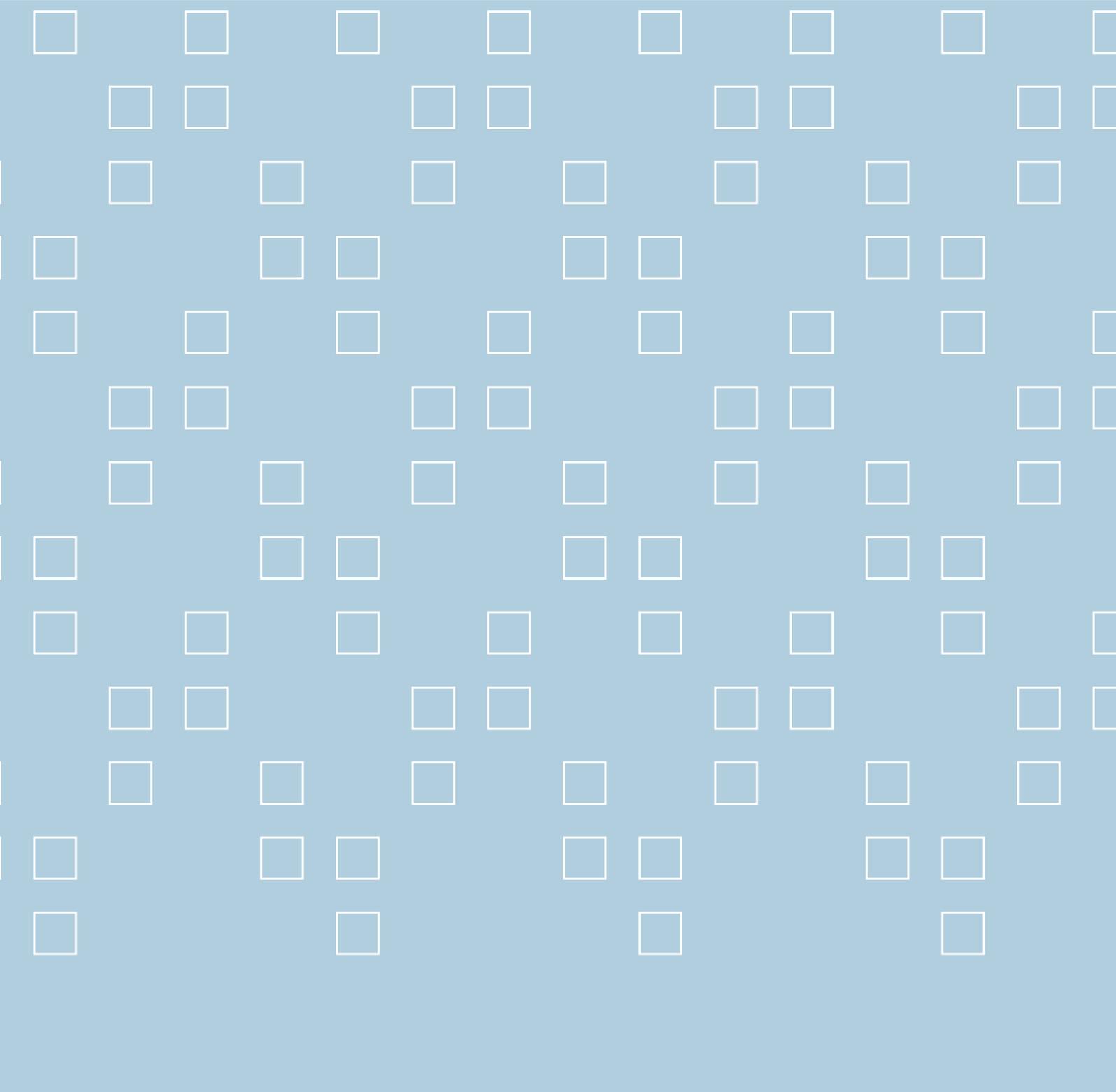


Storebrand's business model

- a guide for investors and analysts



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Introduction

Storebrand offers a wide range of products within savings, life and non-life insurance and banking. In particular, the life and pension insurance business has several products with dissimilar regulations and product structures across borders.

This document is a guide describing key elements in Storebrand's business model. Focus in the document is the life and pension insurance business in Norway and Sweden, which also represents the major part of the Storebrand Group. We hope this document will be useful, and related comments and questions may be directed to Storebrand's Investor Relations department.

Investor Relations contacts:

| | | |
|--|--|--|
| Trond Finn Eriksen Head of Investor Relations +47 991 64 135 trond.finn.eriksen@storebrand.no | Tone Indrebø Næs Investor Relations Officer +47 959 05 514 tone.indrebo.nas@storebrand.no | Faisal Khan Director, Corporate Finance & IR +47 922 30 067 faisal.khan@storebrand.no |
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Oslo, 1 October 2009

Overview of the Storebrand Group



The Storebrand Group is made up of four principal business units: life and pensions, asset management, banking and P&C.

Storebrand Life Insurance offers products within occupational pension, private pension savings and life insurance for companies, public sector entities and private individuals.

SPP offers a wide range of pension solutions to companies, organisations and private individuals in Sweden. SPP holds a strong position in traditional pension products and unit linked products in the Swedish corporate market. Storebrand acquired SPP from Handelsbanken in 2007.

Storebrand Asset Management offers a complete asset management concept with actively managed portfolios of Norwegian, Swedish and international securities. The bulk of the assets stem from the life companies within the Storebrand Group, however external customers are also served both in the institutional and the retail market.

Storebrand Bank offers traditional banking services such as accounts and loans in the retail market and a broad range of financial services to corporate customers within the commercial real estate segment. Storebrand Bank is present only in the Norwegian market.

Storebrand P&C offers standard property and casualty insurance products in the Norwegian retail market and selected products for the corporate market. The company was launched in autumn 2006. Internet and telephone distribution represents around 90% of total sales.

Storebrand Health Insurance (50% owned) offers health care services and treatment insurance in the Norwegian and Swedish corporate and retail markets.

1 Life and Pensions Norway (Storebrand Life Insurance)

1.1 PRODUCT CATEGORIES - OVERVIEW

The products offered by Storebrand Life and Pensions Norway cover all sections of the competitive retail and corporate markets in Norway. The actual products sold in the market have changed over time, both to match customers' needs and to comply with new regulations issued by the authorities.

From a financial perspective it is useful to divide the products into the following categories:

• Traditional products

This represents products with profit sharing and interest guarantees. This category contains a substantial proportion of Life and Pensions Norway's portfolio, namely the individual life annuity/pension, individual endowment insurance portfolio and paid-up policies (individual contracts that have left occupational pensions plans). The life insurance company's earnings are primarily generated by transferring a part of the products' annual investment result to the life company (profit sharing). Risk coverage (typically in the event of death or disability) is an integral part of the product.

• Fee-based products with interest guarantees

This category covers the very important group defined benefit occupational pension product. This product used to be a traditional product with profit sharing, but became fee-based following changes to the law that came into effect at the start of 2008. New sales are concluded with lower interest guarantees than earlier contracts. Fee-based means that the life insurance company's earnings are based on fees that are billed upfront. Risk coverage (typically in the event of disability or mortality which leads to a spouse- and orphan pension) is an integral part of the product.

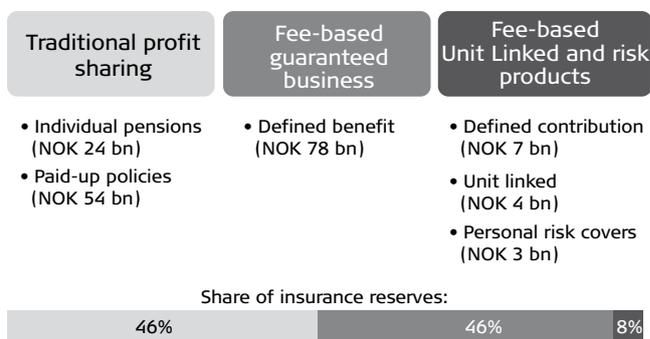
• Unit linked and defined contribution pensions

This category represents fee-based and mutual fund-based products without interest guarantees. These products represent the new generation of pensions and savings products that are based on mutual funds as building blocks. Unit linked and defined contribution pension products have only been on the market for a relatively short period of time compared with the interest guarantee products described above. Volumes are consequently limited at the moment, but are growing substantially. The life insurance company's earnings are based on the asset management and administration fees paid by customers. Customers often buy risk coverage linked to the products.

• Pure personal risk products

This category covers personal risk coverage without a savings element. The life insurance company offers a number of policies, typically for survivors in the event of death and disability coverage, but also among others payments in the event of injury, critical illness, a child's illness, accidents, etc. The coverage is designed as a lump sum. The life insurance company's earnings consist of the risk and administration premiums customers pay.

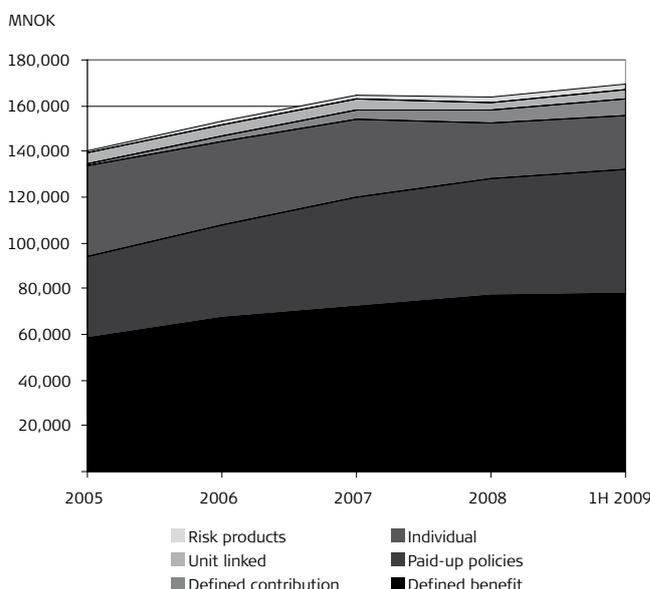
Life and Pensions Norway product overview
Insurance reserves as at 30.06.09



As the figure shows the largest proportion (92%) of Storebrand's Norwegian life insurance business involves guaranteed products. These are products in which the company has agreed a guaranteed benefit (pension) at some time in the future, and provides customers with an associated guaranteed annual return.

However, customers are increasingly choosing products without interest guarantees. The figure below illustrates the development of insurance reserves in Storebrand from 2005 to the first half of 2009.

Insurance reserves development per product area



1.2 INDIVIDUAL ANNUITY/PENSIONS AND ENDOWMENT INSURANCE (TRADITIONAL PRODUCT)

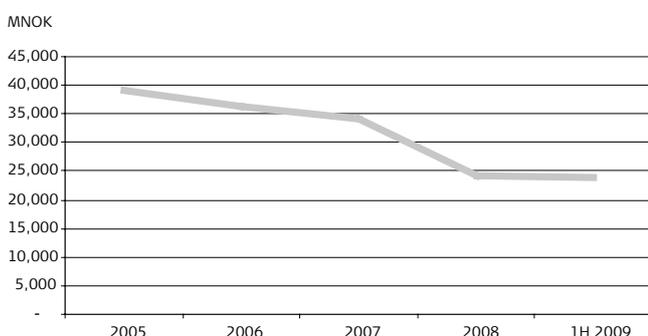
Product characteristics

These products represent pension and life annuity insurance policies purchased by individuals, either with one-time or instalment payments. The contracts normally stipulate a lock-in period for paid in funds, for a certain number of years or until a certain age. The lock-in period is combined with tax benefits provided by the authorities aimed at promoting long-term saving. This category also includes the shorter term individual endowment insurance. The products have an annual guaranteed return (interest guarantee) and are subject to the principle of profit sharing between customers and the life insurance company at the end of the year. Risk coverage (typically in the event of death or disability) can be an integral part of the product.

Market trends

Sales of traditional individual pensions ended with the implementation of the new insurance act at the start of 2008, and the portfolio is thus being run-off. Nonetheless, the portfolio will continue to be of importance for many years into the future because of the long-term nature of the products.

Insurance reserves development - Individual



Result elements and the life insurance company's earnings

The products' result that will be the basis for profit sharing is generated by three different elements: the administration, risk and interest results.

The administration result shows the difference between the annual administration premium charged and the actual operating costs. The administration premium is usually calculated as a combination of fixed fees and a margin on the contract's assets under management. Operating costs includes all the administration costs the life insurance company incurs from selling and operating the product.

The risk result arises from mortality and disability rates deviating from the assumptions in the premium tariffs for a period. When mortality and disability rates deviate, a result is generated due to insurance payments being lower or higher than those assumed in the tariff.

The interest result is generated by the return on the invested assets being higher than the guaranteed interest.

The product's total profit is shared between the customers and the life insurance company according to a profit sharing model. Pursuant to regulations, the profit allocated to the life insurer cannot exceed 35% of the product's total profit. Any deficit in the product is covered by buffer capital (additional statutory reserves and market value adjustment reserve). Any remaining deficit after the buffer capital has been used will be covered by the life company's equity.

The key result drivers behind the life insurance company's earnings are thus:

- The size of the customer portfolio:
The customer portfolio is subject to long-term run-off
- The return on the investment portfolio
- Longevity, mortality and disability better than calculated in the premium tariffs
- Operational efficiency

Risk management

Managing financial risk is a priority since achieving a return that exceeds the guaranteed interest is the key factor for generating a profit, and a low return will result in a charge against the buffer capital and eventually the life insurance company's equity. Building up and preserving additional statutory reserves (conditional customer reserves) and the market value adjustment reserve (unrealised gains in the investment portfolios), and the use of these in years with particularly poor financial returns, are key elements of risk management. Individual annuity pensions and endowment have their own asset portfolio in which the asset profile is tailored to its risk-bearing capacity.

1.3 PAID-UP POLICIES (TRADITIONAL PRODUCT)

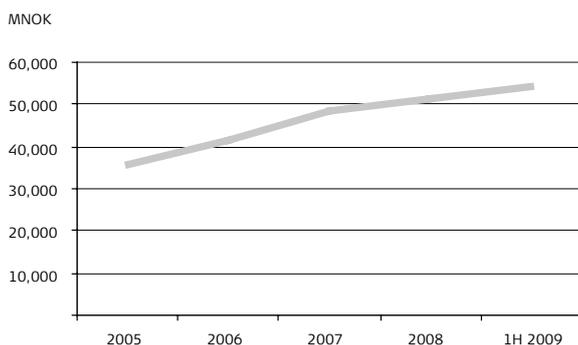
Product characteristics

Paid-up policies are contracts that have left defined benefit group pension plans, which normally occurs when an employee leaves his employer's service or the company chooses to change from defined benefit pensions to defined contribution pensions. The employees can continue to pay premiums on an individual basis, so-called continuation policies, but the vast majority are converted to fully paid. Risk coverage (typically in the event of disability or mortality which leads to a spouse- and orphan pension) is an integral part of the product.

Market trends

Normal employee turn-over in companies continuously create new paid-up policies. Hence, paid-up policies are expected to increase in the future. Paid-up policies premium payments are limited due to that only few employees choose to continue paying for the contract (since they normally go over to a new occupational pensions scheme).

Insurance reserves development - Paid-up policies



Result elements and the life insurance company's earnings

The products' result is generated by three different elements: the administration, risk and interest results.

When converting to a fully paid policy the future administration charges are being paid up-front as a single premium by the sponsor of the pension scheme. This single premium is calculated as a percentage of the size of the insurance reserves. This single premium is reserved for as an administration reserve for all future expenses. The administration result shows the difference between the annual administration premium deducted from this reserve and actual operating costs. The administration result is allocated in full to the company.

The risk result comes from mortality and disability rates deviating from the assumptions in the premium tariffs.

The interest result is generated by the return on invested assets being higher than the guaranteed interest. If the return on investments is poor, i.e. lower than the guaranteed interest, the company can use buffer capital (additional statutory reserves and the market value adjustment reserve) to cover any deficit. The market value adjustment reserve is a collective buffer shared by all policies. On the contrary, additional statutory reserves are individual for each policy and not subject for any cross subsidising between policies. In addition the limit for additional statutory reserves is one years interest rate guarantee, thus this buffer cannot cover any negative investment return. Any remaining deficit after the buffer capital has been used will be covered by the company's equity.

Paid-up policies have what is called a modified profit sharing model. The owner's share of the interest result is limited upwards to 20% of the interest result pursuant to the applicable rules. The risk result is treated asymmetrically: Up to 50% of the positive risk result can be transferred to the risk equalisation fund, which can cover any future negative risk result. The remaining part of the positive risk result is allocated to the customers. A negative risk result can be covered using the risk equalisation fund or thereafter a positive interest result. Any deficit in the risk result beyond this is covered by the company's equity. As mentioned above, the administration result is allocated to the company.

The key result drivers behind the life insurance company's earnings are thus:

- The size of the customer portfolio:
The portfolio is growing mainly due to a steadily increasing number of paid-up policies due to employees changing jobs (leaving)
- The return on the investment portfolio.
- Deviation from the expected levels of expenses, longevity, mortality and disability build in the reserves

Risk management

Managing financial risk is a priority since achieving a return that exceeds the guaranteed interest is the key factor for generating a profit, and a low return will result in a charge against the buffer capital and eventually the life insurance company's equity. Building up and preserving additional statutory reserves (conditional customer reserves) and the market value adjustment reserve (unrealised gains in the investment portfolios), and the use of these in years with particularly poor financial returns are key elements of risk management. Paid-up policies have their own assets portfolio in which the asset profile is tailored to its risk-bearing capacity.

1.4 GROUP DEFINED BENEFIT PLANS

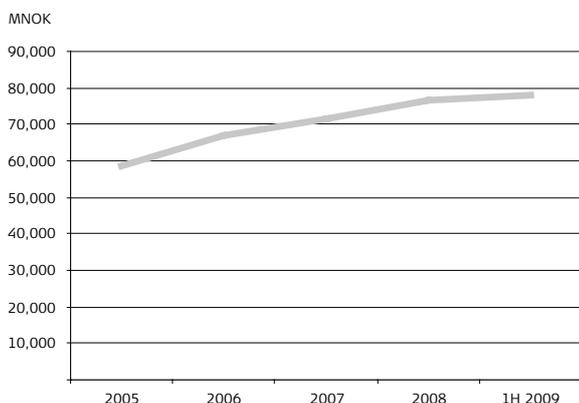
Product characteristics

Group defined benefit plans is a product in which companies buy pension plans for their employees from Storebrand. The pension guaranteed to the individual employee is normally a percentage of their expected final salary, e.g. 66% (incl. the expected state pension (National Insurance Scheme)). The premium the company pays to Storebrand is calculated actuarially and Storebrand guarantees the company and the employees a minimum return on the funds paid in. Storebrand charges various fees; for the guarantee, for the risks associated with the product's insurance elements, and for the actual administration of the pensions. Risk coverage (typically in the event of disability or mortality which leads to a spouse- and orphan pension) is an integral part of the product.

Market trends

Group defined benefit plans are a key product in the Norwegian market. Despite the fact that most of the new sales in recent years have been of defined contribution pensions, defined benefit pensions continue to have a strong foothold in the market. Defined benefit plans are almost universal in the public sector (including in the competitive part). Customers (employers) have a right to transfer their policies and therefore there is an active market, even though the number of brand new defined benefit plans being established is small.

Insurance reserves development - Defined benefit



Result elements and the life insurance company's earnings

The product's result is made up by three elements: administration result, risk result and a fee for providing the interest rate guarantee including a risk margin. However, if the portfolio return is below the interest rate guarantee, Storebrand must provide the difference between the actual return and the guaranteed return, in contracts where the buffer capital is not sufficient to cover the difference.

The price charged for the guaranteed return is set as an percentage of the insurance reserves and will depend on factors such as the level of buffer capital associated with the policy, the level of exposure to risky assets in the portfolio, the level of the guaranteed return, and the current market situation, including the level of interest rates. The competitive situation will also play a part in setting the price for the interest rate guarantee.

The administration result is allocated to the company. The risk result is treated asymmetrically: Up to 50% of the positive risk result can be transferred to the risk equalisation fund, which can cover any future negative risk result. The remaining part of the positive risk result is allocated to the customers. A negative risk result must be covered by the risk equalisation fund or the company's equity.

The key result drivers behind the life insurance company's earnings are thus:

- The size of the customer portfolio:
The market for transfers between competitors is substantial. The customers' portfolio (and premium payment) also grows when salary and employment rates increase due to a need for increased reserves. The single premium related to salary increases (for previous pension earning years) constitute a considerable part of the premium income and reserve growth
- Price of interest guarantee and risk margin
- Deviation from the expected levels of expenses, longevity, mortality and disability build in the reserves and premiums

Risk management

Managing financial risk is a priority since any return below the guaranteed interest will be charged to the buffer capital and eventually the company's equity. Building up and preserving additional statutory reserves (conditional customer reserves) and the market value adjustment reserve (unrealised gains in the investment portfolios), and the use of these in years with particularly poor financial returns are key elements of risk management. The portfolio for group pensions is divided into a number of sub-portfolios based on the customers' profile choice and in which asset allocation is tailored to the individual portfolio's risk-bearing capacity.

1.5 DEFINED CONTRIBUTION PENSIONS

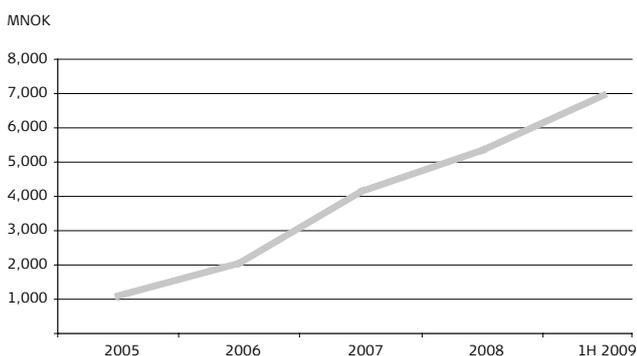
Product characteristics

Defined contribution pensions is a product in which companies buy pension plans for their employees from Storebrand. The premiums the customer pays are normally a percentage of salary and are invested on the basis of the underlying mutual funds. The employee's balance and pension is generated by the payments made and the return achieved. The contracts have no return guarantee. Risk coverage (typically in the event of death or disability) is in most cases an integral part of the product.

Market trends

Defined contribution pension are growing substantially. From a tax point of view the product was given (almost) equal status with defined benefit plans first in 2001, and has grown strongly since then. The introduction of mandatory occupational pensions in 2006 resulted in many companies establishing pension plans, and almost all those defined contribution pensions. Defined contribution pensions have only been on the market for a short period of time. Consequently the portfolio is currently limited, but growing strongly.

Insurance reserves development - Defined contribution



Result elements and the life insurance company's earnings

The life insurance company's income arises from the fees customers pay (primarily asset management fees). The life insurance company's earnings are based on the relationship between these fees and the company's operating costs.

The key result drivers behind the life insurance company's earnings are thus:

- The size of the customer portfolio:
Strong growth due to very large number of newly established pension plans
- The level and structure of fees
- Operational efficiency

Risk management

Unlike for products with interest guarantees, the financial market risk associated with the defined contribution pension product is limited. The risk management focuses on correct administration of the units and efficient operations.

1.6 UNIT LINKED (RETAIL)

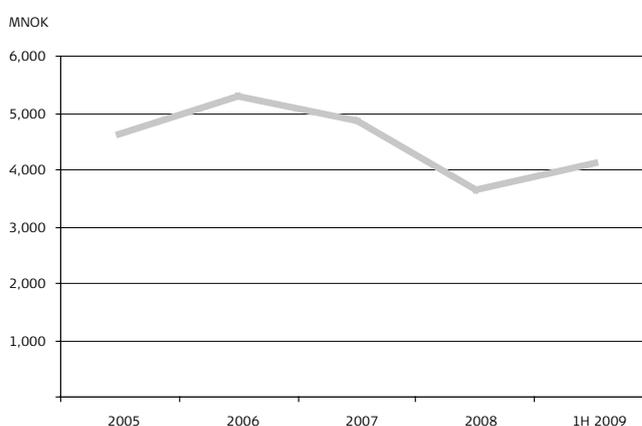
Product characteristics

Unit linked are funds-based pension policies that provide individual customers with far greater flexibility than traditional products. Customers can choose their asset allocation based on a wide range of funds. The products do not have interest rate guarantees and the insurance element in the product is limited. The products have some (but limited) tax benefits with a related lock-in period.

Market trends

Unit linked is a preferred solution for a minor part of the market, i.e. those subject to wealth tax who can also tie up their savings for the lock-in period. Given the current limited tax incentives, this product's future growth is expected to be modest.

Insurance reserves development - Unit linked



Result elements and the life insurance company's earnings

The life insurance company's income derives from the fees customers pay (primarily asset management fees). The life insurance company's earnings are based on the relationship between these fees and the company's operating costs.

The key result drivers behind the life insurance company's earnings are thus:

- The size of the customer portfolio
- The level and structure of fees
- Operational efficiency

Risk management

Unlike for products with interest guarantees, the financial market risk associated with the unit linked product is limited. The risk management focuses on correct administration of the units and efficient operations.

1.7 PURE PERSONAL RISK PRODUCTS

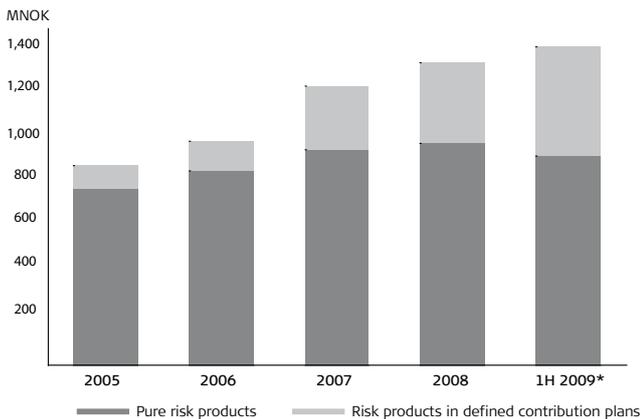
Product characteristics

Risk coverage (e.g. survivor and disability pensions) in the product areas described above can be integral elements of the contracts, and the risk results are treated in line with the descriptions provided. In addition, the life insurance company offers a number of 'pure' risk policies, typically for survivors in the event of death and disability coverage, but also including payments in the event of injury, critical illness, a child's illness, accidents, etc. These policies are designed to provide a lump sum in the event of the insurance instance occurring and are sold as both company (group) and individual plans.

Market trends

In general there is an increasing focus on the financial situation of people whose living situation changes. This, combined with the fact that the public safety net provides relatively limited coverage for people with higher incomes, has resulted in stable growth in the sale of risk products.

Premium income - Risk products



* Rolling 12 months income

Result elements and the life insurance company's earnings

The result is generated in the same way as for a P&C insurance product, i.e. the total premium income paid by customers and financial income have to cover the total claims and reserving, plus administration costs, in order to achieve profitability. The financial statements report the three life insurance result elements: the interest, risk and administration results. All of the three elements are allocated to the life insurance company. The allocation between the latter two result elements is of less importance.

The key result drivers behind the life insurance company's earnings are thus:

- The size of the customer portfolio (premium payments)
- Pricing (premiums) of administration and risk, and active management of costs and claims

Risk management

The risk management focuses on insurance-related underwriting and costs management.

1.8 SUMMARY OF THE LIFE COMPANY'S RESULT GENERATION

The profit allocated to the life insurance company is generated through the above-mentioned product areas with different earnings structures and the return in the company portfolio, as well as profit from subsidiaries. This is summarized below.

The life insurance company's result generation from the product areas

As the matrix below illustrates, the life company's (owner) earnings consist of the different result elements linked to the various product groups.

The company portfolio result

The company portfolio consists of the life insurance company's equity, subordinated loan capital, and other net liability items. The company portfolio is established to provide the life insurance company with a capital base adequate to meet external and internal capital requirements, and as working capital for operations. The company capital is invested in the financial market in a separate portfolio that primarily consists of short-term fixed income securities. The net return on the company capital is generated from the return on the investments less the interest costs for subordinated loan capital and liabilities.

The subsidiaries' result

Storebrand Life Insurance owns subsidiaries that report on their own line in the financial statements. These include Storebrand Financial Advising, Storebrand Pensions Systems and Actuary Systems.

| | Traditional profit sharing | Fee-based guaranteed business | Fee-based Unit Linked and risk products |
|----------------------------------|---|--|---|
| Administration result | Result to owner in paid-up policies, profit-sharing for individual pension | Result to owner | Result to owner |
| Risk result | Paid-up policies: 50% of profit to REF*/deficit covered by REF, positive interest result or owner Individual: profit sharing | 50% of profit to REF/deficit covered by REF or owner | Result to owner |
| Price on interest rate guarantee | — | Fee calculated as share of insurance reserves | — |
| Profit sharing | If return above guarantee Paid-up policies: 20% to owner Individual: 35% to owner | — | — |

* REF= Risk equalisation fund

1.9 GUIDE TO RESULT MODELLING

The important result drivers for modelling Life and Pensions Norway's result are described below.

Key result drivers that are known based on quarterly reporting

- **Asset allocation and other key details in various portfolios**

Asset allocation is reported for paid-up policies, individual annuity/pensions and endowment, and group defined benefit pensions individually, i.e. portfolios with interest guarantees. In addition the portfolios' expected return, funds under management, guaranteed interest per annum and historically achieved portfolio return are stated in the quarterly reporting.

- **Level of buffer capital in various products**

The additional statutory reserves, market value adjustment fund and result year to date, i.e. all buffer elements that can be used in the event of weak returns to cover the interest guarantee, are described for the same products as listed above.

- **Asset allocation, level of interest expenses and size of company portfolio**

The following is reported for the company portfolio: size of the capital, asset allocation, expected return and the interest expenses for subordinated loans.

- **Historic levels of administration and risk results, as well as results of subsidiaries**

The administration and risk results per product are reported as part of the financial statements. The subsidiaries' result is reported on a separate line in the profit and loss statement.

Key result drivers known from the financial market development

Development of Norwegian and international equities and interest markets

Storebrand uses benchmark indices in its management of equity and fixed income portfolios. Even though the management allows a degree of freedom to deviate from benchmarks (active asset management), the development of the benchmark indices still provide a good pointer to the direction of the investment result for the period.

Storebrand's Life and Pensions Norway uses the following benchmarks in its equities management:

- Foreign equities and private equity: MSCI World hedged to NOK
- Norwegian equities: OSEBX

The following benchmarks are used for fixed income management:

- Norwegian government bonds: DnB NoR Stat Alle
- Foreign government bonds: JP Morgan Global Government Bond Index (15% Japan) hedged to NOK
- Credit: Euro-Aggregate OAS (50%) and Euro-Aggregate Corporates OAS (50%) hedged to NOK
- Norwegian money market: DnB NOR Statssertifikat alle, DnB Nor Bank FRN
- Foreign money market (credit): Euro-aggregate Corporates hedged to NOK

Please note that loans and receivables portfolio are recognised in the financial statements according to the rules for amortised cost and not current market value.

Key result drivers that are not known to the market

Key result drivers that will not be known by external market players prior to the presentation of the results are described below. Market players therefore have to estimate these elements:

- **Storebrand's changes to asset allocations during the period based on the company's risk management**

Storebrand continuously adjusts the investment portfolios based on the company's risk management. The principle on which the risk management is based is that the company's investment risk should always be tailored to the level of risk capital (including additional statutory reserves and the market value adjustment reserve).

- **Higher or lower returns in Storebrand's portfolios in relation to the development of market indices**

Even though the market return for a period is known from the development of the benchmark indices, not inconsiderable higher or lower returns may be achieved due to the asset manager's good or poorer performance.

- **The buffer capital by different contracts (this affects the 'quality' of the buffer capital and the ability to use the buffer capital)**

Storebrand reports buffer capital for various product areas, but it is not reported per individual contract. Since the buffers can seldom be used across the contracts, this could have an impact in weak markets.

- **Special factors relating to non-listed asset classes**

Non-listed portfolios, including real estate and private equity, have historic returns that can be used as references for expectations concerning next quarter's returns. However, in some quarters there may be special effects that have a positive or negative influence.

- **Special factors that influence the period's administration and risk results, as well as the subsidiaries' result**

Administration and risk results, and results from subsidiaries are reported quarterly, and historic results can be used to estimate future results. In some quarters there can be special positive or negative effects.

1.10 PROFIT ALLOCATED TO CUSTOMERS

Good results for customers are important to ensure competitiveness over time. The profit allocated to customers depends on developments in the financial markets and the profile customers have chosen for their investments. The profit allocated to the customers helps to finance the next year's premium payments or increase in pensions. The profit allocated to the customers is reported on a separate line in the profit and loss account for traditional products. The return on underlying funds/profiles represents the result for defined contribution plans and unit linked customers.

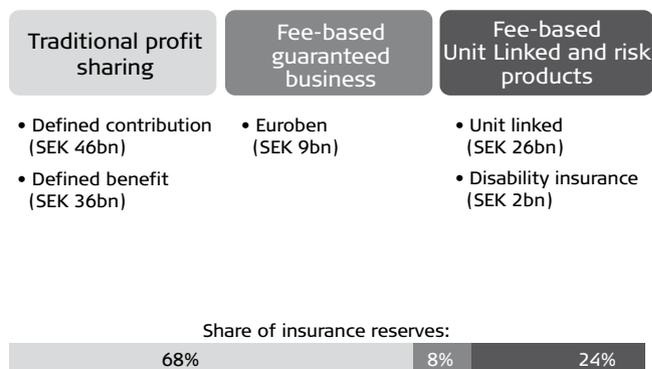
2 Life and Pensions Sweden (SPP Livförsäkring)

2.1 PRODUCT CATEGORIES - OVERVIEW

SPP offers pensions, insurance solutions and advice to corporate customers. The company also offers pension savings and personal risk coverage in the retail market. It is useful to divide the products into the following categories:

- Traditional defined benefit plans: group occupational pensions with guarantees**
 Defined benefit plans are group pension plans that companies have bought for their employees. The customers consist of both active employees and pensioners, but new sales of this product are limited. The product involves a guaranteed benefit and profit sharing.
- Defined contribution plans: individualised occupational pensions with guarantees**
 Defined contribution plans in SPP are occupational pensions with individualised contracts. The customer receives a guaranteed benefit and profit sharing. New sales are concluded with lower guaranteed rates than in earlier contracts.
- Unit linked: occupational pensions without guarantees**
 SPP's unit linked product is a contribution-based occupational pension plan without any financial guarantees from the life insurance company. The investment risk is borne by the customer based on investments in underlying mutual funds.
- Disability policies (pure risk coverage)**
 The disability policy product consists of long-term, individual disability coverage. The product is optional extra coverage for occupational pensions plans. The coverage primarily consists of compensation for loss of pay and a waiver of premiums in the event of disability.
- International pension plans in BenCo (Euroben and Nordben)**
 Euroben offers pan-Scandinavian pension plans to the corporate market suitable for international customers who want a cross-border, flexible pension plan. The insurance contracts have guaranteed benefits. Nordben offers pensions and life insurance to ex-pats outside the EU/EEA area. In this document the description is limited to a review of Euroben.

Life and Pensions Sweden product overview
Insurance reserves as at 30.06.09

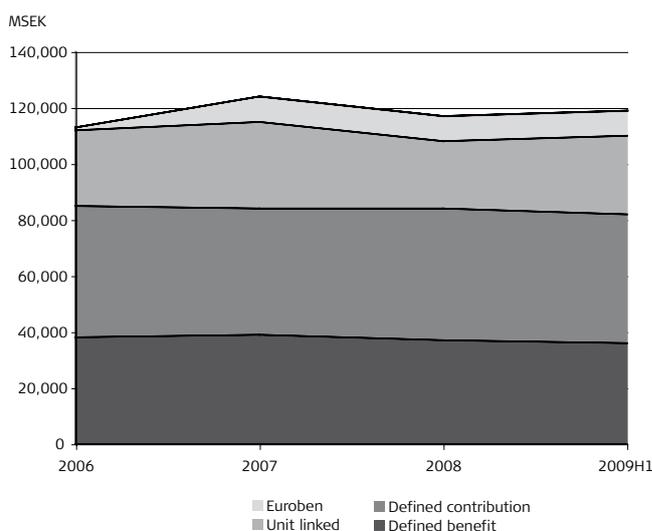


As the figure shows the largest proportion (76%) of SPP's Swedish life insurance business involves guaranteed products. These are products in which the company has agreed a guaranteed benefit (pension) at a defined period in the future.

However, customers are increasingly choosing products without interest rate guarantees. This means these products will experience continuous strong growth.

The figure below shows the historic trends in SPP's customer portfolios:

Insurance reserves development per product area



2.2 KEY TERMS IN SPP'S PROFIT SHARING

In order to understand the profit sharing models in the traditional defined benefit plans and defined contribution plans one needs to be familiar with the following different ways of calculating the size of insurance reserves:

- **Guaranteed reserve:** the present value of all binding future pension payments discounted by a guaranteed rate (the premium calculation rate).
- **Prospective reserve:** the present value of all binding future pension payments discounted by a market rate.

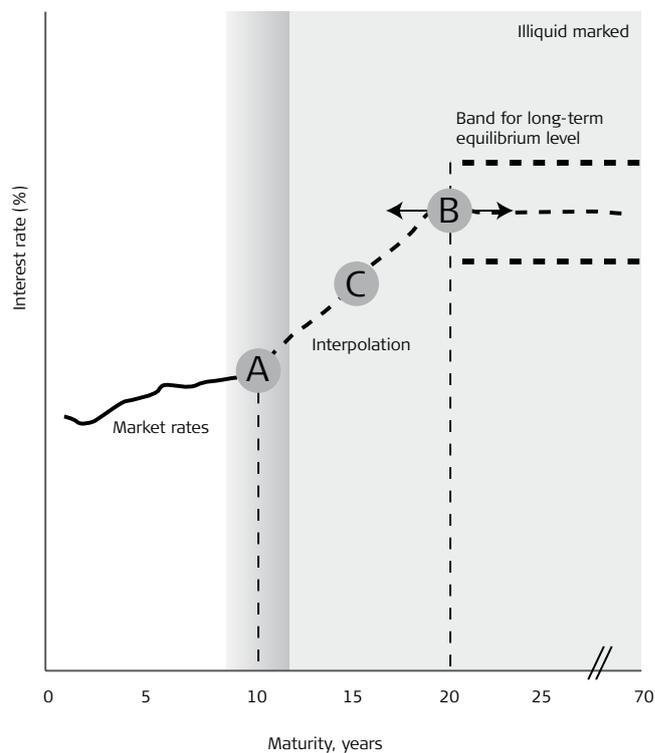
Since no observable, reliable market rates exist for the very long terms to maturity that apply in life insurance, SPP uses the following model (ref. graph):

(A) The maximum of government bond and swap curve rate is used for terms to maturity where there is assumed to be adequate liquidity in the Swedish market. At the close of 2008, the market was assessed as being liquid for up to 10 years.

(B) For liabilities with terms to maturity of more than 20 years a normalised rate is set, which is the sum of long-term assumptions about inflation, real interest rates and term premium (the current assumptions are 2.0% inflation, a real interest rate of 2.0%, and term premium of 0.5%, i.e. 4.5% in total). The 20 year rate is adjusted by 25% of the difference between the 10 year normalised rate (currently 4% based on 2% inflation and 2% real interest rate) and the actual 10 year rate.

(C) The interest rate for liabilities (payments) that lie between 10 years and 20+ years is set using a straight-line interpolation between the set interest points.

Illustrative



- **Retrospective reserve:** all historic premium payments and the actual return and profit achieved on the payments relating to the individual contract. In other words, this is the total customer assets in the portfolio. It is the retrospective reserve that is invested and which in turn generates the investment result.

2.3 TRADITIONAL DEFINED BENEFIT PLANS

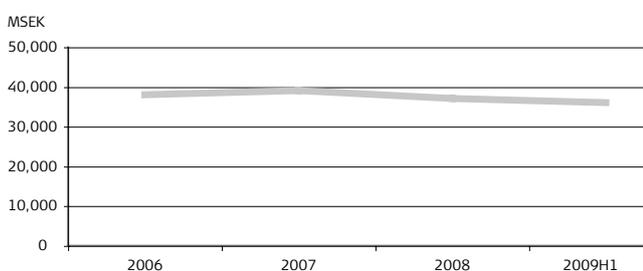
Product characteristics

Traditional defined benefit plans is a product in which companies buy pension plans for their employees. The premiums buys a guaranteed minimum pension at a given age. The product is subject to profit sharing, and returns over the guaranteed levels provide a basis for increased pension rights and a profit for the life insurance company.

Market trends

There is limited sales in the traditional defined benefit plans and the portfolio is thus mainly in run-off. Nonetheless, the portfolio will continue to be of importance for many years into the future because of the long-term nature of the products.

Insurance reserves development - Defined benefit



Result elements and the life insurance company's earnings

The product's result is generated by the elements: administration, risk and financial results. The administration and risk results are allocated in its entirety to the life company. The financial result is subject to sufficient funds to allow for indexations of the pension plans, before a fee is calculated.

The fee to the life insurance company is calculated on the following principles:

- If the retrospective reserve is a minimum of 107% of the prospective reserve¹, the pensions in payment will be increased by CPI, provided that the reserve level is a minimum of 107% after indexation. This will allow for a fee of 40 basis points to the life company.
- If the retrospective reserve is a minimum of 120% of the prospective reserve¹, the deferred pensions will be increased by CPI, provided that the reserve level is a minimum of 120% after indexation. This will allow for an additional fee of 40 basis points to the life company.
- If the retrospective reserve exceeds 150% of the prospective reserve, the surplus above 150% will be credited to the customers.

In this way the life insurance company receives up to 80 basis points of customers funds, subject to an adequate buffer in the retrospective reserve over the prospective reserve as long as the pensions' inflation adjustment is covered.

In contracts with a deficit (retrospective reserve < prospective reserve) the life insurance company has to make a contribution to the contracts. The contribution made by the life insurance company to any contracts with a deficit is called the deferred capital contribution (DCC). The DCC reserve is repaid to the life insurance company as the return on the applicable policies means a better contribution margin ratio is achieved in relation to the prospective reserve. If the return is lower than the changes in the prospective reserve, DCC is contributed, and if the return is higher than the changes in the prospective reserve, the DCC contribution is reversed. Any change in DCC will have an impact on the profit and loss statement.

The key result drivers behind the life insurance company's earnings are thus:

- The size of the customer portfolio
- Investment return
- Changes in market rates
- Consumer price index
- Deviation from the expected levels of expenses, longevity, mortality and disability build in the reserves and premiums

Risk management

Managing financial risk is a priority since achieving a return that exceeds the guaranteed rate is the key factor for generating a profit, and a low return will result in a charge against the buffer capital and eventually the company's equity. The buffer capital in the contracts is called the conditional bonus (Villkorad Återbäring) and is equal to the retrospective reserve minus the prospective reserve. Defined benefit plans have their own asset portfolio in which the profile is tailored to its risk-bearing capacity. In years when investment results are below the guaranteed interest the owner will not have to contribute more capital as long as the retrospective reserve amounts to at least the prospective reserve.

¹ Prospective reserve including conditional indexation provided in the past. As of 30.09.2009, the pro forma consolidation ratio was 105% in the largest sub-portfolio.

2.4 DEFINED CONTRIBUTION PLANS

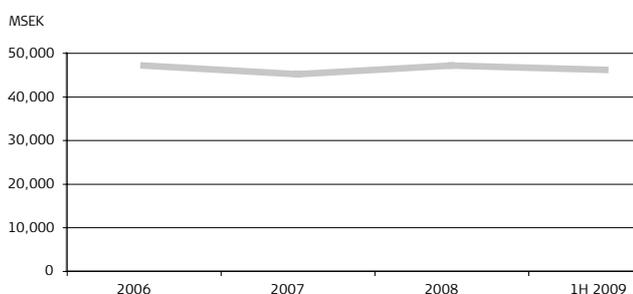
Product characteristics

SPP's defined contribution plans are individualised occupational pensions plans with guaranteed benefits and profit sharing. Companies buy these products as pension plans for their employees. The primary difference between SPP's defined benefit plans and defined contribution plans is that the latter have no group elements or profit sharing at a group level. The plans are individual.

Market trends

Sales of defined contribution plans remain a focus area for SPP. New sales only take place in the P250 portfolio (the interest guarantee in this portfolio is 2.5% or 1.25%. New sales are concluded at 1.25%), which is an attractive product for many companies. Customers with defined contribution plans have transfer rights.

Insurance reserves development - Defined contribution



Result elements and the life insurance company's earnings

The product's result is generated by the three elements: the administration, risk and financial results. The administration and risk results are allocated in its entirety to the owner.

The financial result profit is shared pursuant to the following model:

The retrospective reserve provides the basis for the profit sharing. If the investment return is higher than the guaranteed rate, 90% of the investment result is allocated to the customers' funds (retrospective reserve). The remaining 10% is allocated to the life insurance company.

If the retrospective reserve is lower than the prospective reserve (i.e. the contracts have a deficit), the life insurance company has to contribute funds to the customers via a claim against the life insurance company. The sum of this claim is called the deferred capital contribution (DCC). The DCC reserve is repaid to the life insurance company as the return on the applicable policies means a better contribution margin ratio is achieved in relation to the prospective reserve. If the return is lower than the changes in the

prospective reserve, DCC is contributed, and if the return is higher than the changes in the prospective reserve, the DCC contribution is reversed. Any change in DCC will have an impact on the profit and loss statement.

For the majority of the contracts with retrospective reserve exceeding 115% of the guaranteed value, the surplus becomes part of the customers' guaranteed value by increasing guaranteed benefit.

The key result drivers behind the life insurance company's earnings are thus:

- The size of the customer portfolio
- Investment return
- Changes in interest rates
- Deviation from the expected levels of expenses, longevity, mortality and disability build in the reserves and premiums

Risk management

Managing financial risk is a priority since achieving a return that exceeds the guaranteed interest is the key factor for generating a profit, and a low return will result in a charge against the buffer capital and, eventually, the life insurance company's equity. The buffer capital in the contracts is called the conditional bonus (Villkorad Återbäring) and is equal to the retrospective reserve minus the prospective reserve. The asset management of defined contribution plans are divided into different portfolios depending on the guarantee rate (P250, P300 and P520 respectively). Their profiles are tailored to their risk-bearing capacity.

In years when investment results are below the guaranteed interest the owner will not have to contribute more capital as long as the retrospective reserve amounts to at least the prospective reserve.

2.5 UNIT LINKED

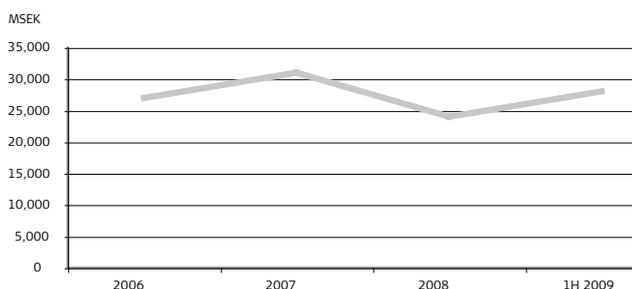
Product characteristics

SPP's unit linked business consists of contribution-based, individualised occupational pensions. The premium payments are invested in underlying mutual funds and the customer receives the related return. The product has no guaranteed interest.

Market trends

Unit linked is an important product in relation to new sales and the portfolio is anticipated to grow considerably.

Insurance reserves development - Unit linked



Result elements and the life insurance company's earnings

The product's result is generated by the administration and risk results achieved. The life insurance company's earnings are based on the relationship between fees and the company's operating and insurance costs.

The key result drivers behind the life insurance company's earnings are thus:

- The size of the customer portfolio
- The level and structure of fees
- Active management of costs and insurance risk

Risk management

Unlike for products with interest guarantees, the financial market risk associated with the defined contribution pension product is limited. The risk management focuses on correct administration of the units, efficient operations and insurance risk.

2.6 DISABILITY INSURANCE

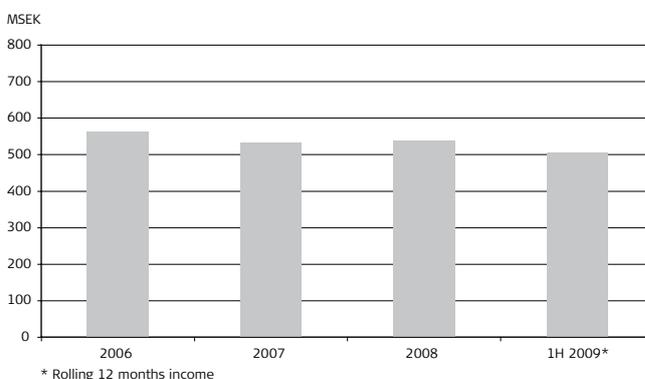
Product characteristics

SPP's disability insurance consists of long-term, individual coverage. The coverage is sold as an optional extra with occupational pensions plans. The coverage consists of compensation for loss of pay and a waiver of premium in the event of disability due to an accident and/or illness. The coverage expires upon reaching retirement age.

Market trends

Disability insurance is increasingly offered as a separate product from separate providers. SPP has historically achieved a strong market position in this segment, but experienced declining market shares the latter years. SPP is currently developing a stronger offer in order to gain a higher share of the growth.

Premium income - Disability insurance



Result elements and the life insurance company's earnings

The result is generated in the same way as for a P&C insurance product, i.e. the total premium income paid by customers and financial income have to cover the total compensation and reserves, plus administration costs, in order to achieve profitability. The result elements, the interest, risk and administration results are allocated to the owner.

The key result drivers behind the life insurance company's earnings are thus:

- The size of the customer portfolio
- Pricing (premiums) of administration and risk, and active management of costs and compensation frequency

Risk management

The risk management focuses on insurance-related underwriting and costs management.

2.7 EUROBEN

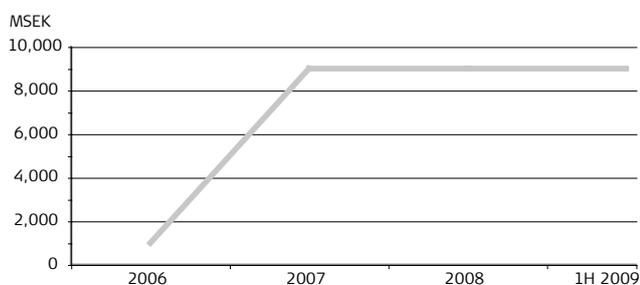
Product characteristics

Euroben offers pan-Scandinavian pension plans to Nordic corporate customers. Euroben manages a substantial pensions scheme for SAS' pilots in a special product and also offers the Europlan product to other customers. The Europlan product is primarily based on single premiums that are used to purchase pension annuities.

Market trends

Transborder pensions plans tailored to multinational companies simplify workplace mobility within these companies. Euroben takes advantage of more flexible regulations to design such pension plans than what is possible in Norway and Sweden. The company works actively with the distribution channels in SPP and Storebrand Life Insurance to offer the customers good solutions.

Insurance reserves development - Euroben



Result elements and the life insurance company's earnings

The administration and risk results are allocated to the life company in their entirety, while the financial result is allocated to the customers. The company receives a fee for the underlying guarantee in the product. This fee is calculated as a percentage of the customers' reserves.

The key result drivers behind the life insurance company's earnings are thus:

- The size of the customer portfolio
- Price of the interest guarantee
- Pricing (premiums) of administration and risk, and active management of costs and compensation frequency

Risk management

The company has to contribute capital (DCC) if the value of the investment assets is lower than the reserve requirement. This potential DCC can be repaid to the company later on if the investment assets exceed the necessary level of reserves. Therefore, a key element of the risk management is ensuring proper capital management.

2.8 SUMMARY OF THE LIFE COMPANY'S RESULT GENERATION

The profit allocated to the life company is generated through the above-mentioned product areas with different earnings structures and the return in the company portfolio.

The life insurance company's result generation from the product areas

As the matrix below illustrates, the life insurance company's (owner) earnings consist of the different result elements linked to the various product groups:

In addition to the result from the product areas, the owner generates profit from the company capital. This is described in the following two sections.

The company portfolio result

SPP's company capital consists of equity and subordinated loan capital. The company portfolio is established to provide the life insurance company with a capital base adequate to meet external and internal mandatory capital requirements, and as working capital for current operations. The company capital is invested in the financial market in a separate portfolio that primarily consists of short-term fixed income securities. The net return on the company capital is generated from the return on the portfolio less the interest costs for subordinated loan capital.

The subsidiaries' result

SPP's result from other subsidiaries derives from SPP pension services (advisory and consulting services).

| | Traditional profit sharing | Fee-based guaranteed business | Fee-based Unit Linked and risk products |
|--------------------------------|--|---|---|
| Administration result | Result to owner | Result to owner | Result to owner |
| Risk result | Result to owner | Result to owner | Result to owner |
| Fee-charge guaranteed benefits | — | Fee calculated as share of insurance reserves | — |
| Profit sharing | DB: Up to 80 bps of reserves to owner according to terms described DC: If return above guarantee up to 10% of the investment result to owner according to terms described | — | — |

2.9 GUIDE TO RESULT MODELLING

The development of the result in Life and Pensions Sweden can be modelled on the basis of known information and the development of key result drivers. The important result drivers that are known and uncertain, respectively, for external market players are described below.

Key result drivers that are known based on the company's reporting

- **Asset allocation and other key details in various portfolios**
Asset allocation is reported for defined benefit, defined contribution (three different portfolios) and Euroben respectively. The expected return, funds under management and guaranteed interest per annum, DCC, duration of liabilities and historic achieved return, by the various portfolios, are also reported.
- **Level of buffer capital in various portfolios**
The conditional bonus (Villkorad Återbäring) and result so far this year, i.e. the buffer elements that can be used in the event of weak returns, are also described for these same portfolios.
- **The size of the company portfolio**
As far as the company capital is concerned, the size of this portfolio is reported.
- **Historic levels of administration and risk results**
The administration and risk results per product are reported as part of the financial statements.

Key result drivers known from the financial market

Development of Swedish and international equities and interest markets

SPP uses benchmark indices in its management of equity and fixed-income portfolios. Even though the management allows a degree of freedom to deviate from benchmarks (active asset management), the development of the benchmark indices still provide a good pointer to the direction of the investment result for the period.

SPP uses the following benchmarks in its equities management:

- Foreign equities and private equity: MSCI World hedged to SEK
- Swedish equities: OMXSB

The following benchmarks are used in fixed income management:

- Swedish government bonds: HMNI GOV
- Swedish index linked bonds: HMNI REAL
- Swedish Mortgage bonds: HMNI MTGE
- Credit and money market: STIBOR 3M

The development of Swedish interest rates also affects the development of the liabilities, ref. section 2.2 above.

Key result drivers that are not known to the market

Key result drivers that will not be known by external market players prior to the presentation of the results are described below. Analysts therefore have to estimate these result drivers.

- **SPP's changes to asset allocations during the period based on the company's risk management**

SPP continuously adjusts the investment portfolios based on the company's risk management. The principle on which the risk management is based is that the company's investment risk should always be tailored to the level of risk capital.

In addition to the asset allocation in the customer portfolios SPP also holds a hedge portfolio to mitigate risk related to contracts with little or no buffer capital. The level of hedging is adjusted on an ongoing basis.

- **Higher or lower returns in SPP's portfolios in relation to the development of market indices**

Even though the market return for a period is known from the development of the benchmark indices, higher or lower returns may be achieved due to the asset manager's good or poorer performance.

- **The buffer capital distributed by different contracts**

SPP reports buffer capital for various product areas, but it is not reported per individual contract. Since the buffers can seldom be used across contracts, this could have an impact in weak markets.

- **Special factors relating to non-listed asset classes**

Non-listed portfolios, 'alternative investments', may develop differently to benchmark indices.

- **Special factors that influence the period's administration and risk results**

Historic results can be used to estimate future results. Particular positive or negative effects may occur in some quarters.

2.10 PROFIT ALLOCATED TO CUSTOMERS

Good results for customers are important to ensure competitiveness over time. The profit allocated to the customer is driven by the return that exceeds the premium calculation rate. The profit is shared between the customers and owner. In the case of unit linked the return to customers is the result of the underlying funds/profiles and the entire financial result is allocated to the customers.

3 Valuation of unlisted assets

The situation in the financial markets means that the proportion of financial instruments that can be valued on the basis of observable prices or assumptions has declined compared with earlier periods. Below follows a specification of the various groups of assets which includes a description of how this type of asset is valued in the accounts of Storebrand Life Insurance and SPP.

3.1 PRIVATE EQUITY

The majority of Storebrand's private equity investments are investments in private equity funds. It also has a number of direct investments.

The investments in private equity funds are valued on the basis of the values reported by the funds. The private equity funds Storebrand has invested in value their own investments in accordance with pricing guidelines stipulated by, among others, EVCA (European Private Equity Venture Capital Association) or in accordance with FASB 157. Most of the private equity funds report on a quarterly basis, while a few report less often. In those cases where Storebrand has not received an updated valuation with respect to an investment from a fund by the time the accounts are closed, the valuation last received is used and adjusted for cash flows and any significant market effects during the period from the last valuation up to the reporting date. These market effects are estimated on the basis of the type of valuations made of the companies in the underlying funds; the financial performance of relevant indices, adjusted for estimated correlation between the relevant company and the relevant index.

In the case of direct private equity investments, the valuation is based on either recently conducted transactions or a model in which a company that is in continuous operation is assessed by comparing the key figures with equivalent listed companies or groups of equivalent listed companies. The value is reduced by a liquidity discount, which can vary from investment to investment. Companies that are in a start up phase, have undergone previous expansions, or which are undergoing structural changes for some other reasons that make them harder to price in relation to a reference group, will be valued at the lowest of costs and estimated value, where the estimated value is apparent from a variance analysis vis-à-vis its plans.

In the case of investments in which Storebrand participates as a co-investor together with a leading investor that conducts a valuation, and no recent transactions exist, this value will be used by Storebrand after being quality assured. In the case of investments for which Storebrand has not received an up-to-date valuation from a leading investor by the time the accounts are closed, the previous valuation is used and adjusted for any market effects during the period

from the last valuation up to the reporting date. In those cases where no valuation is available from a leading investor in the syndicate, a separate valuation will be made, as described above.

3.2 OTHER UNLISTED SHARES AND UNITS

The shares valued using models based on unobservable assumptions primarily include all Norwegian and foreign unlisted equity investments in forestry companies. The equity investments are valued on the basis of value-adjusted equity reported by external sources.

3.3 BONDS AND OTHER FIXED-INCOME SECURITIES

The bonds that are valued using models based on unobservable assumptions primarily include investments in non-guaranteed foreign asset backed securities that are not traded in an active market. These asset backed securities are valued on the basis of prices from external providers and quality assured using price checks. This is primarily done by comparing prices with various price providers.

3.4 REAL ESTATE

The company carries out its own assessment of the value of the properties. The properties are valued individually by discounting estimated future net income streams by a discount rate corresponding to the yield requirement for the relevant investment. The net income stream takes into account existing and future reductions in income resulting from vacancy, necessary investments and an assessment of the future development in market rents. The yield requirement is based on the expected future risk-free interest rate and an individually determined risk premium, dependent on the tenancy situation and the building's location and standard.

In the case of shopping centres the property's value is calculated on the basis of a market yield (direct return in year 1) for the individual property and not the discounted long-term cash flow. 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.

The number of transactions in the market has been limited due to the financial instability and in general the uncertainty associated with the information used in valuations has increased compared with 2007. External valuations are also obtained for a representative selection of the company's properties to support its own valuations.

4 Life insurance solvency and capital adequacy

The Storebrand Group aims to be adequately and effectively capitalised, taking into account the risk in the business. The composition of business areas and their growth are important drivers for the capital requirement. The goal of capital management is to ensure an efficient capital structure and to balance cost of capital considerations and the goal of a competitive return on equity with the need for adequate capitalisation based on regulatory and rating requirements.

The group's long-term target is a solvency margin of at least 150% and a capitalisation level supporting an 'A' level rating for the life insurance business.

Life insurance in Norway is subject to two regulatory capital requirement tests, the EU requirement (Solvency I) and the banking requirement (Basel I), both of which must be satisfied.

Life insurance in Sweden is subject to the EU solvency requirement test. The solvency capital at SPP Group comprise of shareholders equity which may differ from the financial accounts due to differences in valuation method for insurance liabilities. Under the solvency requirement test the insurance liabilities are valued using discount rates based on the average of government bonds interest rates and covered bonds interest rates, whereas in the financial accounts the discount rates are based on swap rates.

Solvency and Capital Adequacy

| NOK mill. | 31 Dec 2008 | 30 Jun 2009 |
|------------------------------|-------------|-------------|
| Storebrand Life Group | | |
| Solvency Capital | 16 580,1 | 15 421,4 |
| Solvency Requirement | 10 353,9 | 10 040,5 |
| Solvency Margin | 160,1 % | 153,6 % |
| SPP Group | | |
| Solvency Capital | 5 136,5 | 6 887,5 |
| Solvency Requirement | 3 817,2 | 3.320,5 |
| Solvency Margin | 134,6 % | 207,4% |

5 Storebrand Asset Management

Storebrand's asset management activities include the companies Storebrand Investments, Storebrand Fondene, SPP Fonder and Storebrand Eiendom. Storebrand Asset Management manages intragroup assets, including for Storebrand Life Insurance and SPP. Storebrand offers a wide range of mutual funds to retail customers and institutions under the Delphi and Storebrand Fondene brand names. Larger customers are also offered discretionary management. Storebrand Eiendom is one of Norway's largest real estate companies and manages real estate portfolios both in Norway and abroad.

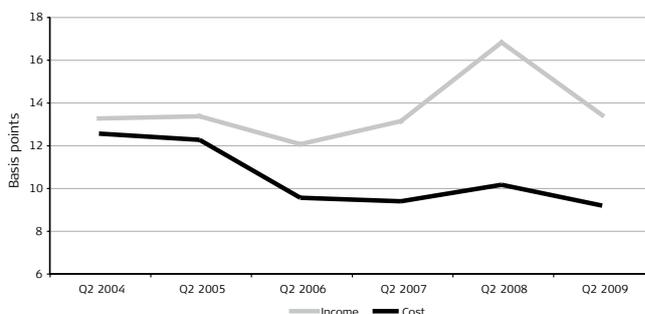
Storebrand reports the development of assets under management every quarter categorised as (i) intragroup securities (applies to Storebrand's Norwegian business), (ii) property (managed for Storebrand Life Insurance), (iii) SPP, (iv) discretionary assets and (v) mutual funds.

The income consists of management fees and return-based fees (performance fees). The management fees are primarily volume-based, i.e. they are charged as a percentage of the assets under management. Performance fees are normally included in actively managed discretionary portfolios and, to a lesser extent, in mutual funds. The performance fees are mainly recognised as income on an annual basis.

The costs side primarily consists of personnel costs, distribution costs and other costs (including IT). Good asset management results in the recognition of performance fees as income and thus generate increased costs due to the performance-based salaries paid to managers.

The asset management business usually expresses income and costs as basis points in relation to the capital under management. The figure below shows the development of margins in Storebrand Investments:

Margin development - Storebrand Investments



The business model is easier to understand compared to life insurance: a profit is generated by ensuring the fees exceeds the operating costs. Storebrand Investments has built up a strong management platform so it can handle a wide range of customers and mutual funds, a large number of transactions and series of portfolios with different mandates. This strong, stable platform results in great scalability, i.e. the extra costs of handling further portfolios is limited. This was clearly confirmed upon the transfer of SPP's investment portfolios to Storebrand Investments at the start of 2009.

This means that good growth in the assets, combined with good asset management results and thus performance fees, provide a basis for strong, increasing profitability in the business. Management for retail customers is generally more profitable per NOK under management than management for institutional customers.

Storebrand Eiendom manages Storebrand Life Insurance's real estate portfolio and generates management income from this. Storebrand Eiendom's results are stated in a separate line in the result of the asset management business.

6 Storebrand Bank

Storebrand Bank offers traditional banking services such as accounts and loans in the retail market and a broad range of financial services to corporate customers within the commercial real estate segment. The bank also offers investment banking services and stockbroking. The bank aims to actively recruit new customers to Storebrand through its position as a charge-free online bank. The bank has experienced considerable growth in recent years, especially in the retail market.

The bank's business model differs from the general banking market in that a large proportion of loans go to the retail market (almost exclusively mortgages) and corporate customers are mainly in the real estate segment.

Another important difference is that the bank, to date, is not a large distributor of other savings and insurance products offered by Storebrand. Whilst most Norwegian banks sell (and own the companies that produce) savings and insurance products and through this achieve a high level of 'other income', the situation in Storebrand is different. The life insurance company owns the broad distributions platform in the group, whilst the bank from 2009 has established direct distribution via the Internet and its call centre from which it aims to build up recurring revenues from cross sales of Storebrand group products and services. For now, the bank's key source of income is the net interest margin. Net interest margins have been under sustained pressure in the Norwegian market in recent years.

The bank has in the last few years experienced moderate losses from lending and the loan portfolio is of uniformly good quality. The bank has established subsidiaries, Storebrand Boligkreditt and Storebrand Eiendoms-kreditt, to utilise the financing advantages of 'covered bonds'. Portfolios of suitable loans are transferred to these companies from the bank holding company's balance sheet.

The most important profit driver in the retail market in the future will be utilising the well-established customer base to increase cross-sales since this will increase 'other income'. Sustained clever and competitive pricing will also be important. The priority in the corporate market is primarily cross-sales (investment banking) and closely monitoring credit to ensure that lending losses continue at low level.

7 Storebrand P&C

Storebrand P&C offers standard insurance products in the Norwegian retail market. The products were launched in the autumn of 2006. They are distributed via the Internet and telephone. The company also has selected products for the corporate market.

Storebrand P&C owns Oslo Reinsurance Company (Oslo Re). Oslo Re is a former reinsurance company that has been in run-off for years. There are very few outstanding contracts left.

Besides the new business and Oslo Re, Storebrand P&C consists of a insurance liability (fronting liability) that is reinsured in If.

8 Storebrand Health Insurance

Storebrand Health Insurance offers treatment plans in the Norwegian and Swedish retail and corporate markets. The company is 50% owned by Storebrand.

9 Storebrand ASA (the holding company)

Storebrand ASA (the holding company) is a financial holding company with limited activities. However, group functions within group management, corporate governance, business controlling and finance functions, legal, information and branding, and investor relations are organised in the holding company.

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Storebrand ASA

Headquarters: Filipstad Brygge 1, Postboks 1380 Vika, N-0114 Oslo, Telephone 08880, www.storebrand.no

