

# Interim Report Storebrand Livsforsikring

1<sup>st</sup> half year 2011

 storebrand



# Interim report for Storebrand Livsforsikring Group

## - 1st half year 2011

Storebrand Livsforsikring AS is a wholly owned subsidiary of the listed company Storebrand ASA. For information about the Storebrand Group's 2Q result please refer to the Storebrand Group's interim report for the 1st half year 2011.

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

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

### OUTLOOK

The real economies and financial performance provide a basis for continued positive growth in Storebrand's core markets. Wages growth in Norway is strong and expected to be around 4 per cent in 2011, and increase in the next few years. The savings rate has also been rising after the financial crisis. Good overall growth is expected in life and pensions in the next few years, and will be characterised by demand moving away from defined benefit pensions with an interest guarantee to contribution-based products without an interest guarantee. Low growth is expected in assets under management for defined benefit products, while double digit growth is expected in defined contribution pensions.

The movement towards products in which financial performance is less influenced by short-term market fluctuations will gradually strengthen the quality of the Group's earnings. Measures have been implemented to increase income, increase fixed earnings elements, and adjust the level of costs.

### RESULT

Presentation of Storebrand Life Insurance and SPP is shown excluding internal transactions.

Result Storebrand Livsforsikring Group IFRS

NOK million	2Q		01.01 - 30.06		Year 2010
	2011	2010	2011	2010	
Storebrand Life Insurance	149	59	289	212	730
Insurance	59	32	89	47	148
SPP	278	-168	560	-55	463
Asset Management	20	20	40	38	90
<b>Profit before amortisation and write Downs</b>	<b>507</b>	<b>-57</b>	<b>978</b>	<b>243</b>	<b>1,430</b>
Amortisation intangible assets	-91	-86	-183	-171	-351
<b>Pre-tax profit/loss</b>	<b>416</b>	<b>-143</b>	<b>794</b>	<b>72</b>	<b>1,079</b>
Tax	56	-37	56	-37	388
<b>Profit/loss</b>	<b>472</b>	<b>-179</b>	<b>851</b>	<b>35</b>	<b>1,467</b>

Discussed below results in respectively Storebrand Life Insurance, SPP and Insurance. Figures in brackets refer to the previous year.

The introduction of the European Solvency II regulations will change the way risk management is practised, and this will be a prioritised area in this autumn's process for setting risk limits for 2012.

The life insurance industry in Norway is facing extensive regulatory changes. The Banking Law Commission is currently examining harmonisation of the business and product rules due to Solvency II, including the proposal advanced by Finanstilsynet on 10 March 2011 concerning a new flexible buffer fund for covering negative returns and the voluntary conversion of paid-up policies to ones with investment choice. Draft regulations that expand the opportunity to build up additional statutory reserves individually were circulated for comment in June 2011. A more comprehensive proposal concerning legislative amendments linked to paid-up policies is expected around the end of 2011. Storebrand is closely monitoring this process and maintaining an active dialogue with the authorities with the aim of ensuring general conditions that preserve effective long-term management of customers' assets.

### RISKS

Storebrand is exposed to several types of risk through its business areas. Risk management is a prioritised core area in the Group. Developments in the level of interest rates and the property and equity markets are considered the most important risk factors that could affect the Group's result. The level of investment return is important with respect to being able to deliver a return that exceeds the interest guarantee in the products over time. Trends in life expectancy and sickness benefits affect the group result.

# STOREBRAND LIFE INSURANCE

- **Cost reductions and income growth produced better administration result in 1H**
- **Investment returns produced a result for customers in excess of the interest guarantees of NOK 0.5 billion in 2Q and NOK 1.4 billion as per 1H**
- **The risk result was positive in 2Q and 1H**

The business area Storebrand Life Insurance<sup>1)</sup> offers a wide range of products within occupational pensions, private pension savings and life insurance to companies, public sector entities and private individuals.

## Financial performance

Financial performance Storebrand Life Insurance

NOK million	2Q		01.01 - 30.06		Full year
	2011	2010	2011	2010	2010
Administration result	23	25	30	16	58
Risk result	26	81	24	121	131
Financial result <sup>2)</sup>	-28	-166	-25	-172	26
Price of interest guarantee and profit risk	130	138	265	276	557
Other	-1	-19	-6	-29	-43
<b>Pre-tax profit/loss</b>	<b>149</b>	<b>59</b>	<b>289</b>	<b>212</b>	<b>730</b>

## Administration result

The administration result improved in 1H. The organisation is cost focused and productivity measures, such as staff downsizing, transferring tasks to Storebrand Baltic and lower purchasing costs, are continuously being implemented. Growth in unit linked and defined contribution pensions continue to increase income.

## Return on investment portfolios with an interest guarantee

Portfolio	2Q 2011		2Q 2010		01.01-30.06 2011		01.01-30.06 2010		Full year 2010	
	Market return	Booked return	Market return	Booked return	Market return	Booked return	Market return	Booked return	Market return	Booked return
Total Group (DB)	1.1 %	1.4 %	-0.3 %	0.6 %	2.7 %	2.8 %	1.6 %	1.6 %	6.4 %	4.6 %
Paid-up policies	1.2 %	1.1 %	0.0 %	0.5 %	2.6 %	2.4 %	1.7 %	1.6 %	6.0 %	4.9 %
Individual	1.4 %	1.1 %	-0.4 %	0.8 %	2.9 %	2.5 %	1.4 %	1.8 %	6.0 %	6.0 %

The booked return for all portfolios was sufficient to cover the guaranteed interest, and provide undistributed profits for customers of NOK 0.5 billion for 2Q and NOK 1.4 billion for 1H. The average annual interest guarantee in the various customer portfolios is between 3.3 per cent and 3.7 per cent.

There is a need to build up reserves for individual pension insurance and paid-up policies because of assumed lower mortality in the future. NOK 77 million was allocated in 2Q and NOK 154 million in 1H, which is in line with the plan. As per the end of 1H, the amount by which the reported reserves still need to be built up was calculated to around NOK 380 million: around NOK 330 million for individual pension insurance and around NOK 50 million for paid-up policies. The plan is to complete the build up of the reserves by the end of 2012. This build up of reserves can be covered by positive

## Risk result

Overall, the risk result normalised during the quarter. The result in defined contribution pensions was still negative in 2Q, but improved in relation to 1Q. Because of increased allocations to IBNR<sup>3)</sup> and RBNS<sup>4)</sup>, the risk result is expected to develop more stably and a positive result is expected going forward.

2Q saw a good risk result for group pensions and a zero result for paid-up policies, which resulted in an allocation of NOK 32 million to the risk equalisation fund in 2Q. The allocation to the risk equalisation fund totalled NOK 94 million as per 1H.

## Financial result

Short-term interest rates rose in Norway and internationally during 1H. Long-term interest rates rose in 1Q, but this rise was reversed in 2Q meaning rates at the end of 1H were almost the same as there were at the start of the year. An increase in interest rates lower returns in the short-term, but produce higher expected returns going forward.

Overall, the equity markets produced almost no change to somewhat negative returns in 1H. In 2Q, the debt situation in Greece was a major cause of the instability in the market, although much of the fall was recovered towards the end of the quarter.

booked return results, and if the booked return for the individual portfolio is higher than 5.8 per cent, this build up of the reserves will take place at no direct cost to the owner. Profit sharing resulted in a net charge to the owner of NOK 38 million in 2Q and NOK 5 million in 1H.

## Market return defined contribution pensions

NOK million	2Q		01.01 - 30.06		Full year
	2011	2010	2011	2010	2010
Careful pensjon	1.0 %	-1.4 %	1.7 %	0.7 %	6.7 %
Balansert pensjon	0.2 %	-5.4 %	1.2 %	-2.0 %	10.3 %
Aggressive pensjon	-1.1 %	-9.4 %	0.1 %	-5.0 %	13.4 %

<sup>1)</sup> Includes the companies in the Storebrand Life Insurance Group, except Storebrand Eiendom AS, Storebrand Realinvesteringer AS and Storebrand Holding AB, and personal risk and employee cover in Storebrand Livsforsikring AS.

<sup>2)</sup> Investment result and profit sharing.

<sup>3)</sup> Incurred but not settled.

<sup>4)</sup> Reported but not settled.

Norwegian life insurance companies are normally financed by a combination of equity and subordinated loans. The proportion of subordinated loans is around 30 per cent and amounted to NOK 6.6 billion at the end of 1H. The interest costs on subordinated loans will amount to around NOK 140 million per quarter for the next 12 months. The company portfolio experienced a gross return of 1.5 per cent in 2Q and 3.0 per cent in 1H. The company portfolio achieved a net result of NOK 7 million (minus NOK 32 million) in 2Q and minus NOK 23 million (minus NOK 49 million) in 1H.

### Price of interest rate guarantee and profit risk

NOK 130 million was recognised as income from upfront pricing of the interest guarantee and profit from risk for group defined benefit in 2Q. NOK 265 million was recognised as income in 1H, a reduction of NOK 11 million compared to the same period last year. The reduction was due to implementation of previously communicated price changes.

### Balance sheet

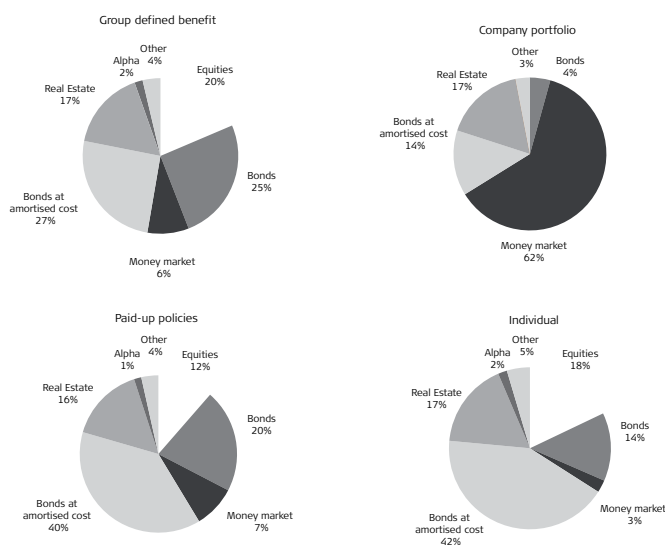
The allocation to equities and bond at amortized costs in the quarter and half-year increased. The increase was mirrored by a corresponding reduction in allocations to short-term bonds and the money market.

### Equity proportion in customer portfolios with a guaranteed return

	30.06.2011	31.12.2010
Aggressive profile	26%	25%
Standard profile	21%	18%
Careful profile	10%	9%
Paid-up policy profiles	12%	11%
Individual profiles	18%	12%

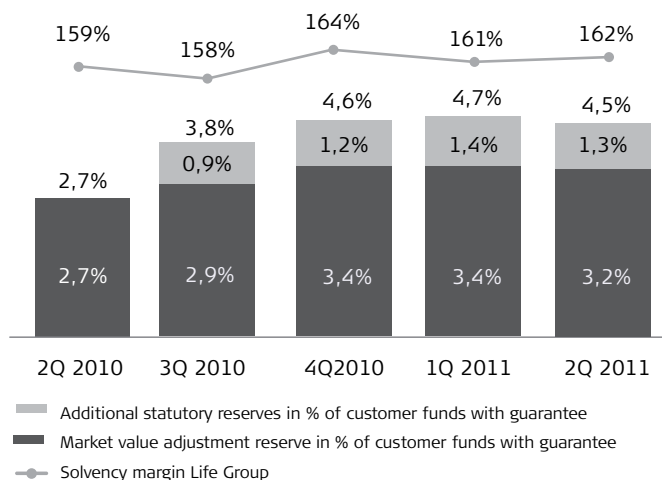
There was an increase in the allocation to bonds at amortized costs the company portfolio in the quarter and half-year. The money market portfolio was reduced correspondingly.

### Asset profile



Assets under management increased by around NOK 2 billion in 2Q and by around NOK 3 billion in 1H. Assets under management amounted to NOK 204 billion at the end of 1H. The increase was due to the positive return in the quarter.

### Solvency



Storebrand Life Insurance Group's capital adequacy was 13.6 per cent at the end of 1H. There was a marginal increase in the quarter and half-year due to the positive result. Storebrand Life Insurance Group had a solvency margin of 162 per cent, an increase of 1 percentage point in the quarter.

Additional statutory reserves amounted to NOK 5.2 billion at the end of 1H, a reduction of NOK 0.2 billion in 2Q and 1H. The market value adjustment reserve fell by NOK 73 million in 2Q, while overall it grew by NOK 184 million in 1H. The market value adjustment reserve amounts to NOK 2,156 million at the end of 1H. Because of the fall in interest rates, the excess value on bonds at amortized cost grew by NOK 696 million in 2Q. The increase at the end of 1H was NOK 56 million. The excess value on bonds at amortized cost amounted to NOK 788 million at the end of 1H, and has not been included in the financial statements. Despite the instability in the market, solidity capital<sup>1)</sup> increased by NOK 1.1 billion in 2Q due to a positive financial performance and increased customer buffers. It amounted to NOK 44.5 billion at the end of 1H.

<sup>1)</sup> The term solidity capital encompasses equity, subordinated loan capital, the market value adjustment reserve, additional statutory reserves, conditional bonuses, excess value/deficit related to bonds at amortised cost and accrued profit.

## Market

### Premium income <sup>1)</sup>

NOK million	2Q		01.01 - 30.06		Full year
	2011	2010	2011	2010	2010
DB (fee based)	1,564	1,305	5,585	5,272	8,154
DC (Unit Link based)	902	724	1,878	1,845	3,409
Sum occupational pension	2,466	2,029	7,464	7,117	11,563
Paid up policies	12	12	83	58	98
Traditional individual life and pensions	134	240	319	469	761
Unit Link (retail)	306	715	577	1,223	1,993
Sum Individual pension and savings	451	967	979	1,750	2,852
Sum	2,918	2,996	8,442	8,866	14,415

Premium income from group defined benefit pensions is gradually falling due to the transition to defined contribution pensions. The increase in the year-to-date was due to other factors such as wages growth. Premium income in defined contribution for companies is enjoying underlying growth. The lack of premium growth is technical, and is due to the fact that this year there was a change from annual to monthly invoicing. New subscriptions are no longer being sold for pension accounts and life accounts, which also decreased premium income from traditional individual pensions compared to the year before. The decrease in 'Unit Link (retail)' was due to good sales of the product 'guarantee account' last year.

### Sales

In 2010, three local municipalities chose to transfer their pension schemes from Storebrand with accounting effect from 1 January 2011. This gives a negative effect 1H of 2011. The net booked transfer to Storebrand was minus NOK 896 million (NOK 309 million) in 2Q and minus NOK 3,286 million (NOK 1,962 million) for the year-to-date.

Reported new sales in 2Q and the year-to-date were good and in line with the targets for group occupational pensions. The market continued to be characterised by a transition from defined benefit pensions to defined contribution pensions. Storebrand has maintained a strong position in the market, both in defined benefit pensions and defined contribution pensions.

New premiums (APE) worth NOK 103 million (NOK 226 million) were signed in 2Q, and NOK 409 million (NOK 951 million) in 1H. The reduction was primarily due to lower APE for group defined benefit pensions and defined contribution pensions.

- Guaranteed products: NOK 48 million (NOK 126 million) in the quarter and NOK 272 million (NOK 613 million) for 1H.
- Unit linked insurance: NOK 56 million (NOK 100 million) in the quarter and NOK 138 million (NOK 338 million) for 1H.

<sup>1)</sup> Exclusive transfer of premium reserves.



- Administration result increased by NOK 49 million in 1H
- Good return and profit sharing in all portfolios
- Premium income in unit linked has grown by 8 per cent in the year-to-date

The business area SPP<sup>1)</sup> offers pension and insurance solutions, and advice to companies in the competitive segment of the occupational pensions market. The company also offers private pension savings, sickness- and health insurance.

## Result

### Financial performance SPP

NOK million	2Q		01.01 - 30.06		Full year 2010
	2011	2010	2011	2010	
Administration result	40	27	84	35	84
Risk result	43	74	119	154	311
Financial result	155	-268	276	-253	31
Other	40	-2	80	9	38
<b>Result before amortisation</b>	<b>278</b>	<b>-168</b>	<b>560</b>	<b>-55</b>	<b>464</b>
Amortisation intangible assets	-90	-86	-181	-170	-348
<b>Pre-tax profit/loss</b>	<b>188</b>	<b>-254</b>	<b>378</b>	<b>-225</b>	<b>116</b>

### Administration result

The administration result amounted to NOK 40 million (NOK 27 million) for 2Q and NOK 84 million (NOK 35 million) for 1H. The result improved by NOK 49 million due to 12 per cent higher income, while costs only rose by 3 per cent<sup>2)</sup>. Half of the growth in income came from increased assets under management. The other half came from greater fee-based charges. The increase in costs was due to higher increased fee and commission expenses and temporarily higher consultancy costs. Costs, excluding fee and commission expenses, are increased by 1 per cent.

### Risk result

The risk result amounted to NOK 43 million (NOK 74 million) for 2Q and NOK 119 million (NOK 154 million) for 1H. The sickness result, which constitutes the largest part of the risk result, remains good. The sickness result fell during the quarter due to an anticipated reduction in dissolution of reserves.

### Financial result

The financial result amounted to NOK 155 million (minus NOK 268 million) for 2Q and NOK 276 million (minus NOK 253 million) for 1H.

Falling market interest rates in the quarter resulted in higher returns in customer portfolios. The returns in the various portfolios in the quarter ranged between 2.2 per cent and 3.2 per cent. Profit sharing has accrued in all portfolios with an interest guarantee and amounted to NOK 160 million, NOK 28 million

of which were indexing fees for the defined benefit portfolio. Falling equity markets increased the need for deferred capital contributions (DCC), while increased swap spreads had the opposite effect. In total, the DCC increased by NOK 44 million during the quarter and resulted in a negative contribution to the result. Other financial market effects totalled NOK 39 million.

The result for 1H was primarily a consequence of good returns, with the associated profit sharing, and an increase in swap spreads that resulted in a reversal of DCC.

### Financial return

Portfolio	2Q		01.01 - 30.06		Full year 2010
	2011	2010	2011	2010	
Defined Benefit (DB)	2.6	0.0	3.4	3.3	6.0
Defined Contribution (DC)					
P250*	2.2	-1.9	2.7	1.6	7.0
P300*	2.6	-0.1	3.3	2.8	5.3
P 520*	3.2	2.3	3.7	5.0	3.4
RP (Retirement Pension)	0.8	0.1	0.9	0.1	0.1

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

### Other result

The other result was NOK 40 million (minus NOK 2 million) for 2Q and NOK 80 million (NOK 9 million) for 1H. The result consists of the return in the company portfolio, which is entirely invested in short-term interest-bearing securities. Market rates have risen significantly during the last year, which is producing a higher current return in the company portfolio.

### Balance sheet

SPP adjusts its exposure to equities in line with developments in the market by dynamic risk management.

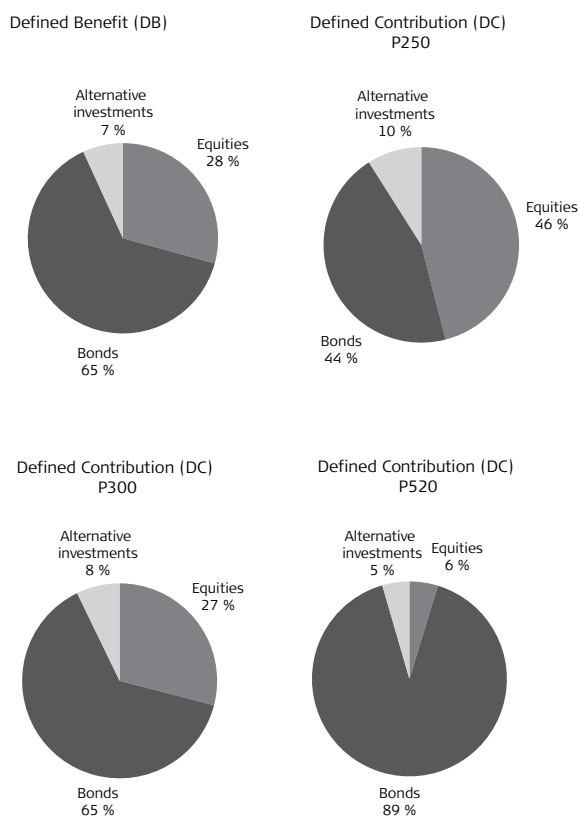
### Equity proportion in customer portfolios with a guaranteed return

	30.06.2011	31.12.2010
DB	28%	28%
DC P250	46%	46%
DC P300	27%	28%
DC P520	6%	5%

<sup>1)</sup> SPP includes all legal entities in Storebrand Holding Group excluding SPP Fonder which is included in Asset Management.

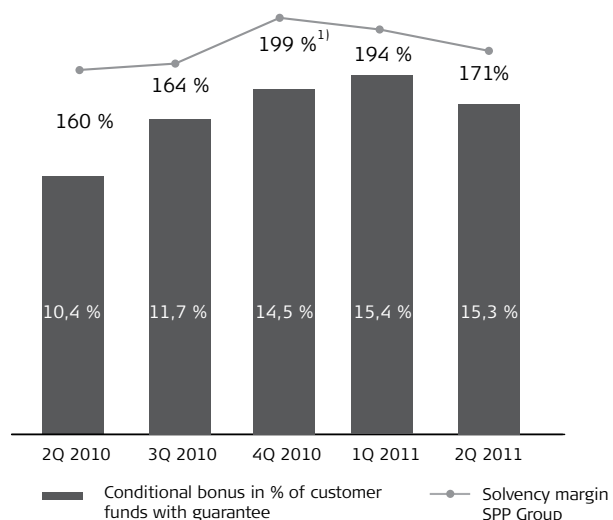
<sup>2)</sup> All percentage changes are in local currency (SEK).

## Asset profile customer portfolios with a guarantee



The buffer capital (conditional bonus) remained unchanged in the quarter and has increased by 6 per cent since the start of the year. At the end of the quarter, the buffer capital amounted to NOK 12 billion. The SPP Group's solvency margin was 171 per cent at the close of 1H. The reduction was due to SPP's NOK 346 million group contribution and a fall in long-term Swedish base rates.

## Solvency



Total assets amounted to NOK 122 billion at the end of 1H, which is unchanged since year-end 2010 and up NOK 7 billion compared with the same period last year. The fall in the equity markets in 1H implied that the value of customer assets in unit linked insurance fell.

<sup>1)</sup> Before group contributions.

<sup>2)</sup> Excluding inflow of premium reserves.

## Market

### Premium income <sup>2)</sup>

NOK million	2Q		01.01 - 30.06		Full year 2010
	2011	2010	2011	2010	
Guaranteed products	602	839	1,289	1,735	3,030
Unit Link	1,301	1,236	2,122	1,970	3,388
BenCo 1)	199	158	369	431	759
<b>Total</b>	<b>2,103</b>	<b>2,233</b>	<b>3,780</b>	<b>4,136</b>	<b>7,177</b>

The transition to fund-based business is continuing. Premium income amounted to NOK 2,103 million (NOK 2,233 million) for 2Q and NOK 3,780 million (NOK 4,136 million) for 1H. This reduction was entirely due to a fall in guaranteed business. Premium income from unit linked continues to increase and was 8 per cent higher than in the same period last year. Unit linked accounted for 62 per cent (53 per cent) of SPP's premium income (excluding BenCo).

## Sales

New sales measured in APE amounted to NOK 237 million (NOK 216 million) for the quarter, an increase of 10 per cent. New sales were unchanged at NOK 568 million (NOK 569 million) for the year-to-date. Unit linked accounted for 67 per cent (69 per cent) of total new contracts in 1H.

New premiums (APE) in the quarter:

- Guaranteed products: NOK 71 million (NOK 65 million) for the quarter. NOK 166 million (NOK 147 million) for the half-year.
- Unit linked: NOK 155 million (NOK 162 million) for the quarter. NOK 378 million (NOK 391 million) for the half-year.
- BenCo: NOK 11 million (minus NOK 11 million) for the quarter. NOK 24 million (NOK 31 million) for the half-year.

# INSURANCE

- **Positive out look risk result**

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

NOK million	2Q		01.01 - 30.06		Full year
	2011	2010	2011	2010	2010
Premiums earned, net	305	285	576	551	1,099
Claims incurred, net	-222	-218	-440	-435	-845
Operating costs	-48	-56	-92	-111	-199
<b>Insurance result</b>	<b>35</b>	<b>12</b>	<b>44</b>	<b>5</b>	<b>55</b>
Net financial result	25	22	45	43	93
<b>Result before amortisation</b>	<b>60</b>	<b>33</b>	<b>89</b>	<b>48</b>	<b>148</b>
Amortisation intangible assets					
<b>Profit before tax</b>	<b>60</b>	<b>33</b>	<b>89</b>	<b>48</b>	<b>148</b>

In %	2Q		01.01 - 30.06		Full year
	2011	2010	2011	2010	2010
Claims ratio*	73%	76%	76%	79%	77%
Cost ratio*	16%	20%	16%	20%	18%
Combined ratio*	89%	96%	92%	99%	95%

\* For own account.

## New subscriptions

Risk products: NOK 22 million (48 million) in 2Q and NOK 53 million (207 million) for the 1st half of 2011.

## RECONCILIATION TABLES TOWARDS PROFIT AND LOSS ACCOUNT

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

NOK million	30.06.11	30.06.10	31.12.10
Profit and Loss	794	72	1,079
Charge from the additional statutory reserves	-1	-422	
Change in administration reserve p&c insurance	2	3	-1
Change in security reserves p&c insurance	30	-9	-11
<b>Profit and loss Storebrand Livsforsikring Group before tax</b>	<b>825</b>	<b>-357</b>	<b>1,067</b>

Lysaker, 13. July 2011

The Board of Directors of Storebrand Livsforsikring AS



# Storebrand Livsforsikring AS

## PROFIT AND LOSS

NOK million	2Q		01.01 - 30.06		Year 2010
	2011	2010	2011	2010	
<b>TECHNICAL ACCOUNT:</b>					
Gross premiums written	3,151	3,242	9,311	9,717	15,592
Reinsurance premiums ceded	-6	-7	-44	-44	-74
Premium reserves transferred from other companies	216	830	1,809	3,973	5,358
<b>Premiums for own account</b>	<b>3,362</b>	<b>4,064</b>	<b>11,075</b>	<b>13,645</b>	<b>20,876</b>
Income from investments in subsidiaries, associated companies and joint-controlled companies	480	285	1,045	597	1,366
of which from investment in real estate companies	488	275	1,052	601	1,336
Interest income and dividends etc. from financial assets	1,248	1,247	2,379	2,433	4,893
Changes in investment value	-47	-2,085	66	-881	1,835
Realised gains and losses on investments	224	274	858	440	1,596
<b>Total net income from investments in the collective portfolio</b>	<b>1,905</b>	<b>-279</b>	<b>4,348</b>	<b>2,588</b>	<b>9,690</b>
Income from investments in subsidiaries, associated companies and joint-controlled companies	36	20	78	43	98
of which from investment in real estate companies	37	20	79	42	97
Interest income and dividends etc. from financial assets	37	40	82	70	340
Changes in investment value	-404	-676	-475	-205	1,072
Realised gains and losses on investments	267	-90	493		526
<b>Total net income from investments in the investment selection portfolio</b>	<b>-62</b>	<b>-706</b>	<b>178</b>	<b>-92</b>	<b>2,035</b>
<b>Other insurance related income</b>	<b>43</b>	<b>41</b>	<b>82</b>	<b>70</b>	<b>162</b>
Gross claims paid	-2,564	-2,740	-5,171	-5,235	-11,145
Claims paid - reinsurance	3	-1	8	3	6
Gross change in claims reserve	39	-19	73	-41	-79
Premium reserves etc. transferred to other companies	-1,118	-525	-5,106	-2,024	-3,522
<b>Claims for own account</b>	<b>-3,640</b>	<b>-3,284</b>	<b>-10,195</b>	<b>-7,298</b>	<b>-14,742</b>
To (from) premium reserve, gross	121	-668	-204	-5,869	-6,934
To/from additional statutory reserves in connection with claims/repurchase	74	15	158	22	-759
Change in value adjustment fund	73	1,302	-184	31	-1,940
Change in premium fund, deposit fund and the pension surplus fund	-31	-25	-60	-50	-97
To/from technical reserves for non-life insurance business	1	-8	-58	-64	-45
Transfer of additional statutory reserves and value adjustment fund from other insurance companies/pension funds	6	4	11	13	22
<b>Changes in insurance obligations recognised in the Profit and Loss Account - contractual obligations</b>	<b>244</b>	<b>621</b>	<b>-338</b>	<b>-5,916</b>	<b>-9,753</b>
Change in premium reserve	-674	-326	-2,497	-1,958	-5,060
Change in other provisions	-51	65	-51	-10	-178
<b>Changes in insurance obligations recognised in the Profit and Loss Account - investment portfolio separately</b>	<b>-724</b>	<b>-261</b>	<b>-2,547</b>	<b>-1,968</b>	<b>-5,238</b>
Profit on investment result					-304
The risk profit allocated to the insurance agreements					-70
Other allocation of profit					-133
Unallocated profit	-537	-93	-1,422	-328	
<b>Funds allocated to insurance contracts</b>	<b>-537</b>	<b>-93</b>	<b>-1,422</b>	<b>-328</b>	<b>-507</b>

NOK million	2Q		01.01 - 30.06		Year 2010
			2011	2010	
Management expenses	-32	-34	-63	-71	-137
Selling expenses	-63	-140	-149	-271	-527
Change in pre-paid direct selling expenses					
Insurance-related administration expenses (incl. commissions for reinsurance received)	-229	-174	-453	-365	-719
<b>Insurance-related operating expenses</b>	<b>-324</b>	<b>-348</b>	<b>-665</b>	<b>-708</b>	<b>-1,384</b>
<b>Other insurance related expenses after reinsurance share</b>	<b>-37</b>	<b>-62</b>	<b>-86</b>	<b>-115</b>	<b>-217</b>
<b>Technical insurance result</b>	<b>230</b>	<b>-308</b>	<b>428</b>	<b>-122</b>	<b>922</b>
<b>NON-TECHNICAL ACCOUNT</b>					
Income from investments in subsidiaries, associated companies and joint-controlled companies	24	17	53	34	138
of which from investment in real estate companies	25	14	54	32	69
Interest income and dividends etc. from financial assets	199	142	354	301	605
Changes in investment value	-4	-31	4	-61	-68
Realised gains and losses on investments	42	64	57	116	218
<b>Net income from investments in company portfolio</b>	<b>261</b>	<b>193</b>	<b>468</b>	<b>390</b>	<b>892</b>
Management expenses	-2	-5	-5	-11	-18
Other costs	-127	-130	-267	-250	-517
<b>Management expenses and other costs linked to the company portfolio</b>	<b>-130</b>	<b>-135</b>	<b>-271</b>	<b>-261</b>	<b>-536</b>
<b>Profit or loss on non-technical account</b>	<b>131</b>	<b>59</b>	<b>196</b>	<b>128</b>	<b>357</b>
<b>Profit before tax</b>	<b>362</b>	<b>-249</b>	<b>624</b>	<b>7</b>	<b>1,279</b>
<b>Tax costs</b>					
<b>Profit before other comprehensive income</b>	<b>362</b>	<b>-249</b>	<b>624</b>	<b>7</b>	<b>1,279</b>
Actuarial gains and losses on defined benefit pensions - benefits to employees					-202
Re-statement differences					
<b>Other comprehensive income and costs</b>					<b>-202</b>
<b>COMPREHENSIVE INCOME</b>	<b>362</b>	<b>-249</b>	<b>624</b>	<b>7</b>	<b>1,077</b>

# Storebrand Livsforsikring Group

## PROFIT AND LOSS

NOK million	2Q		01.01 - 30.06		Year 2010
	2011	2010	2011	2010	
<b>TECHNICAL ACCOUNT:</b>					
Gross premiums written	5,308	5,539	13,200	13,982	23,015
Reinsurance premiums ceded	-60	-71	-154	-173	-321
Premium reserves transferred from other companies	300	893	1,982	4,079	5,582
<b>Premiums for own account</b>	<b>5,548</b>	<b>6,362</b>	<b>15,029</b>	<b>17,888</b>	<b>28,277</b>
Income from investments in subsidiaries, associated companies and joint-controlled companies	-8	5	9	7	58
Interest income and dividends etc. from financial assets	2,174	1,942	3,973	3,659	7,453
Net operating income from property	310	295	565	570	1,144
Changes in investment value	1,029	-3,028	1,351	-842	2,949
Realised gains and losses on investments	293	773	963	1,801	2,312
<b>Total net income from investments in the collective portfolio</b>	<b>3,799</b>	<b>-12</b>	<b>6,860</b>	<b>5,195</b>	<b>13,916</b>
Interest income and dividends etc. from financial assets	39	43	108	94	990
Net operating income from property	22	21	41	40	82
Changes in investment value	-480	-1,534	-1,168	-101	2,943
Realised gains and losses on investments	682	221	541	314	466
<b>Total net income from investments in the investment selection portfolio</b>	<b>262</b>	<b>-1,250</b>	<b>-478</b>	<b>346</b>	<b>4,481</b>
<b>Other insurance related income</b>	<b>291</b>	<b>235</b>	<b>559</b>	<b>434</b>	<b>935</b>
Gross claims paid	-4,133	-4,481	-8,296	-8,415	-16,877
Claims paid - reinsurance	22	6	35	26	47
Gross change in claims reserve	41	-17	78	-40	-118
Premium reserves etc. transferred to other companies	-1,403	-697	-5,657	-2,355	-4,575
<b>Claims for own account</b>	<b>-5,473</b>	<b>-5,189</b>	<b>-13,840</b>	<b>-10,783</b>	<b>-21,524</b>
To (from) premium reserve, gross	-1,299	-2,737	-526	-9,289	-6,852
To/from additional statutory reserves in connection with claims/repurchase	74	15	158	22	-759
Change in value adjustment fund	73	1,302	-184	31	-1,940
Change in premium fund, deposit fund and the pension surplus fund	-31	-25	-60	-50	-97
To/from technical reserves for non-life insurance business	1	-8	-58	-64	-45
Change in conditional bonus	-73	1,513	-806	736	-2,427
Transfer of additional statutory reserves and value adjustment fund from other insurance companies/pension funds	6	4	11	13	22
<b>Changes in insurance obligations recognised in the Profit and Loss Account - contractual obligations</b>	<b>-1,249</b>	<b>65</b>	<b>-1,466</b>	<b>-8,600</b>	<b>-12,097</b>
Change in premium reserve	-1,568	-52	-3,162	-3,124	-9,618
Change in other provisions	-51	65	-51	-10	-178
<b>Changes in insurance obligations recognised in the Profit and Loss Account - investment portfolio separately</b>	<b>-1,619</b>	<b>13</b>	<b>-3,213</b>	<b>-3,133</b>	<b>-9,796</b>
Profit on investment result					-304
The risk profit allocated to the insurance agreements					-70
Other allocation of profit					-133
Unallocated profit	-537	-93	-1,422	-328	
<b>Funds allocated to insurance contracts</b>	<b>-537</b>	<b>-93</b>	<b>-1,422</b>	<b>-328</b>	<b>-507</b>

NOK million	Q2		01.01 - 30.06		Year 2010
	2011	2010	2011	2010	
Management expenses	-82	-76	-157	-159	-274
Selling expenses	-108	-185	-240	-362	-702
Change in pre-paid direct selling expenses	11	20	27	37	59
Insurance-related administration expenses (incl. commissions for reinsurance received)	-410	-349	-804	-696	-1,391
Reinsurance commissions and profit participation	66	51	127	109	198
<b>Insurance-related operating expenses</b>	<b>-522</b>	<b>-540</b>	<b>-1,047</b>	<b>-1,071</b>	<b>-2,109</b>
<b>Other insurance related expenses after reinsurance share</b>	<b>-45</b>	<b>-76</b>	<b>-104</b>	<b>-140</b>	<b>-272</b>
<b>Technical insurance result</b>	<b>455</b>	<b>-485</b>	<b>878</b>	<b>-193</b>	<b>1,302</b>
<b>NON-TECHNICAL ACCOUNT</b>					
Income from investments in subsidiaries, associated companies and joint-controlled companies	1	3	3	5	4
Interest income and dividends etc. from financial assets	140	74	248	153	333
Net operating income from property	15	16	28	30	60
Changes in investment value	7	-36	35	-79	-45
Realised gains and losses on investments	33	60	53	140	240
<b>Net income from investments in company portfolio</b>	<b>197</b>	<b>118</b>	<b>367</b>	<b>249</b>	<b>591</b>
<b>Other income</b>	<b>137</b>	<b>106</b>	<b>274</b>	<b>220</b>	<b>474</b>
Management expenses	-6	-10	-13	-19	-36
Other costs	-334	-302	-681	-613	-1,264
<b>Management expenses and other costs linked to the company portfolio</b>	<b>-340</b>	<b>-311</b>	<b>-694</b>	<b>-632</b>	<b>-1,301</b>
<b>Profit or loss on non-technical account</b>	<b>-7</b>	<b>-87</b>	<b>-53</b>	<b>-164</b>	<b>-236</b>
<b>Profit before tax</b>	<b>448</b>	<b>-572</b>	<b>825</b>	<b>-357</b>	<b>1,067</b>
<b>Tax costs</b>	<b>56</b>	<b>-37</b>	<b>56</b>	<b>-37</b>	<b>388</b>
<b>Profit before other comprehensive income</b>	<b>504</b>	<b>-610</b>	<b>882</b>	<b>-394</b>	<b>1,455</b>
Actuarial gains and losses on defined benefit pensions - benefits to employees		3	-10	11	-233
Change in value adjustment reserve own buildings	20	12	32	23	-57
Re-statement differences	-43	-42	-23		29
Adjustment of insurance liabilities	-20	-12	-32	-23	57
<b>Other comprehensive income and costs</b>	<b>-43</b>	<b>-39</b>	<b>-33</b>	<b>10</b>	<b>-204</b>
<b>COMPREHENSIVE INCOME</b>	<b>461</b>	<b>-648</b>	<b>849</b>	<b>-384</b>	<b>1,251</b>
<b>PROFIT IS DUE TO:</b>					
Minority share of profit	2	2	4	3	9
Majority share of profit	502	-611	877	-397	1,445
<b>COMPREHENSIVE INCOME IS DUE TO:</b>					
Minority share of profit	-2		3	-1	
Majority share of profit	463	-648	846	-383	1,251

# Storebrand Livsforsikring

## STATEMENT OF FINANCIAL POSITION

Storebrand Livsforsikring Group			Storebrand Livsforsikring AS	
31.12.10	30.06.11	NOK million	30.06.11	31.12.10
<b>ASSETS</b>				
<b>ASSETS IN COMPANY PORTFOLIO</b>				
740	728	Goodwill		
5,499	5,235	Other intangible assets	85	82
<b>6,239</b>	<b>5,963</b>	<b>Total intangible assets</b>	<b>85</b>	<b>82</b>
1,188	1,222	Properties and real estate		
352	368	Properties for own use		
123	128	Equities and units in subsidiaries, associated companies and joint-controlled companies	7,713	7,722
		of which investment in real estate companies	1,390	1,338
39	38	Loans to and securities issued by subsidiaries, associated companies	7,872	8,141
7	6	Loans	6	7
	31	Bonds held to maturity	31	
299	1,110	Bonds at amortised cost	1,110	299
341	314	Equities and other units at fair value	172	168
13,839	13,481	Bonds and other fixed-income securities at fair value	5,279	5,565
538	453	Derivatives at fair value	452	536
317	259	Other financial assets	157	254
<b>17,042</b>	<b>17,410</b>	<b>Total investments</b>	<b>22,793</b>	<b>22,692</b>
<b>176</b>	<b>221</b>	<b>Reinsurance share of insurance obligations</b>	<b>221</b>	<b>176</b>
1,119	1,990	Receivables in connection with direct business transactions	1,868	996
78	64	Receivables in connection with reinsurance transactions		
21	19	Receivables with group company	36	82
1,615	3,127	Other receivables	824	493
<b>2,834</b>	<b>5,199</b>	<b>Total receivables</b>	<b>2,728</b>	<b>1,571</b>
109	82	Plants and equipment	69	95
1,605	1,327	Cash, bank	267	488
589	603	Other assets designated according to type		0
<b>2,303</b>	<b>2,012</b>	<b>Total other assets</b>	<b>335</b>	<b>582</b>
349	369	Pre-paid direct selling expenses		
84	151	Other pre-paid costs and income earned and not received	36	35
<b>433</b>	<b>521</b>	<b>Total pre-paid costs and income earned and not received</b>	<b>36</b>	<b>35</b>
<b>29,027</b>	<b>31,327</b>	<b>Total assets in company portfolio</b>	<b>26,199</b>	<b>25,138</b>
24,239	25,216	Properties and real estate		
1,229	1,229	Properties for own use		
60	145	Equities and units in subsidiaries, associated companies and joint-controlled companies	27,788	26,860
		of which investment in real estate companies	27,347	26,433
227	303	Loans to and securities issued by subsidiaries, associated companies		
	4,934	Bonds held to maturity	4,934	
47,895	54,280	Bonds at amortised cost	54,280	47,895
3,109	3,631	Loans	3,631	3,109
52,921	54,436	Equities and other units at fair value	27,784	26,003
121,282	108,820	Bonds and other fixed-income securities at fair value	48,615	59,839
3,338	2,206	Financial derivatives at fair value	477	1,531
4,898	4,551	Other financial assets	1,498	2,538
<b>259,199</b>	<b>259,751</b>	<b>Total investments in collective portfolio</b>	<b>169,008</b>	<b>167,776</b>

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Storebrand Livsforsikring Group			Storebrand Livsforsikring AS	
31.12.10	30.06.11	NOK million	30.06.11	31.12.10
1,632	1,806	Properties and real estate		
88	92	Properties for own use		
		Equities and units in subsidiaries, associated companies and joint-controlled companies	2,071	1,853
		of which investment in real estate companies	2,055	1,838
	130	Bonds held to maturity	130	
	308	Bonds at amortised cost	308	
110	126	Loans	126	110
39,571	40,073	Equities and other units at fair value	12,061	11,171
16,449	17,815	Bonds and other fixed-income securities at fair value	12,279	11,332
341	65	Financial derivatives at fair value	64	338
1,020	714	Other financial assets	642	995
<b>59,210</b>	<b>61,131</b>	<b>Total investments in investment selection portfolio</b>	<b>27,682</b>	<b>25,800</b>
<b>318,409</b>	<b>320,882</b>	<b>Total assets in customer portfolio</b>	<b>196,690</b>	<b>193,575</b>
<b>347,436</b>	<b>352,209</b>	<b>TOTAL ASSETS</b>	<b>222,889</b>	<b>218,713</b>
		<b>EQUITY AND LIABILITIES</b>		
3,430	3,430	Share capital	3,430	3,430
9,271	9,271	Share premium reserve	9,271	9,271
<b>12,701</b>	<b>12,701</b>	<b>Total paid in equity</b>	<b>12,701</b>	<b>12,701</b>
287	396	Risk equalisation fund	396	287
2,377	2,322	Other earned equity	3,060	3,075
	788	Earned profit	530	
207	216	Minority's share of equity		
<b>2,871</b>	<b>3,722</b>	<b>Total earned equity</b>	<b>3,986</b>	<b>3,362</b>
5,326	5,107	Perpetual subordinated loan capital	5,107	5,326
1,500	1,500	Perpetual capital	1,500	1,500
<b>6,825</b>	<b>6,606</b>	<b>Total subordinate loan capital etc.</b>	<b>6,606</b>	<b>6,825</b>
233,176	231,928	Premium reserves	153,889	153,607
5,173	4,880	Additional statutory reserves	4,880	5,173
1,971	2,156	Market value adjustment reserve	2,156	1,971
810	731	Claims allocation	645	718
3,700	3,729	Premium fund, deposit fund and the pension surplus fund	3,729	3,700
11,503	11,982	Conditional bonus		
	1,364	Unallocated profit to insurance contracts	1,364	
559	662	Other technical reserve	662	559
<b>256,892</b>	<b>257,433</b>	<b>Total insurance obligations in life insurance - contractual obligations</b>	<b>167,325</b>	<b>165,727</b>
58,129	60,637	Premium reserve	27,257	24,762
1		Claims allocation		1
266	298	Additional statutory reserves	298	266
620	155	Premium fund, deposit fund and the pension surplus fund	155	620
	58	Unallocated profit to insurance contracts	58	
<b>59,016</b>	<b>61,148</b>	<b>Total insurance obligations in life insurance - investment portfolio separately</b>	<b>27,768</b>	<b>25,648</b>

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Storebrand Livsforsikring Group			Storebrand Livsforsikring AS	
31.12.10	30.06.11	NOK million	30.06.11	31.12.10
982	983	Pension liabilities etc.	738	738
226	158	Period tax liabilities		
82	61	Other provisions for liabilities	44	57
<b>1,290</b>	<b>1,202</b>	<b>Total provisions for liabilities</b>	<b>781</b>	<b>794</b>
1,302	1,206	Liabilities in connection with direct insurance	547	857
9	4	Liabilities in connection with reinsurance	4	9
880	534	Financial derivatives	196	679
874	12	Liabilities to group companies	25	875
4,319	7,135	Other liabilities	2,711	944
<b>7,385</b>	<b>8,891</b>	<b>Total liabilities</b>	<b>3,483</b>	<b>3,364</b>
	76	Received, unearned leasing income		
456	430	Other accrued expenses and received, unearned income	237	291
<b>456</b>	<b>506</b>	<b>Total accrued expenses and received, unearned income</b>	<b>237</b>	<b>291</b>
<b>347,436</b>	<b>352,209</b>	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>222,889</b>	<b>218,713</b>
		<b>ITEMS NOT ON BALANCE SHEET</b>		
5,635	5,387	Contingent liabilities	3,775	3,193

# Storebrand Livsforsikring

## RECONCILIATION OF CHANGE IN EQUITY STOREBRAND LIVSFORSIKRING AS

NOK million	Majority's share of equity			Risk equalisation fund	Other earned equity	Total equity
	Share capital <sup>1</sup>	Share premium reserves	Total paid in equity			
<b>Equity at 31.12.2010</b>	<b>3,430</b>	<b>9,271</b>	<b>12,701</b>	<b>287</b>	<b>3,075</b>	<b>16,063</b>
Profit				94	530	624
<b>Comprehensive income:</b>						
Re-statement differences						
Pension experience adjustments						
<b>Total revenue and costs for the period</b>				<b>94</b>	<b>530</b>	<b>624</b>
<b>Equity transactions with owner:</b>						
Group contributions						
Share issue						
Other				15	-15	
<b>Equity at 30.06.2011</b>	<b>3,430</b>	<b>9,271</b>	<b>12,701</b>	<b>396</b>	<b>3,590</b>	<b>16,687</b>

<sup>1</sup>34.304.200 shares of NOK 100 par value

## RECONCILIATION OF CHANGE IN EQUITY STOREBRAND LIVSFORSIKRING GROUP

NOK million	Majority's share of equity			Risk equalisation fund	Other earned equity	Minority interests	Total equity
	Share capital	Share premium reserves	Total paid in equity				
<b>Equity at 31.12.2010</b>	<b>3,430</b>	<b>9,271</b>	<b>12,701</b>	<b>287</b>	<b>2,377</b>	<b>207</b>	<b>15,572</b>
Profit				94	783	4	882
<b>Comprehensive income:</b>							
Re-statement differences					-21	-2	-23
Pension experience adjustments					-10		-10
<b>Total revenue and costs for the period</b>				<b>94</b>	<b>752</b>	<b>3</b>	<b>849</b>
<b>Equity transactions with owner:</b>							
Share issue						3	3
Other				15	-20	3	-2
<b>Equity at 30.06.2011</b>	<b>3,430</b>	<b>9,271</b>	<b>12,701</b>	<b>396</b>	<b>3,109</b>	<b>216</b>	<b>16,422</b>

# Storebrand Livsforsikring

## CASH FLOW ANALYSIS STOREBRAND LIVSFORSIKRING

Storebrand Livsforsikring Group			Storebrand Livsforsikring AS	
30.06.2010	30.06.2011	NOK million	30.06.2011	30.06.2010
		<b>Cash flow from operational activities</b>		
16,543	11,099	Net received - direct insurance	7,609	9,312
-8,363	-8,433	Net claims/benefits paid - direct insurance	-5,535	-5,116
1,724	-3,674	Net receipts/payments - policy transfers	-3,297	1,948
-1,071	-1,047	Net receipts/payments - other operational activities	-665	-708
591	1,343	Net receipts/payments operations	500	-752
<b>9,424</b>	<b>-712</b>	<b>Net cash flow from operational activities before financial assets</b>	<b>-1,388</b>	<b>4,685</b>
258	-538	Net receipts/payments - lendings to customers	-538	258
-8,495	2,273	Net receipts/payments - financial assets	1,496	-3,928
13	-573	Net receipts/payments - real estate activities		
-51	653	Net change bank deposits insurance customers	1,393	-220
<b>-8,276</b>	<b>1,815</b>	<b>Net cash flow from operational activities from financial assets</b>	<b>2,351</b>	<b>-3,890</b>
<b>1,148</b>	<b>1,102</b>	<b>Net cash flow from operational activities</b>	<b>963</b>	<b>795</b>
		<b>Cash flow from investment activities</b>		
	-134	Net payments - purchase/capitalisation of subsidiaries		-1
-42	-17	Net receipts/payments - sale/purchase of fixed assets	7	-16
<b>-42</b>	<b>-151</b>	<b>Net cash flow from investment activities</b>	<b>7</b>	<b>-17</b>
		<b>Cash flow from financing activities</b>		
-453	-438	Payments - interest on subordinated loan capital	-438	-453
-610	-850	Payments - group contribution dividends	-850	-610
<b>-1,063</b>	<b>-1,288</b>	<b>Net cash flow from financing activities</b>	<b>-1,288</b>	<b>-1,063</b>
<b>43</b>	<b>-336</b>	<b>Net cash flow for the period</b>	<b>-318</b>	<b>-285</b>
8,319	-2,151	- of which net cash flow for the period before financial assets	-2,669	3,606
43	-336	Net movement in cash and cash equivalent assets	-318	-285
2,284	1,922	Cash and cash equivalent assets at start of the period	742	1,032
<b>2,326</b>	<b>1,586</b>	<b>Cash and cash equivalent assets at the end of the periode</b>	<b>424</b>	<b>747</b>

# Notes to the interim accounts

## NOTE 1: ACCOUNTING POLICIES

The Group's interim financial statements include Storebrand Livsforsikring AS together with subsidiaries and associated companies. The interim financial statements have been prepared in accordance with the 'Regulation on the annual accounts etc. of insurance companies', which was revised with effect from 1 January 2008 to correspond with the international financial reporting standards (IFRS). The financial statements were prepared in accordance with IAS 34 Interim Financial Reporting. The interim financial statements do not include all the information required in full annual financial statements.

The Group has not made any changes to the accounting policies applied in 2011. A description of the accounting policies applied in the preparation of the financial statements is provided in the 2010 annual report.

## NOTE 2: ESTIMATES

In preparing the interim accounts, Storebrand has used assumptions and estimates that affect reported amounts of assets, liabilities, revenues, costs and information in the notes to the financial statements, as well as the information provided on contingent liabilities. A certain degree of uncertainty is associated with estimates and assumptions and actual figures may deviate from the estimates used.

Storebrand continuously builds up reserves in connection with increased life expectancy in life insurance, including increased requirements associated with individual pension insurance in which the building up of reserves in a time-limited period can be charged to the running return. Any deficient future return in connection with this may reduce the profit allocated to the owner.

Please also refer to the discussions in note 3 of the 2010 annual report.

## NOTE 3: TAX

Net tax was recognised in 2Q. This was primarily associated with a previously allocated deferred tax liability in the subsidiary SPP.

The Storebrand Group has a significant tax-related deficit linked to the Norwegian life insurance activities. This is due to the fact that there are major differences between accounting-related and tax-related income and losses associated with investments in equities within the EEA area. Deferred tax assets associated with the deficits that can be carried forward are not recognised in the balance sheet since there is some uncertainty about whether or not taxable income will reach a level that enables the deficits that can be carried forward to be used.

## NOTE 4: INFORMATION ABOUT CLOSE ASSOCIATES

Storebrand conducts transactions with close associates as part of its normal business activities. These transactions take place on commercial terms. The same terms that apply to Storebrand's other customers and encompass lending, bank deposits, insurance and asset management. The terms for transactions with senior employees and close associates are stipulated in notes 19 and 44 in the 2010 annual report.

With the exception of these transactions, Storebrand had not carried out any material transactions with close associates at the close of 1 half year. In March, Storebrand employees were given an option to purchase shares in Storebrand ASA at a discount. Several employees, inclusive senior employees have taken advantage of the offer.

## NOTE 5: FINANCIAL RISK

Financial risk is subscribed in the 2010 annual report in notes 6 (Market risk), 7 (Liquidity risk) and 8 (Credit risk).

Short-term interest rates rose in Norway and Sweden during 1st half year. Long-term interest rates rose in 1Q, but this rise was reversed in 2Q meaning rates at the end of 1st half year were almost the same as there were at the start of the year. A large proportion of the insurance obligations in both Norway and Sweden are subject to a nominal interest guarantee. Higher rates increase the probability of being able to meet the interest guarantee.

Overall, the various equity markets saw almost no change to slightly negative returns in 1st half year, meaning the effect on the risk was small in relation to the situation at the start of the year. In 2Q, the debt situation in Greece was a major cause of the instability in the market, although much of the fall was recovered towards the end of the quarter.

# Notes to the interim accounts

## NOTE 6: SEGMENT INFORMATION - ANALYSIS OF PROFIT AND LOSS BY BUSINESS AREA

NOK million	Storebrand Life Insurance		SPP		Asset management		Insurance		Storebrand Livsforsikring Group	
	2Q		2Q		2Q		2Q		2Q	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Revenue	5,276	4,308	4,720	2,229	59	-43	260	245	10,315	6,738
Profit before tax	149	-364	188	-253	19	19	92	26	448	-572
Assets	1,432	-1,642	-3,361	1,227	7	-25	-12	143	-1,933	-297
Liabilities	943	1,453	-3,315	-1,195	-7	-39	-12	143	-2,391	362

NOK million	Storebrand Life Insurance		SPP		Asset management		Insurance		Storebrand Livsforsikring Group	
	30.06.11	30.06.10	30.06.11	30.06.10	30.06.11	30.06.10	30.06.11	30.06.10	30.06.11	30.06.10
	Revenue	15,212	15,687	6,434	7,696	111	88	884	843	22,641
Profit before tax	288	-210	378	-224	38	36	121	41	825	-357
Assets	208,582	198,328	141,015	135,425	186	123	2,425	2,163	352,209	336,039
Liabilities	197,767	191,029	135,476	128,001	117	61	2,425	2,163	335,786	321,253

### Revenue

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

### Storebrand Life Insurance

Includes the companies in the Storebrand Livsforsikring Group, except Storebrand Eiendom AS, Storebrand Realinvesteringer AS, Storebrand Holding Group and personal risk and employee cover in Storebrand Livsforsikring AS. Storebrand Life Insurance offers a wide range of products within occupational pensions, private pension savings and life insurance to companies, public sector entities and private individuals. Storebrand Life Insurance's branch in Sweden provides occupational pensions products based on Norwegian law in the Swedish market.

### SPP

Includes companies in SPP Group (Storebrand Holding Group excluding SPP Fonder). SPP offers a wide range of pension solutions to companies, organisations and private individuals in Sweden. SPP holds a particularly strong position in traditional products - policies with guaranteed interest rates - in the Swedish corporate market. BenCo offers via Nordben and Euroben pension products to multinational companies.

### Asset management

Storebrand's asset management activities include the companies Storebrand Eiendom AS (property management), Storebrand Realinvesteringer AS and SPP Fonder AB (fund management).

### Insurance

Includes personal risk insurance in the Norwegian retail market and employee insurance in the corporate market in Norway, which is included in Storebrand Livsforsikring AS.

# Notes to the interim accounts

## NOTE 7: VALUATION OF FINANCIAL INSTRUMENTS AT FAIR VALUE

The valuation classification of financial instruments at fair value is based on the general policies the company applies and which are described in the 2010 annual report.

The table below specifies level 3.

NOK million	Non-observable assumptions	
	Storebrand Livsforsikring AS	Storebrand Livsforsikring Group
<b>Assets:</b>		
<b>Equities and units</b>		
- Equities	1,621	3,077
- Fund units	1,142	2,127
- Private Equity fund investments	4,509	5,052
- Hedge fund	32	32
- Indirect real estate fund		2,072
<b>Total equities and units 30.06.11</b>	<b>7,304</b>	<b>12,360</b>
<b>Bonds and other fixed income securities</b>		
- Credit bonds	757	1,110
- Mortgage and asset backed bonds	924	924
<b>Total bonds and other fixed income securities 30.06.11</b>	<b>1,681</b>	<b>2,034</b>

### Specification of papers pursuant to valuation techniques (non-observable assumptions) Storebrand Livsforsikring AS

NOK million	Private Equity fund investments							Mortgage and asset backed bonds
	Equities	Fund units	Hedge fund	Indirect real estate fund	Credit bonds			
Balance 01.01.11	1,839	1,117	4,180	38	696	1,114		
Net profit/loss at financial instruments	-39	-21	264	-3	-7	-22	104	
Additions/purchases	9	56	205	39	111			
Sales/Overdue/settlement	-188	-10	-139	-4	-31	-29	-294	
<b>Balance 30.06.11</b>	<b>1,621</b>	<b>1,142</b>	<b>4,509</b>	<b>32</b>	<b>757</b>	<b>924</b>		

### Specification of papers pursuant to valuation techniques (non-observable assumptions) Storebrand Livsforsikring Group

NOK million	Private Equity fund investments							Mortgage and asset backed bonds
	Equities	Fund units	Hedge fund	Indirect real estate fund	Credit bonds			
Balance 01.01.11	3,167	1,832	4,661	2,113	1,042	1,114		
Net profit/loss at financial instruments	-16	-78	256	-3	120	-4	104	
Additions/purchases	120	387	273	39	114			
Sales/Overdue/settlement	-224	-24	-141	-4	-173	-47	-294	
Re-statement differences	17	10	4		5			
Other	13							
<b>Balance 30.06.11</b>	<b>3,077</b>	<b>2,127</b>	<b>5,052</b>	<b>32</b>	<b>2,072</b>	<b>1,110</b>	<b>924</b>	



# Notes to the interim accounts

## NOTE 8: NET INCOME FROM PROPERTIES

NOK million	2Q		01.01 -30.06		Year 2010
	2011	2010	2011	2010	
Rent income from properties <sup>1)</sup>	436	395	846	777	1,623
Operating costs (including maintenance and repairs) relating to properties that have provided rent income <sup>2</sup>	-89	-64	-181	-137	-337
Minority interest recorded as debt			-32		
<b>Net operating income from properties</b>	<b>347</b>	<b>332</b>	<b>634</b>	<b>640</b>	<b>1,286</b>
Realised gains/losses	4		2	-2	15
Change in fair value of properties	213	4	417	11	154
<b>Total income from properties</b>	<b>564</b>	<b>335</b>	<b>1,053</b>	<b>648</b>	<b>1,455</b>
<sup>1)</sup> Properties for own use	18	17	37	34	67
<sup>2)</sup> Properties for own use	-1	-3	-3	-6	-12

### Changes in value real estate investments

NOK million	2Q		01.01 -30.06		Year 2010
	2011	2010	2011	2010	
Wholly owned real estate investments	213	4	417	11	154
Property equities and units in Norway and Sweden <sup>1)</sup>	9	26	20	49	96
Property units abroad <sup>1)</sup>	8	-27	121	-8	87
<b>Total value changes investment properties</b>	<b>230</b>	<b>3</b>	<b>559</b>	<b>51</b>	<b>336</b>
Properties for own use	-8		-8		-104
<b>Total value changes real estate investment</b>	<b>223</b>	<b>3</b>	<b>551</b>	<b>51</b>	<b>233</b>
<b>Realised gains/losses sold properties</b>	<b>3</b>		<b>2</b>	<b>-2</b>	<b>16</b>

<sup>1)</sup> Are in the statement of financial position classified as equities and units

# Notes to the interim accounts

## NOTE 9: PROPERTIES

### Book value of investment properties in the statement of financial position<sup>1)</sup>

NOK million	30.06.11	Year 2010
Carrying amount as per 1 Jan	27,059	24,160
Supply due to purchases	748	2,503
Supply due to additions	407	476
Disposals	-375	-152
Net write-ups/write-downs	417	50
Exchange rate changes	-12	22
<b>Carrying amount</b>	<b>28,244</b>	<b>27,059</b>

<sup>1)</sup>Consists of investment properties in Storebrand Livsforsikring Group

### Property type

NOK million	30.06.11				
	30.06.11	Year 2010	Duration of lease (years)	m2	Leased amount in % <sup>1)</sup>
<i>Office buildings (including parking and storage):</i>					
- Oslo- Vika/Fillipstad Brygge	5,632	4,930	6	110,610	92
- Rest of Greater Oslo	6,468	6,180	6	191,700	94
- Rest of Norway	3,521	3,856	7	509,790	93
Shopping centres (including parking and storage)	10,757	10,656	3	467,095	92
Multi-storey car parks	687	696	5	44,085	100
Office buildings in Sweden	831	387	1	37,000	3
Cultural/conference centres in Sweden	350	355	19	18,500	86
<b>Total investment properties</b>	<b>28,244</b>	<b>27,059</b>		<b>1,378,780</b>	
Properties for own use other	1,690	1,668	9	50,000	91
<b>Total properties</b>	<b>29,934</b>	<b>28,727</b>		<b>1,428,780</b>	

<sup>1)</sup>The leased amount is calculated in relation to floor space

### Geographical location:

NOK million	30.06.11	Year 2010
Oslo- Vika/Fillipstad Brygge	6,319	5,625
Rest of Greater Oslo	7,927	7,560
Rest of Norway	14,202	14,512
Sweden	1,181	742
Other	305	289
<b>Total properties</b>	<b>29,934</b>	<b>28,727</b>

A further NOK 1 283 million was agreed for property purchases in 2Q 2011, but the assumption of the risk and final conclusion of contracts will occur later in 2011 and NOK 323 million in Storebrand and SEK 258 million in SPP has been committed but not drawn on in international real estate funds.

### Calculation of fair value for properties

Investment properties are valued at fair value. Fair value is the amount an asset could be sold for in a transaction at arm's length between well informed, voluntary parties.

# Notes to the interim accounts

## Cash flow

An internal cash flow model is used to calculate fair value. The individual properties' net cash flows are discounted by an individual required rate of return. In the case of office buildings, a future income and costs picture is estimated for the first 10 years, and a final value calculated at the end of that 10 year period, based on market rents and normal operating costs for the property. The net income stream takes into account existing and future reductions in income resulting from vacancy, necessary investments and an assessment of the future changes in market rents. Storebrand's average occupancy rate in its office properties portfolio is 95-98 per cent. Most contracts are for 5 or 10 years. The cash flows from these tenancy agreements (contractual rent) are included in the valuations. A forecast model has been developed to estimate long-term, future non-contractual rent. The model is based on historical observations from Dagens Næringsliv's property index (adjusted by CPI). A long-term, time-weighted average is calculated for the annual observations in which the oldest observations are afforded the least weight. Short-term, non-contractual rent forecasts are based on current market rents and conditions.

## Required rate of return

An individual required rate of return is set for each property. The required rate of return should be viewed in relation to the property's cash flow. Cash flows are determined on the basis of data about the market's required rate of return, including transactions and valuations. The required rate of return is divided into the following components:

### Composition of the required rate of return:

Risk free interest rate

Risk markup, adjusted for:

- Type of property
- Location
- Standard
- Contract duration
- Quality of tenant
- All other information about property values, the market and the individual property

In the case of shopping centres, the property's value is calculated based on a market yield. In cases where it is known significant changes will occur to the expected cash flow in later years, this is taken account of in the valuation.

## External valuations:

To ensure that every property will be taxed as a minimum every third year, there is a methodic approach in order to choose a representative selection of property to taxate every quarter. During 2Q, valuations had been obtained for approximately 13 percent of Storebrand's property portfolio in Norway.

The properties are valued on the basis of the following effective required rate of return (incl. 2.5% inflation):

Segment	Required rate of return %		Volum	
	30.06.11	31.12.10	30.06.11	31.12.10
Office buildings (including parking and storage):				
- Oslo- Vika/Fillipstad Brygge	7,50 - 8,50	7,50 - 8,50	6,319	5,625
- Rest of Greater Oslo	8,25 - 10,00	8,25 - 10,00	7,927	7,560
- Rest of Norway	8,75 - 9,75	8,75 - 9,75	3,445	3,856
Shopping centre portfolio	8,00 - 9,25	8,00 - 9,25	10,757	10,656
Culture and conference Sweden	7,00 - 9,00	7,00 - 9,00	1,181	742
Other			305	289

## Sensitivities

Valuations are particularly sensitive to changes in the required rate of return and assumed future cash flows. A change of 0.25 per cent in the required rate of return, where everything else remains the same, would result in a change in value in the real estate portfolio of NOK 956 million, which is equivalent to 3.36 per cent. Around 25 per cent of a property's cash flow is linked to signed leases. This means that changes in the uncertain components of the cash flow of 1 per cent result in a change in value of 0.75 per cent.

# Notes to the interim accounts

## NOTE 10: FINANCIAL LIABILITIES AND SPECIFICATION OF BORROWING

### Specification of subordinated loan capital

NOK million	Nominal value	Currency	Interest rate (fixed/variable)	Call date	Booked value
<b>Issuer</b>					
<b>Hybrid tier 1 capital</b>					
Storebrand Livsforsikring AS	1,500	NOK	Variable	2018	1,500
<b>Perpetual subordinated loan capital</b>					
Storebrand Livsforsikring AS	300	EUR	Fixed	2013	2,399
Storebrand Livsforsikring AS	1,700	NOK	Variable	2014	1,703
Storebrand Livsforsikring AS	1,000	NOK	Fixed	2015	1,004
<b>Total subordinated loan capital and hybrid tier 1 capital 30.06.11</b>					<b>6,606</b>
<b>Total subordinated loan capital and hybrid tier 1 capital 31.12.10</b>					<b>6,825</b>

## NOTE 11: CONTINGENT LIABILITIES

NOK million	Storebrand Livsforsikring AS		Storebrand Livsforsikring Group	
	30.06.11	31.12.10	30.06.11	31.12.10
Undrawn amounts of committed lending facilities	1,260	1,794	1,260	1,794
Uncalled residual liabilities concerning Limited Partnership	3,775	3,193	5,387	5,635
<b>Total contingent liabilities</b>	<b>5,035</b>	<b>4,987</b>	<b>6,647</b>	<b>7,429</b>

# Notes to the interim accounts

## NOTE 12: CAPITAL ADEQUACY

NOK million	Storebrand Livsforsikring AS		Storebrand Livsforsikring Group	
	30.06.11	31.12.10	30.06.11	31.12.10
Share capital	3,430	3,430	3,430	3,430
Other equity	13,256	12,632	12,992	12,142
<b>Equity</b>	<b>16,687</b>	<b>16,063</b>	<b>16,423</b>	<b>15,572</b>
Hybrid tier 1 capital	1,500	1,500	1,500	1,500
Conditional bonus			3,381	3,359
Goodwill and other intangible assets	-85	-82	-6,041	-6,317
Risk equalisation fund	-396	-287	-396	-287
Capital adequacy reserve			-432	-399
Deduction for investments in other financial institutions	-45	-55	-33	-44
Other	-495	-24	-637	106
<b>Core (tier 1) capital</b>	<b>17,166</b>	<b>17,115</b>	<b>13,764</b>	<b>13,492</b>
Perpetual subordinated loan capital	5,034	5,039	5,034	5,039
Capital adequacy reserve			-432	-399
Deductions for investments in other financial institutions	-45	-55	-33	-44
<b>Tier 2 capital</b>	<b>4,989</b>	<b>4,984</b>	<b>4,568</b>	<b>4,597</b>
<b>Net primary capital</b>	<b>22,155</b>	<b>22,100</b>	<b>18,332</b>	<b>18,088</b>
<b>Risk weighted calculation base</b>	<b>106,684</b>	<b>104,650</b>	<b>134,480</b>	<b>133,164</b>
<b>Capital adequacy ratio</b>	<b>20.8 %</b>	<b>21.1 %</b>	<b>13.6 %</b>	<b>13.6 %</b>
<b>Core (tier 1) capital ratio</b>	<b>16.1 %</b>	<b>16.4 %</b>	<b>10.2 %</b>	<b>10.1 %</b>

## NOTE 13: SOLVENCY MARGIN

NOK million	Storebrand Livsforsikring AS		Storebrand Livsforsikring Group	
	30.06.11	31.12.10	30.06.11	31.12.10
Solvency margin requirements	7,240	7,094	10,999	10,766
Solvency margin capital	23,582	23,522	17,792	17,644
<b>Solvency margin</b>	<b>325.7 %</b>	<b>331.6 %</b>	<b>161.8 %</b>	<b>163.9 %</b>

### Specification of solvency margin capital

NOK million	Storebrand Livsforsikring AS		Storebrand Livsforsikring Group	
	30.06.11	31.12.10	30.06.11	31.12.10
Net primary capital	22,155	22,100	18,332	18,088
50% of additional statutory reserves	2,589	2,719	2,589	2,719
50% of risk equalisation fund	198	143	198	143
Counting security reserve	54	52	54	52
Conditional bonus			-3,381	-3,359
Reduction in Tier 2 capital eligible for inclusion in solvency capital	-1,414	-1,492		
<b>Solvency capital</b>	<b>23,582</b>	<b>23,522</b>	<b>17,792</b>	<b>17,644</b>

# Storebrand Livsforsikring Group

## - Declaration by the members of the Board and the CEO

On this date, the Board and CEO have discussed and approved the interim report and interim financial statements for Storebrand Livsforsikring Group for the first half of 2011 (Interim Report - First Half 2011).

The half-yearly interim report has been prepared in accordance with IAS 34 Interim Financial Reporting, as approved by the EU, and the additional Norwegian requirements in the Norwegian Securities Trading Act.

In the best judgment of the Board and CEO the half-yearly financial statements for 2011 have been prepared in accordance with applicable accounting standards, and the information in the financial statements provides a fair and true picture of the group's assets, liabilities, financial standing and results as a whole as per 30 June 2011. In the best judgment of the Board and CEO the half-yearly interim report provides a fair and true overview of important events during the accounting period and their effects on the half-yearly financial statements. In the best judgment of the Board and CEO the descriptions of the most important risk and uncertainty factors the group faces in the next accounting period, as well as the descriptions of related parties' significant transactions, also provide a fair and true overview.

Oslo, 13 July 2011

The Board of Directors of Storebrand Livsforsikring AS

Idar Kreutzer  
Chairman of the Board

Andreas Enger

Tove Storrødvann

Else-Lill Grønli

Erik Haug Hansen

Inger Johanne Bergstøl

Egil Thompson

Odd Arild Grefstad  
CEO



Translation from the original Norwegian version

To the board of Storebrand Livsforsikring AS

## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

We have reviewed the consolidated balance sheet of Storebrand Livsforsikring AS (the Group) as of June 30, 2011, and the related statement of income, the statement of changes in equity, the statement of cash flow for the six-month period then ended and selected explanatory notes. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with the rules of the Norwegian Accounting Act and generally accepted accounting practice in Norway. Our responsibility is to express a conclusion on this interim financial information based on our review.

### *Scope of Review*

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

### *Conclusion*

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

Oslo, July 13, 2011  
Deloitte AS

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