocations had previously been made for deferred tax. The reversal of this deferred tax reduces the income tax expense for 2013.

The Norwegian Parliament (Storting) passed a resolution in December 2013 to reduce the corporate tax rate from 28 to 27 per cent effective 1 January 2014. When deferred tax / tax assets are recognised on the balance sheet, 27 per cent is therefore used, which reduces the income tax expense for 2013 by NOK 46 million.

NOTE 10: INFORMATION ABOUT RELATED PARTIES

Storebrand conducts transactions with related parties as part of its normal business activities. These transactions take place on commercial terms. The conditions for transactions with executive personnel and related parties are stipulated in notes 19 and 42 in the 2012 annual report.

In Q1 2013, Storebrand Livsforsikring AS converted subordinated loans in Formuesforvaltning AS into shares, and acquired all shares which Storebrand Finansiell Rådgivning owned in Formuesforvaltning through an intergroup transaction. There has not otherwise been any material transactions other than normal business transactions with close associates as at the end of 2013.

Notes to the interim accounts

NOTE 11: PENSION SCHEMES FOR OWN EMPLOYEES

Storebrand has a closed defined-benefit scheme and a defined-contribution scheme for its employees. Parts of the defined-benefit scheme are secured, and parts are unsecured. The schemes are recorded following the IAS 19 accounting standard. Long-term assumptions such as future inflation, real interest rates, real wage growth and adjustment of the Basic Amount are particularly subject to a high degree of uncertainty.

Storebrand has used the covered bond interest rate as the discount rate as at 31 December 2013. The main assumptions made for calculation of the net pension liabilities are listed below:

	Storebrand Life Insurance		SPP	
NOK million	2013	2012	2013	2012
Discount rate	4,0 %	4,0 %	4,0 %	3,5 %
Expected return on pension fund assets in the period	4,0 %	4,0 %	4,0 %	3,5 %
Expected earnings growth	3,3 %	3,3 %	3,5 %	3,5 %
Expected annual increase in social security pensions	3,5 %	3,3 %	3,0 %	3,0 %
Expected annual increase in pensions in payment	0,1 %	1,5 %	2,0 %	2,0 %
Disability table	KU	KU		
Mortality table	K2013BE	K2005	DUS06	DUS06

NOTE 12: REAL ESTATE

Type of real estate				2013		
NOK million	2013	2012	Required rate of return % 2)	Average duration of lease (year) 4)	m2	Leased amount in % 1)
Office buildings (including parking and storage):						
Oslo-Vika/Filipstad Brygge	6,196	6,205	7,6-8,7	4	140,900	90%
Rest of Greater Oslo	6,886	8,168	8,5-10,3	7	494,925	94%
Rest of Norway	2,477	2,459	8,1-9,5	7	122,168	98%
Office buildings in Sweden	985	729		6	40,861	99%
Shopping centres (including parking and storage)						
Rest of Greater Oslo	1,176	1,151	8,1-8,4	3	66,519	93%
Rest of Norway	5,234	8,952	7,7-9,6	3	183,120	91%
Multi-storey car parks in Oslo	671	650	7.9	2.9	27,393	100%
Cultural/conference centres in Sweden 3)	390	359		16	18,757	100%
Other:						
Real estate Sweden 3)	109			15	3,369	100%
Real estate Norway	50	50				
Total investment real estate	**24,175**	**28,723**			**1,098,012**	
Real estate for own use	2,491	2,231		8	70,640	100%
Total real estate	**26,666**	**30,954**			**1,168,652**	

1) The leased amount is calculated in relation to floor space.
2) The real estate are valued on the basis of the following effective required rate of return (including 2.5 per cent inflation)
3) All real estates in Sweden are valued externally. The assessment is based on the rate of return available in the market.
4) Average lease duration is calculated proportonally based on the value of the individual properties.

Purchases: It is agreed further SEK 278 million in real estate purchases in SPP in addition to the figure that has been finalised and included in the financial statements as at 31 Desember 2013..

Sales: There has not been agreed further sales in Storebrand/SPP NOK 343 in addition to the figure that has been finalised and included in the financial statements as at 31 Desember 2013.

Notes to the interim accounts

NOTE 13: CONTIGENT LIABILITIES

	Storebrand Livsforsikring Group		Storebrand Livsforsikring AS	
NOK million	2013	2012	2013	2012
Undrawn amounts of committed lending facilities		1,068		1,068
Uncalled residual liabilities concerning Limitied Partnership	4,038	5,317	3,022	3,715
Total contigent liabilities	**4,038**	**6,385**	**3,022**	**4,783**

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

NOTE 14: CAPITAL ADEQUACY

	Storebrand Livsforsikring Group		Storebrand Livsforsikring AS	
NOK million	2013	2012	2013	2012
Share capital	3,540	3,540	3,540	3,540
Other equity	16,471	13,722	16,556	14,652
Equity	**20,011**	**17,262**	**20,096**	**18,192**
Hybrid tier 1 capital	1,500	1,500	1,500	1,500
Goodwill and other intangible assets	-5,807	-5,589	-144	-108
Risk equalisation fund	-776	-640	-776	-640
Capital adequacy reserve	-96	-141		
Deduction for investments in other financial institutions	-1	-2	-1	-18
Interest adjustment insuracereserves SPP	-1,081	-1,454		
Security reserve	-150	-143		
Other	-71	-31	-68	-30
Core (tier 1) capital	**13,530**	**10,760**	**20,607**	**18,896**
Perpetual subordinated loan capital	2,700	4,901	2,700	4,901
Dated subordinated loan capital	2,238		2,238	
Capital adequacy reserve	-96	-141		
Deductions for investments in other financial institutions	-1	-2	-1	-18
Tier 2 capital	**4,841**	**4,757**	**4,937**	**4,883**
Net primary capital	**18,370**	**15,517**	**25,544**	**23,779**
Risk weighted calculation base	**134,630**	**127,245**	**104,481**	**106,393**
Capital adequacy ratio	**13.6 %**	**12.2 %**	**24.4 %**	**22.4 %**
Core (tier 1) capital ratio	**10.0 %**	**8.5 %**	**19.7 %**	**17.8 %**

NOTE 15: SOLVENCY MARGIN

	Storebrand Livsforsikring Group		Storebrand Livsforsikring AS	
NOK million	2013	2012	2013	2012
Solvency margin requirements	11,974	11,595	7,634	7,538
Solvency margin capital	21,054	18,775	27,107	25,905
Solvency margin	**175.8 %**	**161.9 %**	**355.1 %**	**343.6 %**

Notes to the interim accounts

Specification of solvency margin capital

NOK million	Storebrand Livsforsikring Group 2013	Storebrand Livsforsikring Group 2012	Storebrand Livsforsikring AS 2013	Storebrand Livsforsikring AS 2012
Net primary capital	18,370	15,517	25,544	23,779
50% of additional statutory reserves	2,229	2,873	2,229	2,873
50% of risk equalisation fund	388	320	388	320
Counting security reserve	67	65	67	65
Conditional bonus			-1,121	-1,132
Solvency capital	**21,054**	**18,775**	**27,107**	**25,905**